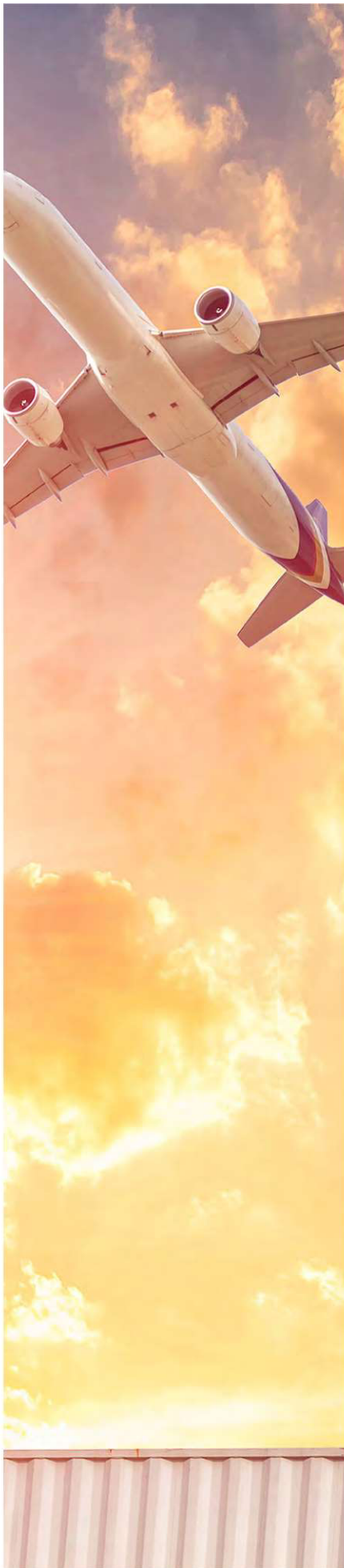


eBook on East Asia Customs Procedures

The Republic of Indonesia





eBook on East Asia Customs Procedures

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MESSAGE FROM CHAIRMAN

Blessed with geographical proximity, cultural affinity, close business ties and natural advantages for trade and economic cooperation, East Asia is one of the regions in the world with the most potential and development prospects. Since its establishment in 2004, East Asia Business Council (EABC) has always held the belief that cross-border trade, investment liberalization and facilitation are the prerequisites and foundations for East Asian countries to



promote industrial advancement, reduce unemployment and improve the quality of economic development. EABC has long been devoting to reducing trade and investment barriers and facilitating enterprises to carry out cross-border trade and investment.

In 2018, EABC agreed to compile eBook on East Asia Customs Procedures and listed it as a top priority in the Council's annual work in 2019. Today, the eBook is officially launched, with the expectation to strengthen regional economic and trade information sharing and further improve trade facilitation and connectivity among East Asian countries.

The eBook on East Asia Customs Procedures covers the guides of Customs procedures in 13 countries in East Asia, with 24 major items related to the Customs clearance of goods such as legal system, clearance procedures,

prohibitions and restrictions, duty collection (including classification, valuation, rules of origin), trade statistics, violations and sanctions, FTAs, AEOs and etc. The eBook is published electronically in English, providing companies with practical reference for international trade.

I believe that the eBook will help enterprises in the region, especially small and medium-sized enterprises, improve their capabilities in business management, investment and financing, and international market development. We hope that enterprises will take full advantage of the eBook to actively explore the regional market and achieve development goals.

Lu Pengqi
EABC Chairman 2019

ACKNOWLEDGEMENTS

Heartfelt gratitude and sincere respects should be addressed to China Committee, East Asia Business Council (in short EABC China, also China Council for the Promotion of International Trade - CCPIT), to organize, support and sponsor the edition and publication of the eBook on East Asia Customs Procedures to provide manufactures, trader and related service-providers with comprehensive information and elaborate references on Customs procedures in 10 ASEAN member countries and China, Japan and the Republic of Korea, which is a unique, innovative and significant contribution to regional and even international trade community.

Cordial appreciations should be extended to the Trilateral Cooperation Secretariat (TCS) for supporting and partially sponsoring the eBook of China, Japan and the Republic of Korea and CCPIT Guangxi Sub-council for supporting the project.

Dedicated gratitude should also be expressed to all members of the editing team, proofreading team, project team for their arduous and continuous efforts during the process.

EDITOR'S STATEMENT

Customs procedures in almost every country are usually very professional, diverse, technical, abstruse, ambiguous, and even trapped for cross-border manufactures, traders and related service-providers, sometimes even cause significant invisible “barriers” to trade. Thus all the stakeholders imminently need information, materials and references as comprehensive, elaborate and concrete as possible in different countries to enhance the effectiveness and efficiency of cross-border trade.

This eBook on East Asia Customs Procedures aiming to provide a general picture involves in almost all aspects of Customs procedures in 10 ASEAN member countries and China, Japan and the Republic of Korea. For each eBook, a framework of 24 parts of contents is basically followed with certain flexibility of adjustments according to specific situation of each individual country.

It is not an easy task to edit this panorama-type of eBook and during the process the editors are facing significant challenges including English language proficiency, professional competence and most importantly very limited information and materials in English for references.

The contents of each eBook are based on current publicly available information and materials in English, mainly contained in the publications and on the websites of related Customs administrations, government departments and agencies, international organizations and private professional institutions. The editors believe the selection and use of publicly available information will not affect the interests of the above-mentioned organizations and sincerely appreciate those organizations having their information and publications publicly available.

During the editing process, the biggest and greatest challenge is the lack of information and materials in English, which are very limited in almost all countries and even very deficient, very scarce in some countries. Therefore some citations from the official websites and excerpts from legal documents do exist in the eBook.

As a first remarkable pilot project in the fields, this eBook on East Asia Customs Procedures are not perfect and flawless and we are satisfied with the qualities of the majority and will keep on improving the rest.

ABBREVIATIONS

AANZFTA	ASEAN-Australia and New Zealand Free Trade Agreement
ACFTA	ASEAN-China Free Trade Agreement
AEO	Authorized Economic Operator
AHKFTA	ASEAN-Hong Kong, China FTA
AHTN	ASEAN Harmonized Tariff Nomenclature
AIFTA	ASEAN-India Free Trade Agreement
AJFTA	ASEAN-Japan Free Trade Agreement
AKFTA:	ASEAN-Korea Free Trade Agreement
APEC	Asia and Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
CEPT	Common Effective Preferential Tariff
FOB	Free On Board
FTA	Free Trade Agreement
GATT	General Agreement on Tariff and Trade
GEL	General Exception List
GSP	Generalized System of Preferences
HS	Harmonized Commodity Description and Coding System
NSW	National Single Window
PSI	Post Clearance Audit
SL	Sensitive List

SPS	Sanitary and Phytosanitary
TBT	Technical Barriers to Trade
VAT	Value-added Tax
WCO	World Customs Organization
WTO	World Trade Organization

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The Republic of Indonesia

1. INTRODUCTION OF INDONESIAN CUSTOMS

Indonesian Customs, headed by the Directorate General of Customs & Excise (in short DGCE), is a highly professional, modern, transparent, and effective Customs administration meeting requirements of actual situations and national economic development and now has about 155 offices in the territory, and more than 10 thousand officials.

As a government agency under the Ministry of Finance that serves the community in the field of Customs and excise, the Directorate General of Customs and Excise has the duty to organize the formulation and implementation of policies in the field of supervision, law enforcement, service and optimization of state revenue in accordance with the provisions of legislations.

1.1 Missions

- Enforcing the effective management over imports & exports activities and international trade, providing favorable conditions to the trade and production development;
- Protecting and contributing to the facilitation of development of national economy;
- Protecting revenues;
- Fighting against smuggling, combat commercial fraud, protecting the interests of consumers;
- Contributing to the protection of economic sovereignty, national security and community security;
- Assisting in socio-economic management.

1.2 Objectives

- Enhancing the growth of domestic industry by ensuring appropriate implementation of Customs and excise facilitation;
- Creating a conducive business and investment climates by expediting logistics of export and import through simplification of Customs and excise procedures as well as implementation of robust risk management;
- Protecting the society, domestic industry, and national interests by controlling and/or preventing the importation and exportation of prohibited and restricted goods, that have negative and dangerous impact, in accordance with the prevailing laws and regulation;
- Controlling import, export and other Customs and excise activities effectively and efficiently through the implementation of a robust risk management system, a thorough intelligence and investigation, a strong enforcement, and an accurate Customs and excise audit;
- Restricting, controlling and/or regulating the production, circulation and consumption of certain goods that have specific nature and characteristics which can be harmful to health, environment, public order and security through excise instruments that consider the principle of fairness in equality in a sense of justice and balance;
- Optimizing government revenue from import duty, export duty, and excise in order to support national development.

