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Regulations on Re-exporting Imported Goods and Temporary Import are Tightened

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ABOUT DDTC Newsletter

Published every two weeks, DDTC Newsletter provides a summary of key tax law changes, both the current modifications and changes in taxation regulations, particularly those pertaining to domestic policies.

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New Regulation on Re-Exporting Imported Goods

The government has emphasized regulation related to re-exporting imported goods through Minister of Finance Regulation (MoF Reg) No. 102/PMK.04/2019 concerning Re-Exporting Imported Goods. This PMK revokes the former one, which is MoF Reg No. 149/PMK.04/2007. This new provision is stipulated to ensure law certainty and improve the supervision and service in export duty on re-exporting of imported goods.

As has already been regulated in the previous provision, re-exporting imported goods could be performed in case the products are not as ordered, mistakenly sent, or prohibited to import according to existing regulations.

However, compared to the previous one, the new regulation provides the prohibition provision concerning re-exporting imported goods in more detail. First, the re-exporting activities cannot be performed if the customs of such imported goods have not been reported and there have been lawful consequences performed accordingly.

Second, the re-export cannot be executed in case the customs of such goods have been reported but the audit result shows that the amount and type of the goods are not matched with the report.

Nevertheless, importers that are recognized as authorized economic operator (AEO) or main customs partners and low risk importer are immune to this prohibition.

Third, imported goods that are potentially harmful to health and environment and required to be re-exported according to law should be re-exported with approval from Customs Office Head.

Importer is required to propose export request to Customs Office Head in order to obtain the approval. Afterwards, the Customs Office Head or authorized official review the proposal. If it is found that the imported goods do not fulfil requirements to be re-exported, the Customs Office Head will issue rejection letter along with the reasons.

Temporary Import Regulation Is Tightened

After revising the regulation concerning re-exporting imported goods through MoF Reg No. 102/2019, the government also revised regulation concerning temporary import regulation. The previous regulation concerning this matter, MoF Reg No. 178/PMK.04/2017 is revised through MoF Reg No. 106/PMK.04/2019.

Similar to the revision of regulation concerning re-exporting imported goods, this provision also tightened the former. Presently, the number of type of goods that are exempted are reduced. These goods are sample or model products, vehicle or transport facilities that are used by foreigner, vehicle or transport facilities that are not regularly used and imported goods by the government.

Time period for temporary import is also being tightened. In the former regulation, the time period for temporary imports that are exempted from import duty was 3 years. Presently, it is only 1 year with an extension option of maximum 3 years. For certain temporary imported goods that are used for exhibition, seminar or other similar type of purposes, the time period is only 1 year without extension option.

For temporary imported goods for exhibition of four-wheel vehicle with minimum 3000 cc engine and two-wheel vehicle with minimum 500 cc engine, the time period is only 2 months. These types of temporary imports should be stored in particular place under the supervision of the Directorate General of Customs and Excise (DGCE) during break times between exhibitions.

The Number of Jurisdictions Exchanging Financial Information with Indonesia Increases

The number of jurisdictions that will automatically exchange financial data for the purpose of taxation with DGT continues to increase. This is stated in the Director General of Taxes Announcement No PENG-05/PJ/2019 concerning the List of Participating Jurisdictions and Reportable Jurisdictions for the Purpose of Automatic Exchange of Financial Account Information (PENG-05/PJ/2019).

This announcement, which was signed in Jakarta on 10 July 2019, acts as the implementation provision for of Article 16a and 16b of the MoF Reg No. 70/PMK.03/2017 concerning Technical Guidelines on Access to Financial Information for Tax Purposes (MoF Reg No.70/2017), as lastly amended by MoF Regulation No. 19/PMK.03/2018 (MoF Reg No.19/2018).

This regulation becomes the follow-up information which is caused by the increase numbers of jurisdictions that have signed and/or activated the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information.

As mentioned on the appendix of the Announcement, there are 98 participating jurisdictions which were previously 94 jurisdictions (PENG-04/PJ/2019). It means that there are four new jurisdictions joined as

participating jurisdictions for conducting Automatic Exchange of Information (AEoI) with Indonesia, namely Albania, Brunei Darussalam, Ghana, and Saint Kitts & Nevis.

The meaning of participating jurisdiction itself is mentioned on MoF Reg No.19/2018. Based on this regulation, participating jurisdiction is a foreign jurisdiction which is legally bound with Indonesian Government under International Agreement, which is obliged to deliver financial information on an automatic basis.

Furthermore, in the appendix of this Announcement, there is a list of 82 reportable jurisdictions. This number increased from the previous which is only listed 81 jurisdictions. The new jurisdiction mentioned in this list is Saint Kitts and Nevis.

The reportable jurisdiction itself is the destination for the Indonesian Government in carrying out the obligation of delivering financial information on an automatic basis. A complete list of 98 participating jurisdictions and 82 reportable jurisdictions can be seen here.