1.3 Duties and Functions

Customs is an essential organization for a country, and this is reflected by Directorate General of Customs and Excise (DGCE) in its roles for Indonesia within its duties and functions to:

- Protect the community from the import of dangerous goods;
- Protect particular domestic industries from unfair competition with similar foreign industries;
- Carry out law enforcement at the borders related with restriction and prohibition regulation;
- Collect import duty and taxes for state revenue.

1.4 Organization

The Organization of Directorate General of Customs & Excise (DGCE) includes Director General, Expert

Staff, Secretary of Directorate General, Customs Technique Directorate, Customs Facility Directorate, Audit Directorate, Excise Directorate, International Affairs Directorate, Enforcement & Investigation Directorate, Revenue & Regulation Directorate and Customs & Excise Information Directorate.

Additionally Directorate General Customs & Excise (DGCE) also administers 17 Customs Regional Office, 2 Customs Main Service Office and 130 Customs Service & Inspection Office nationwide.

Figure 1 Organizational Chart of Directorate General of Customs and Excise



Source: Directorate General of Customs and Excise.

1.5 Resources for Importers and Exporters

The official website of Indonesia Directorate General of Customs and Excise (<http://www.beacukai.go.id>) is an informative source for clearance procedures and other Customs standards in English. The official websites of Ministry of Finance (<https://www.kemenkeu.go.id>) and Ministry of Trade (<https://www.kemendag.go.id>) can also provide some useful information on Customs clearance. The official website of Indonesia National Single Window (<https://www.insw.go.id>) also has some information in English.

2. CUSTOMS LEGAL SYSTEM

The Republic of Indonesia, as a constitutional state, wishes to establish a firm national legal system that serves the national interests, proposed the Customs Law No. 10/1995 as amended by Law No. 17/2006 and Excise Law No. 11/1995 as amended by Law No. 39/2007 as the fundamental legal basis for the operations of the Directorate General of Customs and Excise (DGCE).

Indonesian Customs also enforces other related laws and regulations which mainly include:

- Law of the Republic of Indonesia on Trade No. 7/2014;
- Regulation of the Minister of Finance No. 145/PMK.04/2007;
- Regulation No. 148/PMK.04/2011 and PMK No. 145/PMK.04/2014 on Customs Provisions in the Export Sector;
- Regulation of the Minister of Finance No. 214/PMK.04/2008 and PMK No. 146/PMK.04/2014;
- Regulation No. 86/PMK.04/2016 on Collection of Export Duty;
- Regulation of the Minister of Finance No. 224/PMK.04/2015 concerning Supervision of the Import or Export of Prohibited Items and/or Restrictions;
- Regulation of the Director General of Customs and Excise No. PER-32/BC/2014;
- Regulation PER-29/BC/2016 on Customs Procedures in the Export Sector;
- Regulation No. 20/M-DAG/PER/3/2017 on the Registration of Distributors of Basic Commodities;
- Regulation No. 36/M-DAG/PER/9/2007 on Trade Business License (SIUP);
- Regulation No. PM 13/2017 regarding Ship Registration and Nationality (New Regulation);
- Law No. 7/2014 concerning Trade (State Gazette of the Republic of Indonesia of 2014 No. 45 supplement to the State Gazette of the Republic of Indonesia No. 5512);
-

3. ROUTINE CUSTOMS CLEARANCE PROCEDURES

Routine Customs clearance procedures in Indonesia for imports and exports usually include the following six steps:

- Registration;
- Declaration;
- Documentary Examination;
- Duty Collection;
- Physical Inspection;
- Release.

Clearance time is varied depending on the clearance lane used (green, yellow or red).

- Green Line: to verify documents, the goods will be cleared;
- Yellow Line: to request for additional documents in order to release the imported goods;
- Red Line: to inspect physical goods for every shipment, one by one.

3.1 Registration

A business intending to import and export goods in Indonesia must have Importer Identification Number (API). Only an Indonesian resident individual or entity can act as the importer or exporter of record. Additionally, a new company invested in Indonesia currently will only have the Tax Payer ID (NPWP) as their Customs Identity Number (NIK).

3.2 Declaration

Import and export declarations are filed by using the Electronic Data Interchange (EDI) system.

3.2.1 Declaration for Imports

Duties and taxes must be paid prior to Customs clearance. All stakeholders involved in the import and export process have an access to the Indonesia National Single Window (INSW) portal to monitor import and export activities. If imported goods are held in the red channel due to the changes in regulations, taxes, HS codes, etc., contacting brokers with the Red Line Notification's response and the contacting of Customs officer who is in charge will help get goods out of the Indonesian Customs.

3.2.2 Declaration for Exports

When the availability of a buyer, the payment system (Consignment, L/C, etc.), and the eligibility of the goods have been confirmed, an exporter can proceed with the packaging and scheduling of the shipment. Next is to submit a notification of Export of Goods to the Customs and Excise Office. The notification along with several accompanying documents, including an invoice, packing list, and documents from the relevant technical bodies, are required in order to obtain the final export approval. A notification will contain information such as:

- Exporter;
- Recipient;
- Customs broker (if available);
- Means of transport;
- -Country of destination; and
- The goods (type, quantity, container number, relevant documents).

The notification must be submitted no earlier than seven days prior to the export schedule or no later than the moment the goods enter the Customs area.

3.3 Documentary Examination

Directorate General of Customs and Excise (DGBC) officer will then check Customs declaration and the Customs duties. If Customs declaration is complied with regulation, they will issue Customs release letter (surat pemberitahuan pengeluaran barang/SPPB) to the exporter/importer, if not then Customs declaration will be rejected and exporter/importer may revise and re-submit Customs declaration.

3.4 Physical Inspection

All new entities in Indonesia will have all imported goods physically inspected in the red channel. Indonesian entity has to be in operation for 5 years before getting upgraded to the yellow channel and another 3 more years before it gets upgraded to the green channel.

3.5 Duty Collection

The importer shall complete and submit the PIB, compute the Customs duty and import taxes, and make payment to the depository bank. The PIB and its attachments, such as commercial invoice, P/L, B/L / AWB, Customs duty and import taxes payment evidence, etc., are submitted to Customs for approval.

3.6 Release

Exported/Imported goods cannot leave Customs area before receiving Customs release letter (SPPB). All above processes are using online system to minimize interaction between exporter/importer and DGBC officer. The import goods can be released from the Customs area after approval by Customs.

4. SPECIAL CUSTOMS CLEARANCE PROCEDURES

4.1 Temporary Admission

Temporary Admission is stipulated by Article 9, Section 3, Part One, Chapter II of Customs Law as follows:

- (1) Imported goods may be released as temporary admission if at the time of importation it is clear that these goods will be re-exported.
- (2) Temporarily admitted goods shall be under Customs control until their re-exportation.
- (3) The provisions as referred to in paragraph (1) and (2) and the determination of duration of the

temporary admission shall be further regulated by the Minister.

(4) Any person who does not re-export the temporarily admitted goods within the period as referred to in paragraph (3) shall be subject to a penalty of one hundred percent of the Import duty that should be paid.

4.2 Transportation of Goods

Transportation of goods within the Customs territory shall be declared by using the Customs declaration, as long as it concerns with:

- imported goods from the Temporary Storage or the Bonded Storage destined to another Temporary Storage or Bonded Storage;
- imported goods transited and/or transshipped;
- exported goods in transited and/or transshipped;
- goods of the Customs territory transported through a location outside the Customs territory.

4.3 Temporary Import

On August 25, 2011, Minister of Finance has issued Minister of Finance Regulation No. 142/PMK.04/2011 on Temporary Imports and this regulation revoked and replaced previous Minister of Finance Regulation No. 140/PMK.04/2007 to improve services for stakeholders in the temporary import sector, and to provide legal certainty on temporary imports.

The Regulation has clearly describes several terms that used, such as Temporary Import is entry of imported goods into the Customs areas that intended to be re-export within a maximum period of 3 years. Temporary Imported Goods are imported goods that entered process using the Temporary Import mechanism; and Re-exports means sent the Temporary Good from the Customs area in accordance with the Customs on export.

4.3.1 Temporary Import Goods Requirements

Requirements for Temporary Imported Goods are described as: (i) the goods must be non-consumable; (ii) easy identification; (iii) the goods shall not having substantial change to the shape, except due to use;

(iv) certain purpose of the goods and (v) the goods must be accompanied by a document stating that the goods will be re-exported.

4.3.2 Temporary Import Goods Free from Import Duties

Certain Temporary Imported Goods may be excluded from import duties, the goods that may have this facility are, among others, goods for exhibition; seminar; sports and competition; demonstration; good for experts; educational, research, knowledge, and culture; personal yachts belonging to foreign tourists; livestock for sports, competition, and training; goods for disaster mitigation; container goods for military and police purposes, tools and equipment that using for following purpose; construction, reparation, and testing and others goods, ships that imported by national shipping company, airplane or airplane engine by the national air services company, goods that will be used for government project that funding or grant by international.

4.3.3 Temporary Import License

Before the importer import the Temporary Import Goods, the importer shall submit written application to Head of Customs and Exercise where the Temporary Goods will be arrived in Indonesia, in the event the Temporary Goods will be imported fulfill following requirements, the application shall be submitted to the Director General:

- The Temporary Goods will be used for international business scale;
- Customs and excise office is unable to use;
- The Temporary Goods will be used for purpose of oil and mining; or
- The Temporary Goods are needed for efficiency of temporary licenses service.

The information that shall be stated in the form of application includes:

- Type, amount, specification, identity, and estimate of the value of the goods;
- Name of the seaport where the temporary imported goods will arrive;
- Location of use;
- Purpose of goods; and validity period.

An importer who imports Temporary Imported Goods must give the head of the local Customs office a cash guarantee. The amount of the guarantee is equal to the amount of the import duty on the goods.

4.3.4 Period of Temporary Goods Imported

The period for Temporary Goods is granted according to the purpose for maximum three years since the registration date of notification. For Temporary Import Goods that granted permission less than three years, may have be extended by submitting application to Director General of Customs and Exercise (maximum extended period is not lapse more than three years since the registration date).

4.3.5 Documents for Temporary Imports

Before the commodities arrive to Indonesia, a formal notification of arrival must be submitted to the State Secretariat. A complete set of original shipping documents must be submitted with the PP19 Form, including;

- Bill of Loading for the port;
- Air Waybill for the airport;
- Certificate of Origin;
- Commercial Invoice;
- Packing List;
- Phytosanitary Certificate for foods.

The PP19 validation process takes at least 7 working days. It should normally be initiated before the vessel's arrival. In parallel, the proper ministries must be approached to issue Import Permits, which is the specific authorization applying to the respective commodities.

5. DECLARATION DOCUMENTS

Customs Declaration Form is the most fundamental document for Customs clearance process. Other supporting commercial documents, certificates and permits and etc. are also required to be submitted to the Customs.

5.1 For Importation

Besides Import Declaration Form, businesses importing into Indonesia must provide the following documents:

- Commercial Invoice, signed by the manufacturer or supplier as true and correct;
- Bill of Lading, in three endorsed originals and four non-negotiable copies;
- Certificate of Insurance;
- Packing List;
- Import Permits;
-

5.2 For Exportation

Besides Export Declaration Form, businesses exporting out of Indonesia must provide the following documents:

- Bill of Lading, Airway Bill or other transport documents such as Postal Receipt, Cargo Receipt;
- Commercial Invoice;
- Packing List;
- Insurance Certificate;
- Export Permit; and
- Certificate of Origin;
-

5.3 Other Documents

In some cases, it may also be necessary to provide the following documents:

- Insurance document;
- Taxpayer ID number (NPWP);
- Quality Statement or Quality Certificate; or
- Export LKP (Truth Examination Report), for products receiving Bapeksta facility or subject to PE or PET;
-

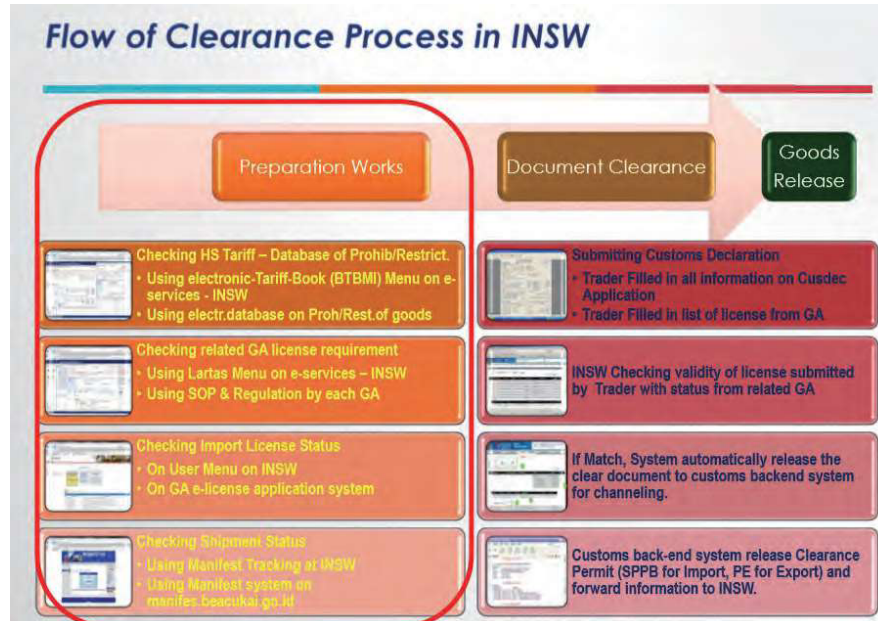
6. INSW - INDONESIA NATIONAL SINGLE WINDOW

Indonesia National Single Window (INSW) system is a nationally integrated electronic system, which can be accessed through the internet network, and will integrate information related to the process of handling Customs documents and other documents related to exports and imports. It guarantees information security, integrates information flow and processes between internal systems automatically, including Customs, licensing, port/airport systems, and other systems related to the service process and supervision of export/import activities.

6.1 Pre-clearance Service

Before doing import and export activities, traders can gather information on requirements of licenses or permits as well as tariff, and any other procedures to lodge the declaration to Customs in INSW.

Figure 2 Flow of Clearance Process in INSW



Source: INSW.

The functions of INSW before trading are as follows:

- Checking HS Tariff;
- Checking related GA license requirement;
- Checking Import License status;
- Checking shipment status;
-

6.2 INSW in Clearance Process

INSW help Customs clearance process from Customs declaration lodgment, commodity control and prohibition validation, permit and licenses auto verification to 18 Government Agencies' e-Permit system, duty rate and payment status validation to banks, Customs backend system risk profile endorsement, to auto release of Customs Clearance Permit (SPPB).

Types of permit/license used by INSW include:

- Final Import/Export Permit;
- Recommendation of Import/Export License;
- Certificate of Import/Export Inspection;
- Indonesia Product Quality Standardization;
- Quarantine Inspection Permit;
- Other FTA Documents (Certificate of Origin, SPS, etc.).

7. CUSTOMS BROKERS

Customs brokers are professional and knowledgeable people who are ready and able to assist the importing/exporting community with Indonesian Customs inquiries and clearances and sourcing, production supervision, quality control and packing and shipping in a continuous liaison and feedback process.

As intermediary, Customs brokers enable to offer a wide range of opportunities to arrange import on FCL, LCL, break bulk and airfreight basis, including regular consolidation services. The Customs brokers also ensure that the client is notified prior to cargo arrival and with an on-line EDI connection with the Indonesian Customs office, consignments are cleared in a smooth and efficient manner.

Customs brokers also offer customers comprehensive import and export services which comprise of one or more of the following services:

- Consultancy on import tariff and regulations by its certified specialists;
- Electronic Customs entry processing;
- Import and export sea freight;
- Import and export airfreight;
- Warehousing and distribution.

If a Customs Broker commits an offense against Customs Law in performing business authorized by the importer or exporter, he/she is subject to the same penalty as maybe charged to the importer or exporter concerned. For instance if a Customs broker falsifies the value on an invoices received from an importer so that the value declared in the Customs declaration submitted on behalf of the importer is lower, he/she shall be subject to penalty mentioned under Article 48 (c) of Customs Law.

8. CUSTOMS SECURITY

A Customs security is an agreement that ensures any importer will pay all fees and taxes as well as operate according to law and regulations. Businesses will also implement requirements on special check-ups after Customs clearance. Anyone importing goods or transporting them locally must buy a security from a surety company. If the importing company is unable to pay the fees or follow regulations, Customs authority can file a claim against the security. In that case, the surety company will be required to compensate to Customs and the importing company will be required to pay back to the surety company.

According to Customs Law, in Indonesia security required by Customs may be used once or continuously and may be in the forms of:

- Cash;
- Bank security;
- Customs or surety bonds; or
- Other securities.

9. BONDED SYSTEM

In Indonesia, the government established the legal framework for Bonded Storage Areas in order to incentivize industrial production and trade across the country.

Bonded Storage Areas, pursuant to Government Regulation No. 32/2009, as amended by Government Regulation No. 85/2015 (Bonded Storage Regulation), are areas that fulfill specific requirements which are used to store goods and receive certain facilities.

9.1 Bonded Storage Areas

A Bonded Storage Area is basically a building, site or area that meets certain requirements which is used to store goods for certain purposes and obtains import duty postponement. According to Bonded Storage Regulation, Bonded Storage Areas can be differentiated in the following 7 forms:

- Bonded Warehouse;
- Bonded Zone;
- Bonded Exhibition Place;
- Duty Free Shop;
- Bonded Auction Place;
- Bonded Recycling Zone;
- Bonded Logistics Center.