The Extension of Anti-Dumping Import Duty of Hot Rolled Plate Imports from China, Singapore and Ukraine

The government has extended the imposition of anti-dumping import duties (*bea masuk anti-dumping*/ BMAD) on Hot Rolled Plate (HRP) imports from China, Singapore, and Ukraine. This is set forth in the Mof Reg No. 111/PMK.10/2019 concerning Imposition of Anti-Dumping Import Duty on Import of Hot Rolled Plate (HEP) Originating from The People's Republic Of China, Singapore, and Ukraine.

The regulation signed on 1 August 2019 is only the extension of MoF Reg No. 50/PMK.010/2016 which has expired. The point that distinguishes between the new BMAD regulation and the old one is the validity period. In the previous regulation, the validity period of BMAD imports on HRP was only three years. While the new rule is valid for five years.

This regulation also specify the types of products affected by BMAD. *First*, flat-rolled products of iron or non-alloy steel; of a width of 600 mm or more; hot-rolled, not clad, plated or coated; not in coils; not further worked than hot-rolled; of a thickness exceeding 10 mm; classified under tariff heading 7208.51.00.

Second, flat-rolled products of iron or non-alloy steel; of a width of 600 mm or more; hot-rolled; not clad, plated or coated; not in coils; not further worked than hot-rolled; of a thickness of 4.75 mm or more but not exceeding 10 mm; classified under tariff heading 7208.52.00.

BMAD is imposed as additional general import duty (Most Favored Nation) or additional preference import duty based on schemes of international goods trading agreement applicable in the event that the import is carried out from those countries included in the said schemes of international goods trading agreement. This regulation shall come into force after 14 days from it's promulgation.

Table 1 – BMAD Rate on HRP Products

No.	Country of Origin	Rate of Anti-Dumping Import Duty in Percentage (%)
1	China	10.47
2	Singapore	12.50
3	Ukraine	12.33

Source: MoF Reg No 111/2019.

Confirmation of Taxpayer Status Obligation Applied for Ministry of State-Owned Enterprises

Ministry of State-Owned Enterprises is determined as one of ministry who is obliged to implement Confirmation of Taxpayer Status (Konfirmasi Status Wajib Pajak/ KSWP) in providing certain services. This is set as part of policy implementation of National Strategic Policy of Corruption Prevention whose goal is to optimize national taxation and non-taxation revenue.

KSWP implementation on this ministry is mentioned in Circular Letter No. SE-1/MBU/07/2019. The confirmation is implemented on two services provision, which are services regarding the implementation of feasibility and ability test (*Uji Kelayakan dan Kemampuan*/UKK) for prospective Directors of State Owned Enterprises (*Badan Usaha Milik Negara*/BUMN) and services regarding the implementation of procurement of goods and services in Ministry of State Owned Enterprises.

KSWP should be performed in every implementation of UKK for prospective Directors of BUMN and procurement of goods and services in Ministry of State-Owned Enterprises. Such services can only be implemented if the KSWP shows valid status.

Accordingly, KSWP will show valid status if the followings are fulfilled.

- Name of the concerned person is registered as taxpayers with taxpayer identification number as recorded in information systems of the Directorate General of Taxes (DGT); and
- The concerned person has submitted yearly income tax return (surat pemberitahuan/SPT) for the last two years in accordance with applicable regulations.

KSWP is performed electronically through:

- the information systems of Ministry of State Owned Enterprises that is connected to information system of related ministry who is in charge of financial affairs through the DGT; or
- application provided by related ministry who is in charge of financial affairs through the DGT to obtain KSWP.

Customs on Imported Goods from Chile Are Exempted

The government set the decrease and exemption of import duty tariff gradually on imported goods from Chile. This is as stated in MoF Reg No. 105/PMK.010/2019 concerning Tariff Setting of Import Duty in the Framework of Comprehensive Economic Partnership Agreement between the Government of Republic Indonesia and the Government of Republic of Chile. This PMK was stipulated by end of July and it will be effective as of 10 August 2019.

This regulation is in line with Presidential Regulation No. 11 of 2019 concerning the ratification of Comprehensive Economic Partnership Agreement between the Government of Republic of Indonesia and the Government of the Republic of Chile.

Under MoF Reg No. 105/2019, several imported goods from Chile is imposed with 0% of import duty or gradual decrease of the tariff to 0% during 2019-2030. Several other imported goods are imposed with lowered import duty tariff. Imported goods that are imposed with 0% of import duty include horse, donkey, cattle, goat and fish.

This imposition of import duty is implemented according to law related to the procedures of import duty imposition on imported goods in the framework of international agreement.

However, in case if the general tariff for certain goods are actually lower than the agreed import duty tariff in the framework of Comprehensive Economic Partnership between the Government of Republic of Indonesia and the Government of Republic of Chile as stated in the Appendix of MoF Reg No. 105/2019, then the general ones will apply.

Through this PMK, the government of Indonesia has deleted around 9,309 tariff post for Chilean products. Similar act has been performed by the government of Chile by removing around 7,669 tariff post for goods that are exported from Indonesia to Chile. Information regarding the complete list of the import duty tariff post can be seen in Appendix of MoF Reg No. 105/2019.

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