9.2 Facilities and Incentives

In order to understand the incentives granted to Bonded Warehouses, Bonded Zones and Bonded Logistics Centers, it is important to elaborate the treatment of duties and taxes on goods when they enter or exit Bonded Storage Areas.

9.2.1 Entering

Upon entering a Bonded Warehouse or Bonded Zone, goods can be provided with one or more of the

following:

- Import Duty postponement;
- Excise waiver;
- Exemption from Import taxes (Pajak Dalam Rangka Impor - PDRI).

Only certain types of goods can receive these facilities for entering a Bonded Zone:

- Raw and production auxiliary materials for further processing;
- Capital goods to be used within the Bonded Zone;
- Produce of other Bonded Zones to be further processed or used in another Bonded Zone;
- Goods produced in a Bonded Zone to be processed further or turned into capital goods for production;
- Goods produced in a Bonded Zone returned from outside the Customs area or a Bonded Exhibition Location into a Bonded Zone;
- Finished goods from outside the Customs area to be combined with goods produced in a Bonded Zone specifically for export;
- Packaging or packaging equipment from outside the Customs area and/or another Bonded Zone that will be an integral part of the goods produced in a Bonded Zone.

For Bonded Zones, the following types of goods are granted with exemptions from VAT or Sales Tax on Luxury-goods (STLG):

- Goods from other Customs areas to be processed further in the Bonded Zone;
- Goods from another Bonded Zone or other Customs area to be processed further under a subcontract arrangement;
- Machinery and/or mouldings returned from another Bonded Zone or other Customs area that was loaned from the Bonded Zone;
- Semi-finished goods from another Bonded Zone or other Customs area to be further processed in the Bonded Zone;
- Goods produced in another Bonded Zone or other Customs area that will be combined with goods

produced by the Bonded Zone to be exported;

- Packaging or packaging equipment from other Customs areas to be used by the goods produced by the Bonded Zone.

There are various types of facilities for goods entering a Bonded Logistics Center, as elaborated in the following Table 1.

Table 1 Facilities for Goods Entering a Bonded Logistics Center

Type of Goods	Exemptions
Goods imported to a Bonded Logistics Center	<ol style="list-style-type: none"> 1. Import duty; 2. Tax on import activities; and/or 3. Excise.
<ol style="list-style-type: none"> 1. Goods that are moved from a Bonded Logistics Center to another Bonded Logistics Center. 2. Imported goods that are moved to a Bonded Logistics Center from another type of Bonded Storage Area. 3. Imported goods that are moved to a Bonded Logistics Center from a Special Economic Zone, Free Zone, or other type of economic areas. 4. Imported goods that are moved to a Bonded Logistics Center from another area in Indonesia for a specific purpose. 	<ol style="list-style-type: none"> 1. Import duty, PDRI, excise, and/or value-added tax; or 2. Value-added tax and luxury goods tax.
<ol style="list-style-type: none"> 1. Domestic goods that are moved to a Bonded Logistics Center from another type of bonded storage area. 2. Domestic goods that are moved to a Bonded Logistics Center from a Special Economic Zone, Free Zone, or other type of economic area. 3. Domestic goods that are moved to a Bonded Logistics Center from another place for the purpose of export consolidation or procurement of exported goods. 	<ol style="list-style-type: none"> 1. Value-added tax; or 2. Value-added tax and luxury goods tax.

Goods may only enter a Bonded Logistics Center for the following purposes:

- To support goods from non-Customs areas stored in the Bonded Logistics Center;

- Goods needed to carry out certain processes for the goods stored in the Bonded Logistics Center, such as packaging, sorting, standardization, kitting, packing, reassembling/repair, and labelling;
- Goods produced by small and medium scaled industrial companies;
- For export purposes;
- For specific purposes in another Customs area.

9.2.2 Exiting

Goods produced in a Bonded Warehouse or Bonded Zone to be transported to any other location in Indonesia are imposed with:

- Import Duty that had to be paid when the goods entered the Bonded Warehouse;
- Excise; and
- PDRI based on the tariff when the Import Customs Notification for the goods was registered and the value of the goods when the goods were imported into the Bonded Warehouse.

Because of these provisions, the costs are relatively lower when importing goods into a Bonded Warehouse or Bonded Zone and processing them there, as the import duty and taxes imposed are calculated based on when the goods were imported into the Bonded Warehouse or Bonded Zone, not the value of the finished products.

For goods exiting a Bonded Logistics Center, the goods will be granted with a deduction of import duty and PDRI. For goods that were processed in a Bonded Logistics Center, import duty and PDRI will only be imposed on components that were imported from overseas.

Moreover, goods may only exit a Bonded Logistics Center for specific purposes:

- To support the industrial activities in a Bonded Zone, Special Economic Zone or other economic area determined by the government;
- To support the industrial activities of a Customs area;
- For other Bonded Logistics Centers;
- To be exported;

- To support industrial activities that are granted with Import duty waivers, reductions or refunds;
- To support industrial activities that have acquired import duty facilities from the government;
- To support distribution of certain goods domestically;
- To support small and medium scaled industrial activities in other Customs areas.

9.3 Selections by Traders

Each type of Bonded Storage Area has its own advantages and disadvantages and traders need to select and take full advantages of them carefully based on their specific needs and the according facilities.

9.3.1 Bonded Warehouses

Bonded Warehouses are suitable for export purposes or producing goods from imported materials and limited to three types of classification: (1) for distributing goods to manufacturing, mining heavy equipment or oil services companies, (2) distribution center for duty-free stores, or (3) for goods in transit that will be re-exported.

9.3.2 Bonded Zones

Bonded Zones are suitable for export purposes or producing goods from imported materials and not subject to limitative classifications, but require a larger area than s Bonded Warehouse.

9.3.3 Bonded Logistics Centers

Bonded Logistics Center are more appropriate for exporting goods or importing goods to support domestic industrial activities and may only carry out simple tasks, such as packaging, labelling and quality control, before the goods are exported or distributed to domestic industrial companies.

10. GOODS WITH PROHIBITIONS, CONTROL AND RESTRICTIONS

10.1 Goods Prohibited and Restricted

Goods which are prohibited and restricted from being imported or exported to or from Indonesian territory without the approval of respective authorities:

- Hazardous articles and substances such as narcotics and dangerous drugs, flammable, poisons, oxidators, radioactives etc.;
- Explosive goods/materials; all types and sizes of fireworks;
- Fire-arms and parts thereof and its ammunitions; airgun; spring-gun or gas-operated-gun;
- Imitation of firearms; light or signal/alarm pistols including parts thereof;
- Books and certain printed materials (such as books, magazines, leaflets, brochures, newspapers written in Chinese characters and languages; all kind of printed materials in Indonesian language/ dialects);
- Audio/video records in any medias; transceiver equipment; cordless telephone or telecommunication equipment; color photocopy machine and parts thereof;
- Certain plant species are prohibited for import, such as quinine, orchids; endangered species or their by-products; certain kind of fish are prohibited to export, such as Sidat breed (*Anguila sp.*), Panacidae shrimp (*Panasidae sp*) etc.
- Unregistered food & beverages; readymade medicines produced abroad;
- Products of certain goods which are prohibited for export, such as product rubber lumps, unprocessed hides and raw skin of cow; rattan & rattan core etc.;
- Pesticides such as DDT and penrachlorophenol and its salts;
- Dangerous waste, such as scraps & corrosive iron or steel;
- Goods of cultural, archaeological and or historical value;
- Other fauna – flora under CITES;
- Ozone depleting substance and goods containing ozone depleting substance such as freon for air conditioner or refrigerator with a chemical structure CFC-11, CFC-12 and CFC-13;

- Certain amount of Rupiah in cash.

10.2 Import License

Goods that are required specific Import Licenses in Indonesia are:

- Alcoholic beverages;
- Animal and animal products;
- Cements;
- Cosmetics;
- Chemicals;
- Children toys;
- Clothing and other textile products;
- Electronics;
- Food and beverages products;
- Food supplements;
- Footwear and other accessories;
- Lubricants;
- Medicines and pharmaceutical goods;
- Optical discs;
- Sugar;
- Steel;
- Telecommunication devices (cellular phones, handheld and tablet computers);
- Tobacco products.

There are three types of Import Licenses utilized in Indonesia including:

A. API-U (General Import License)

It is given to general trading company, which conduct import activities of fully-made products to be sold

and/or distributed later in Indonesia. API-U license may be used to import finished products or to trade goods with a third party. Application for an API-U License will take around one month.

B. API-P (Producer Import License)

It is given to manufacturing company, which conduct import activities for raw materials or manufacture support goods to be used in the manufacturing process in Indonesia. API-P doesn't allow importation for selling and/or distribution, and is only used for production/manufacturing use process.

C. API-T (Limited Import License)

This license may be used as a limited importer identification number and is obtained through the Indonesian Investment Coordinating Board (BKPM). Goods imported under an API-T are subject to a reduced withholding tax of 2.5 % compared to the normal rate of 7.5%.

10.3 Export License

To be able to conduct exporting activities, Indonesian exporters need to have Export Licenses (ET). Regulation of the Minister of Trade 13/M-DAG/PER/3/2012 on General Provisions in the Area of Export groups export of goods as follows:

- Exportable Goods Individual needs to have NPWP (Tax Payer Identification Number) and other documents specified by regulation to export; while business entities need to have SIUP (Trade Business License), TDP (Company Registration), NPWP and other documents specified by regulation.
- Restricted Goods Institution or business entities should have ET (Registered Exporter), SPE (Export Permit), LS (Surveyor's Report), COO (Certificate of Origin) and other documents specified by regulation to be able to export restricted goods. In most cases, ET requires SPE at times of actual export. Coffee, rubber, iron wood, cow or buffalo, fertilizer, gold, silver and mineral products exporter can only export after obtaining SPE.

Below is the list of export-related specific documents requirements:

Inspection Report: Inspection Report by the Export Verification and Monitoring Team of Swallow Nest.

Quota Certificate: Certificate that explains Exporter Identity, HS Code, Amount, Export Contract.

Statement Letter (for Urea Fertilizer): A letter from exporter to state that the exported urea fertilizer is not subsidized by the government.

10.4 Sanitary and Phytosanitary (SPS) Requirements

Indonesia government apply SPS requirement to protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organism in their food; to protect human life from plant or animal-carried disease; to protect animal or plant life from pests, diseases, or disease-causing organisms; to prevent or limit other damage to a country from the entry.

10.4.1 Temporary Geographic Prohibitions for SPS Reason

This is a prohibition of imports of specific product from countries or regions due to infectious/contagious diseases. Example: Imports of poultry from areas affected by avian flu or cattle from foot and mouth diseased.

10.4.2 Geographical Restriction on Eligibility

Prohibition of imports of specific products from specific countries or region due to lack of evidence of sufficient safety conditions to avoid sanitary and phytosanitary hazard, however the restriction is imposed automatically until the country proves evidence of satisfactory SPS measures to provide a certain level of protection against hazards that is considered acceptable. Example: Imports of dairy products from countries that have not proven satisfactory sanitary conditions are prohibited

10.4.3 Product Registration Requirement

This is a product registration requirement in the importing country. Example: Requirements and guidelines for the registration of pesticide and its compounds, for minor crops/minor use and the maximum residue limit. The measure may include provisions describing types of pest control products that are exempt from registration and procedures detailing the registration process, including provisions relating to distribution, import, sampling and detention.

10.4.4 Testing Requirement

A requirement for products to be tested against a given regulation, such as MRL: It includes sampling requirement. Example: A test on a sample of orange imports is required to check against the maximum residue level of pesticides.

10.4.5 Certification Requirement

Certification of conformity with a given regulation: required by the importing country but may be issued in the exporting or the importing country. Example: Certificate of conformity for materials in contact with food (containers, papers, plastics, etc.) is required.

10.4.6 Inspection Requirement

Requirement for product inspection in the importing country: may be performed by public or private entities. It is similar to testing, but it does not include laboratory testing. Example: Animals or plant parts must be inspected before entry is allowed. Once the NTB based on SPS become more restrictive, arbitrary and discriminatory, the importing country has right to request:

- Scientific prove that identified risk of imported product;
- A causal link between certain product properties and potential damages to health, where the SPS Agreement lays down rather detailed standards for the evaluation and management of health risk.

10.5 Technical Barriers to Trade (TBT) Requirements

Indonesia government uses technical regulation as a document to lay down product characteristic or their related process and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method. A "conformity assessment procedures" is any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled: it may include, inter alia, procedures for sampling, testing and inspection, evaluation, verification and assurance of conformity, registration, accreditation and approval as well as their combinations.

10.5.1 Prohibition on Import for TBT Reason

Imports are prohibited for hazardous substances including explosives, certain toxic substances covered by the Basel Convention such as aerosol sprays containing CFCs, a range of HCFCs and BFCs, halons, methyl chloroform and carbon tetrachloride.

10.5.2 Authorization Requirement for TBT Reasons

Requirement that the importer should receive authorization, permit or approval from a relevant government agency of the destination country, for reasons such as national security reasons, environment protection etc. Example: Imports must be authorized for drugs, waste and scrap, fire arms etc.

10.5.3 Registration Requirement for Importer for TBT Reasons

Importers should be registered in order to import product where importers need to comply with certain requirements, documentation and registration fees. Example: Importers of "sensitive product" such as medicines, drugs, explosives, firearms, alcohol, cigarettes, game machines, etc. may be required to be registered in the importing country.

10.6 Labeling Requirements

All imported consumer goods must identify the importing agents, typically accomplished by affixing a label after goods have cleared Customs. The GOI requires that information on product labels be distinctly and clearly written or printed or shown so that it can be seen easily and understood. The information on product labels should be written or printed in the Indonesian language, Arabic numbers, and Latin letters. The use of language, numbers, and letters other than the Indonesian language will only be permitted when there are no matching terms, or in the event of trading abroad.

Labeling should not contain the following: claims on the effect of the product on health, whether preventative and/or curative; incorrect or misleading information; comparisons to other products; promotion of certain similar products; and any additional information that has not yet been approved.

11. CUSTOMS DUTIES AND TAXES

11.1 Major Duty and Taxes Collected

In addition to the Customs duties, imported goods from overseas may also be subject to payment of Value-added Tax (VAT), Sales Tax on Luxury Goods (STLG) and Corporate Income Tax.

Thus goods may be subject to the following duties and taxes upon importation and exportation:

- Import Duty;
- Export Duty;
- Value-added Tax (VAT);
- Excise Duty;
- Sales Tax on Luxury Goods (STLG);
- Corporate Income Tax.

11.1.1 Import Duty

Import duties are imposed on items imported into Indonesia, generally on an ad valorem basis. Import duties in Indonesia vary from 0% to 170%. However, most imported items will attract duties in the range of 0% to 15%. Some products can be imported free of duty (e.g. books, laptops, and other electronic products).

Import duties are based on the cost, insurance and freight (CIF) value of the imported items and, in general, are imposed at rates of zero percent to 15 percent for most goods, 25 percent to 80 percent for cars, and 170 percent for alcoholic drinks.

11.1.2 Export Duty

Exporters are exempted from export duties, VAT, and sales tax on luxury products for materials and intermediate products used in manufacturing goods produced from export. Exported goods subject to Export Duty are listed as follows:

- Leather and Woods;
- Cocoa beans;
- Palm oil, Crude Palm Oil (CPO), and its derivative products;
- Products of metal mineral processing; and
- Products of metal mineral with certain criteria.

The calculation of Export Duty is as follows:

- In the case of Export Duty Tariff determined based on the percentage of Export Price (ad valorem), Export Duty is calculated as follows: $\text{Export Duty Tariff} \times \text{Number of Goods} \times \text{Currency}$;
- In the case of Export Duty Tariff determined specifically, Export Duty is calculated using the formula as follows: $\text{Export Duty of each Number of Goods} \times \text{Number of Goods} \times \text{Currency}$.

Export Duty rates are 5 percent, 15 percent, and 25 percent, respectively.

11.1.3 Value-added Tax (VAT)

With a few exceptions, VAT is applicable on deliveries (sales) of goods and services within Indonesia at a rate of 10%. VAT on export of goods is zero-rated while the import of goods is subject to VAT at a rate of 10%. Zero-rated VAT is also applicable on exported services, but subject to a MOF limitation. Currently, only certain exported services, i.e. toll manufacturing, repair and maintenance, and construction services, are subject to the 0% VAT rate. Inbound use or consumption of foreign services or intangible goods, with few exceptions, is also subject to a self-assessed VAT at a rate of 10%. The VAT law allows the government to change the VAT rate within the range of 5% to 15%. However, since the enactment of the VAT Law in 1984, the government has never changed the VAT rate.

11.1.4 Excise Duty

Excise Duty is levied on specific products whose consumption is restricted or controlled, namely ethyl alcoholic or ethanol, beverages containing ethyl alcohol and tobacco products.

Excise Duty is applicable to the above-mentioned products at a rate of 275% on the sum of the CIF value and import duty. Excise can also be applied per units of measure.

11.1.5 Sales Tax on Luxury-goods (STLG)

In addition to the VAT, some goods are subject to STLG upon import or delivery by the manufacturer to another party at rates ranging from 10% to 200%, applicable to specified imported goods including vehicles and categories of electronic goods;

STLG must be accounted for every month together with VAT. The importer or the manufacturer of the goods is responsible for the settlement of the STLG. The STLG rate may be increased up to 200%, however currently the STLG rates are between 10% and 125%.

11.1.6 Corporate Income Tax

Corporate Income Tax is charged at 2.5% for registered importers, and 7.5% for unregistered importers on the sum of the CIF value and Import Duty.

11.2 Preferential Rates

Preferential rates are applicable if the country has a Most Favored Nation (MFN) status with Indonesia. In 2014, Indonesia's average MFN applied tariff was 6.9% (World Trade Organization, 2016).

Indonesia grants preferential tariff treatment to certain products imported from other developing countries in the framework of the Global System of Trade Preferences (GSTP). Indonesia grants GSTP preferences for 31 tariff positions, the preferential margin being generally 10%.

In the framework of ASEAN, a common effective preferential tariff (CEPT) to create a free trade area (AFTA) has been established. In this framework, duties on the targeted products must be brought down to a level between 0 and 5% before the end of 2002 for the founder members and the Brunei Darussalam (ASEAN-6), 2006 for Vietnam, 2008 for Laos and Myanmar, and 2010 for Cambodia.

For other countries, the MFN tariff applies, varying from 0% to 30% (by brackets of 5%), with a few exceptions (spirits from 90% to 170%, motor vehicles from 65% to 80%).

11.3 Duty Exemption

Import duties shall not be imposed on goods brought into the Customs territory for transit or transshipment. In principle, goods from outside Customs territory are subject to the Import duties at the

time such good are brought into the Customs territory. Considering that these goods are not intended to be imported for home use, the Import duties are not imposed.

Exemption of the Import Duty shall be granted for import of:

- goods of foreign countries' representatives and their officials who work in Indonesia under reciprocal principles;
- goods for international bodies and their officials who work in Indonesia;
- goods and materials to be processed, assembled, or installed on other goods destined for export;
- scientific books;
- goods donated for public worship, charity, social, and cultural institutions;
- goods for museum, zoo, and other similar public places;
- goods for research and scientific purposes;
- goods for the blinds and other disables;
- weapons, ammunition, and other military equipment, including spare parts for the national defense and security;
- goods and materials used to produce other goods for the national defense and security;
- samples of no commercial value;
- coffins or other containers containing corpses or ashes of corpses;
- removal goods;
- goods brought by passengers, crews of means of transport, border crossers, and consignments of a certain Customs value and/or a certain amount.

Exemption or relief of the Import Duty may also be granted for import of:

- machinery for the establishment and development of industry;
- goods and materials for the establishment and development of industry for a specified period of time;
- equipment and substances used to prevent environmental pollution;
- seeds and stocks for the establishment and development of agricultural industry, animal husbandry,

or fishery;

- marine products caught by licensed hauling vessels;
- goods exported to undergo repair, processing, or testing;
- goods re-imported in the same state;
- goods which are naturally damaged, decreased in quality, destroyed, or decreased in volume or weight occurred between the time of transportations to the Customs Territory and the time of import approval for home use;
- materials for human therapy, blood group, and tissue typing reagents;
- goods by the Government for public purpose;
- goods for temporary admission.

11.4 Duty Refund / Drawback

A partial or full Import Duty refund can be made to the importer in case of the following situations:

- Excess payment of import duty due to the stipulation of import duty tariff and/or Customs value by the Customs and Excise officer;
- Excess payment of import duty due to re-stipulation of import duty tariff and/or Customs value by the Director General of Customs and Excise;
- Overpayment of Import Duty due to a mistake in administration (writing error, calculation error, etc.);
- Import of goods subject to exemption or relief of import duty;
- Import of goods which for some reason must be re-exported or destroyed under the supervision of the Customs and Excise Officer;
- Import of goods before being given import approval to be used to find actual quantities smaller than those paid by import duty, defects, not goods ordered, or of lower quality;
- Objection decision;
- Overpayment of Import Duty as a result of the Appeals, Court decision;

Application for refunds is submitted to the relevant Customs office attached with relevant supporting document, such as:

- Objection or Appeal Decision;
- Commercial Invoice;
- Packing List;
- Arrival Notice/Freight Notification or Delivery Order;
- Bill of Lading/Airway Bill;
- Any other documents required by Indonesian Customs to verify the claim.

All successful refunds will be credited directly to the company account.

12. TARIFF CLASSIFICATION

The Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organization (WCO).

For goods classification purposes, since January 1, 1989 Indonesian has introduced and implemented a Tariff Schedule which is based on the Harmonized Commodity Description and Coding System (HS) and is called Indonesian Customs Tariff Book - BTKI.

12.1 BTKI

HS has a 6-digit number for the classification, each country that signed the HS convention or contracting party can develop a classification of 6-digit number to be more specific in accordance with respective government policy while remains under the provisions of the HS 6-digit.

In Indonesia alone, the classification system used to use 10-digit numbering system in Indonesian Customs Tariff Book (BTKI) which is a further elaboration of the sub-headings in the HS 6-digit. After the issuance of Regulation No. 6/PMK.010/2017 regarding Classification of Commodity and Import Duty Rate

on January 27, 2017 by the Ministry of Finance, now the new BTKI, effective for March 1, 2017 consists of an 8-digit commodity nomenclature.

Currently, BTKI code are categorized into 21 Sections, which are further divided into 97 Chapters with 5,387 6-digit level Subheadings and 10,826 8-digit level Subheadings.

12.2 General Rules for the Interpretation of the HS

WCO's General Rules for the Interpretation of the Harmonized System are also applied by Indonesian Customs and these are the rules that govern the classification of goods under the HS and there are 6 General Rules in all, which must be applied in consecutive order including:

- 1. The titles of Sections, Chapters and sub-Chapters are provided for ease of reference only; for legal purposes, classification shall be determined according to the terms of the headings and any relative Section or Chapter Notes and, provided such headings or Notes do not otherwise require, according to the following provisions.
- 2. (a) Any reference in a heading to an article shall be taken to include a reference to that article incomplete or unfinished, provided that, as presented, the incomplete or unfinished article has the essential character of the complete or finished article. It shall also be taken to include a reference to that article complete or finished (or falling to be classified as complete or finished by virtue of this Rule), presented unassembled or disassembled. (b) Any reference in a heading to a material or substance shall be taken to include a reference to mixtures or combinations of that material or substance with other materials or substances. Any reference to goods of a given material or substance shall be taken to include a reference to goods consisting wholly or partly of such material or substance. The classification of goods consisting of more than one material or substance shall be according to the principles of Rule 3.
- 3. When by application of Rule 2 (b) or for any other reason, goods are, prima facie, classifiable under two or more headings, classification shall be effected as follows: (a) The heading which provides the most specific description shall be preferred to headings providing a more general description. However, when two or more headings each refer to part only of the materials or substances contained in mixed or composite goods or to part only of the items in a set put up for retail sale, those headings are to be regarded as equally specific in relation to those goods, even if one of them gives a more complete or precise description of the goods. (b) Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in

sets for retail sale, which cannot be classified by reference to Rule 3 (a), shall be classified as if they consisted of the material or component which gives them their essential character, insofar as this criterion is applicable. (c) When goods cannot be classified by reference to Rule 3 (a) or 3 (b), they shall be classified under the heading which occurs last in numerical order among those which equally merit consideration.

- 4. Goods which cannot be classified in accordance with the above Rules shall be classified under the heading appropriate to the goods to which they are most akin.
- 5. In addition to the foregoing provisions, the following Rules shall apply in respect of the goods referred to therein: (a) Camera cases, musical instrument cases, gun cases, drawing instrument cases, necklace cases and similar containers, specially shaped or fitted to contain a specific article or set of articles, suitable for long-term use and presented with the articles for which they are intended, shall be classified with such articles when of a kind normally sold therewith. This Rule does not, however, apply to containers which give the whole its essential character. (b) Subject to the provisions of Rule 5 (a) above, packing materials and packing containers presented with the goods therein shall be classified with the goods if they are of a kind normally used for packing such goods. However, this provision is not binding when such packing materials or packing containers are clearly suitable for repetitive use.
- 6. For legal purposes, the classification of goods in the subheadings of a heading shall be determined according to the terms of those subheadings and any related Subheading Notes and, mutatis mutandis, to the above Rules, on the understanding that only subheadings at the same level are comparable. For the purpose of this Rule the relative Section and Chapter Notes also apply, unless the context otherwise requires.

13. CUSTOMS VALUATION

According to the WTO Valuation Agreement, Customs value should include the transaction value of imported goods (FOB), plus Insurance (I) and freight (F), constituting value of CIF (any other trade term) Incoterm. If using term other than CIF, CIF equivalent value should be calculated by adding or excluding

some cost components to and from your invoice value.

According to WTO Valuation Agreement, there are six approaches utilized in Customs Valuation, Methods I - Method VI. The approach that transaction value establishes Customs value is the Method I. But if there are some factors that could affect fairness and accuracy of the transaction value i.e. special relationship between importer and exporter, then Method I can no longer be used. Instead, Customs will be using the rest of the Methods in hierarchical order.

The Customs valuation methods stipulated by the Customs Law in Indonesia are as follows:

- (1) The Customs value of imported goods shall be the transaction value;
- (2) If the Customs value of the imported goods cannot be determined under the provision of paragraph (1), the Customs value shall be the transaction value of identical goods;
- (3) If the Customs value of the imported goods cannot be determined under the provisions of paragraph (1) and (2), the Customs value shall be the transaction value of similar goods;
- (4) If the Customs value of the imported goods cannot be determined under the provisions of paragraph (1), (2), and (3), the Customs value of the imported goods shall be based on a deductive method;
- (5) If the Customs value of the imported goods cannot be determined under the provisions of paragraph (1), (2), (3), and (4), the Customs value of the imported goods shall be based on a computed method;
- (6) If the Customs value of the imported goods cannot be determined under the provisions of paragraph (1) to (5), inclusive, the Customs value shall be determined by using reasonable means consistent with the principles and the provisions as referred to in paragraph (1) to (5) on the basis of data available in the Customs Territory subject to certain limitations;
- (7) The provisions on Customs value for the Import Duty calculation shall be further regulated by the Minister.

Table 2 Methods of Customs Valuation

<p>Method 1: Transaction Value</p>	<p>The price actually paid is the total payment made by the buyer for the imported goods, and includes all payments made as a condition of sale of the imported goods by the buyer to the seller, or by the buyer to a third party to satisfy an obligation.</p>
<p>Method 2: Transaction Value of Identical Goods</p>	<p>The transaction value is calculated in the same manner on identical goods if the goods are:</p> <ul style="list-style-type: none"> - the same in all respects including physical characteristics, quality, and reputation, - produced in the same country as the goods being valued, - and produced by the producer of the goods being valued. <p>For this method to be used, the goods must be sold for export to the same country of importation as the goods being valued. The goods must also be exported at or about the same time as the goods being valued.</p>
<p>Method 3: Transaction Value of Similar Goods</p>	<p>The transaction value is calculated in the same manner on similar goods if:</p> <ul style="list-style-type: none"> - goods closely resembling the goods being valued in terms of component materials and characteristics, - goods which are capable of performing the same functions and are commercially interchangeable with the goods being valued, - goods which are produced in the same country as and by the producer of the goods being valued. <p>For this method to be used, the goods must be sold to the same country of importation as the goods being valued. The goods must be exported at or about the same time as the goods being valued.</p>

Method 4: Deductive Value	<p>When Customs value cannot be determined on the basis of the transaction value of the imported goods or identical or similar goods, it will be determined on the basis of the unit price at which the imported goods or identical or similar goods are sold to an unrelated buyer in the greatest aggregate quantity in the country of importation. The buyer and the seller in the importing country must not be related and the sale must take place at or about the time of importation of the goods being valued. If no sale took place at or about the time of importation, it is permitted to use sales up to 90 days after importation of the goods being valued. The greatest aggregate quantity is the price at which the greatest number of units is sold to unrelated persons at the first commercial level after importation at which such sales take place.</p>
Method 5: Computed Value	<p>Computed value, the most difficult and rarely used method, determines the Customs value on the basis of the cost of production of the goods being valued, plus an amount for profit and general expenses usually reflected in sales from the country of exportation to the country of importation of goods of the same class or kind. Computed value is the sum of the following elements: production cost (value of materials and fabrication), profit and general expenses, and other expenses to be added.</p>
Method 6: Fall-back Method	<p>When the Customs value cannot be determined under any of the previous methods, it may be determined using reasonable means consistent with the principles and general provisions of the Agreement and of Article VII of GATT, and on the basis of data available in the country of importation. To the greatest extent possible, this method should be based on previously determined values and methods with a reasonable degree of flexibility in their application.</p>

14. RULES OF ORIGIN

In Indonesia, origin related issues are governed by Regulation of the Minister of Trade of Indonesia No. 77/M-DAG/PER/10/2014 Concerning Rules of Origin of Indonesia.

14.1 Rules of Origin

The Rules of Origin of Indonesia cover the Preference Rules of Origin of Indonesia and Non Preference Rules of Origin of Indonesia.

Preference Rules of Origin

Preference Rules of Origin in Indonesia are only used to obtain the facilities of import duty tariff reduction or exemption provided by a Country or group of Countries based on the provisions in the agreed international agreement or based on the unilateral determination by a Country or group of Countries of export destination.

The Preference Rules of Origin of Indonesia covers:

- a. Preference Rules of Origin of Indonesia, which are regulated in the agreed international agreement; and
- b. Preference Rules of Origin of Indonesia, which are determined by the preference providing country.

Preference Rules of Origin

Non Preference Rules of Origin in Indonesia are only used to comply with the request of a country, importer and/or exporter toward Indonesian export goods, without obtaining the facilities of import duty tariff reduction or exemption.

The Non Preference Rules of Origin of Indonesia covers:

- a. Non Preference Rules of Origin of Indonesia, which are regulated in the agreed international agreement; and

- b. Non Preference Rules of Origin of Indonesia, which are not regulated in the international agreement.

14.2 Origin Criteria

The Preference Rules of Origin of Indonesia and the Non Preference Rules of Origin of Indonesia, as stipulated in Article of Regulation of the Minister of Trade of the Republic of Indonesia No. 77/M-DAG/PER/10/2014 contain:

- a. Origin criteria;
- b. Consignment criteria; and
- c. Procedural provision on the SKA issuance process.

The origin criteria in Indonesia contain: (a) Wholly Obtained; (b) Value Added Contents; (c) Change in Tariff Classification; and (d) Specific Process.

14.3 Preference Rules of Origin

Preference Rules of Origin in Indonesia are the provisions concerning the origin of Indonesian goods that are used to obtain the facilities of import duty tariff reduction or exemption in the country of export destination.

The products satisfy the following criteria are considered wholly obtained from sources in Indonesia:

- a. Mine commodities and other substances that emerge naturally and taken from the territory of Indonesia;
- b. Agricultural and forestry products that are harvested or collected in Indonesia;
- c. Living animals that are born and raised in Indonesia;
- d. Products that are produced from living animals in Indonesia;
- e. Products that are obtained from hunting or fishing/captured fishery in the territory of Indonesia;
- f. Products of fishing or catching at sea and other products taken from the sea by Indonesian flag carrying ships, either inside or outside the territory of Indonesia;
- g. Products that are directly processed on the Indonesian flag carrying ships, either inside or

- outside the territory of Indonesia, that are produced by using raw materials as meant in letter f;
- h. Products that are taken from the bottom of the sea or from the underground layer at the bottom of the sea outside the territory of Indonesia, with the provision that Indonesia has the right to exploit the such bottom of the sea or underground layer at the bottom of the sea;
- i. Reminders and waste produced by the factory operation or processing or from consumption in Indonesia and are only suitable to be disposed or for reutilization as raw materials; and
- j. Products that are produced in Indonesia by using raw materials from products as meant in letter a to letter i, which are all originating from Indonesia.

14.4 Certificate of Origin

The Minister of Trade has recently released Regulation No. 22/M-DAG/PER/3/2015 on Provisions and Procedures to Issue Indonesian Certificates of Origin. This regulation mainly amends the provisions and procedures to obtain a Certificate of Origin, and includes the establishment of a new electronic application system.

A Certificate of Origin is a document which proves that goods for export are goods originating from Indonesia. There are two variants of Certificates subject to Regulation No. 22/M-DAG/PER/3/2015, namely: preferential Certificates (to obtain a reduction of, or exemption from import duty by the importing country); and non-preferential Certificates (without obtaining a reduction of, or exemption from import duty by the importing country).

In Indonesia, Certificates of Origin used by each FTA are categorized as follows:

- ASEAN Trade in Goods Agreement(ATIGA): Form D or e-Form D;
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP): Form AJ;
- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA): Form AANZ;
- ASEAN-China Free Trade Area (ACFTA): Form E;
- ASEAN-Korea Free Trade Area (AKFTA): Form AK;
- ASEAN-India Free Trade Area(AIFTA): Form AI;
- Indonesia-Japan Economic Partnership Agreement (JEPA):Form JEPA/ JIEPA;
- Indonesia-Pakistan Preferential Trade Agreement (IPPTA): Form IP.

14.5 Application Process

To obtain a Certificate of Origin, an exporter must first obtain an access right through the electronic Certificate of Origin system (e-SKA) by uploading scanned copies of the following documents to be submitted to the relevant Issuing Authority.

After activation of the access right, an individual exporter must file an application with a Issuing Authority at any location. A corporate exporter must file an application with the Issuing Authority at the place or area where the goods were retrieved or produced. If there is no Issuing Authority in the area where the goods were retrieved or produced, then the exporter may file an application with the Issuing Authority located:

- where the access right is registered;
- at the goods dispatch zone;
- closest to the exporter's domicile; or
- nearest to the area to where the goods were retrieved or produced.

Third, after successfully activating the access right, the exporter may request the Issuing Authority to issue the Certificate of Origin by completing an application form electronically, and uploading scanned copies of the following documents:

- for an individual exporter: evidence of the purchase of the goods, a statement from the goods' manufacturer and other documents explaining the purpose of exporting the goods;
- for a corporate exporter: Export Declaration (PEB), Export Services Note (NPE), original copy or Bill of Lading/Airway Bill/Cargo Receipt, Taxpayer Identification Number, Packing List and cost structure assessment for exported goods which contain imported raw materials and/or auxiliary materials.

Fourth, an official of the Issuing Authority will examine the submitted documents based on compliance with the Indonesian Rules of Origin or the relevant international agreements, the accuracy of the data and/or information contained in the application form, and the completeness and validity of the attached documents. In addition, the official may carry out a site visit for a first-time applicant and/or an applicant whose goods origin is uncertain.

Finally, if the application form and the attached documents are deemed complete and accurate, the

official will give approval to print the application form. The exporter must print out the Certificate over the approved and printed application form. The exporter must subsequently present the original approved and printed application form to the competent official. The regulation seems to imply that the Certificate will be valid upon it being signed by the official. The Issuing Authority must issue (i.e. sign) the Certificate of Origin within 1 day if the application is complete and accurate.

15. FREE TRADE AGREEMENTS

15.1 Introduction

Indonesia is a member of Association of Southeast Asian Nations (ASEAN) which nowadays has developed ASEAN Free Trade Area (AFTA) in pursue of lowering intra-regional tariff between the members through Common Effective Preferential Tariff (CEPT) Scheme. The tariff requires the members to set the tariff between 0% and 5% and more than 99% products in CEPT Inclusion List (IL) of ASEAN-6, consisting of Countries such as Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand have already implement 0-5% tariffs, while in other countries such as Cambodia, Laos, Myanmar and Vietnam, the tariff is still in the stage of further development.

Major FTAs followed by Indonesia include:

- ASEAN Trade in Goods Agreement (ATIGA);
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP);
- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA);
- ASEAN-China Free Trade Area (ACFTA);
- ASEAN-Korea Free Trade Area (AKFTA);
- ASEAN-India Free Trade Area (AIFTA);
- Indonesia-Japan Comprehensive Economic Partnership Agreement (JEPA);

- Indonesia-Pakistan Preferential Trade Agreement (IPPTA).

15.2 Advantages of FTAs

The FTAs grant preferential tariff treatment that can be beneficial for operator to press the production costs and increase the industrial competitiveness. Preferential tariff is import duty based on the international agreement which its rate is set out in Regulation of the Finance Minister (PMK). The preferential tariff rate can be different from import duty which applied in general (MFN).

Preferential tariff can be granted to:

- Import for home use;
- Import for home use from the bonded storage (TPB), when it is entered to the TPB it has been approved to utilize Preferential Tariff;
- Import for home use from Bonded Logistics Center (PLB) that has been granted the Preferential Tariff treatment when it is entered to the PLB;
- Releasing goods from Free Trade Zone to another place in the area of Customs (TLDDP), as long as: (a) The raw material is from outside of Customs territory; (b) when it is entered to the free area it has been approved for Preferential Tariff treatment; and (c) done by operator in the Free Trade Zone which has complied the requirements as an operator who can enjoy the preferential tariff treatment.

15.3 Preferential Tariff Provided by Each FTA

In Indonesia, preferential tariff provided by each FTA is specifically stipulated by related Regulation of the Minister of Finance (PMK) as follows:

- ASEAN Trade in Goods Agreement (ATIGA): PMK No. 25/PMK.010/2017 about the determination of import duty tariff in ASEAN Trade in Goods Agreement;
- Indonesia-Japan Economic Partnership Agreement (IJEPA): PMK No. 30/PMK.010/2017 regarding the determination of import duty tariff in the agreement of Economic Partnership between Indonesia and Japan of and PMK No. 31/PMK.010/2017 regarding the determination of import duty tariff with User Specific Duty Free Scheme in the Agreement of Economic Partnership between Indonesia and Japan;

- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA): PMK No. 28/PMK.010/2017 about the determination of import duty tariff in ASEAN-Australia-New Zealand Free Trade Area;
- ASEAN-China Free Trade Area (ACFTA): PMK No. 26/PMK.010/2017 about the determination of import duty tariff in ASEAN-China Free Trade Area;
- ASEAN-Korea Free Trade Area (AKFTA): PMK No. 24/PMK.010/2017 about the determination of import duty tariff in ASEAN-KOREA Free Trade Area;
- ASEAN-India Free Trade Area (AIFTA): PMK No. 27/PMK.010/2017 about the determination of import duty tariff in ASEAN-India Free Trade Area;
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP): there is no PMK about tariff in AJCEP;
- Indonesia-Pakistan Preferential Trade Agreement (IPPTA): PMK No. 29/PMK.010/2017 about the determination of import duty tariff in the Preferential Tariff Agreement (PTA) between Indonesia and Pakistan.

16. SPECIAL ECONOMIC ZONES AND INDUSTRIAL PARKS

16.1 Special Economic Zones (SEZs)

Over the last decade, Indonesia's economic clusters – Special Economic Zones (SEZs) and industrial estates have grown multi-fold, both in terms of number and breadth. In 2014, there were approximately 74 industrial estates with an area of 36,300 hectares in the country. By 2017, the number of industrial estates expanded to 87 with an area of 59,700 hectares. Similarly, the number of SEZs in the country has increased to 12; out of these, four are currently operational, representing economic activities across various industrial sectors.

The SEZs in Indonesia are open to foreign investment and offer investors access to preferential regulatory infrastructure and taxation in an attempt to channel investment into specific locations.

As its main purpose is to boost the investment and business activities in the area, SEZ offers various administrative incentives, such as easier licensing process, taxation incentives and availability of complete infrastructure to support the businesses and industries in the field of trading, services, industry, energy and mining, transportation, fishery, tourism etc.

The incentives are designed to improve the competitiveness of SEZ and attract further investment in the designated area or business sector. Incentives that can be granted in a SEZ vary and in the field of Customs can consist of:

- Import Duty deferment;
- Excise exemption for raw and supporting materials for production;
- Non-collection of Value-added Tax (VAT) and Sales Tax on Luxury-goods (STLG);
- Non-collection of Corporate Income Tax on importation.

Figure 3 SEZs and Industrial Parks in Indonesia

Special Economic Zones and Industrial Parks in Indonesia



LEGEND

INDUSTRIAL PARKS

A NORTH SUMATRA

- Kawasan Industri Medan
- Medan Star Industrial Estate
- Pulahan Serual Industrial Estate

B WEST SUMATRA

- Padang Industrial Park

C RIAU

- Kawasan Industri Dumai
- Kawasan Industri Tanjung Buton

D BATAM

- Batamindo Industrial Park
- Bintang Industrial Park
- Kabil Integrated Industrial Estate
- Panbil Industrial Estate
- Puri Industrial Park 2000
- Tunas Industrial Park
- Union Industrial Park
- West Point Maritime Industrial Park

E BINTAN

- Bintan Industrial Park

F JAKARTA

- Cilandak Commercial Estate
- Jakarta Industrial Estate Pulogadung
- Kawasan Berikat Nusantara

G BANTEN – CILEGON

- Jababeka Industrial Estate-Cilegon
- Krakatau Industrial Estate Cilegon

H BANTEN – SERANG

- Kawasan Industri Terpadu MGM Cikande
- Modern Cikande Industrial Estate

I BANTEN – TANGERANG

- Kawasan Industri & Pergudangan Cikupamas
- Millenium Industrial Estate
- Taman Tekno BSD

J WEST JAVA – BOGOR

- Kawasan Industri Sentul
- Cibinong Center Industrial Estate

K WEST JAVA

- Kawasan Industri Rancaekek

L WEST JAVA – KARAWANG

- Artha Industrial Hill
- Bukit Indah Industrial Park
- GT Tech Park @Karawang
- Karawang International Industrial City
- Kawasan Industri Mitrakarawang
- Kujang Industrial Estate
- Suryacipta City of Industry
- Podomoro Industrial Park

M WEST JAVA – BEKASI

- Bekasi International Industrial Estate
- East Jakarta Industrial Park
- Greenland International Industrial City
- Jababeka Industrial Estate-Cikarang
- Kawasan Industri Gobel
- Kawasan Industri Terpadu Indonesia China
- Lippo Cikarang
- Marunda Center
- MM2100 Industrial Town
- MM2100 Industrial Town

N WEST JAVA – PURWAKARTA

- Kota Bukit Indah Industrial City
- Kawasan Industri Lion

O CENTRAL JAVA

- Candi Industrial Estate
- Jawatengahland Industrial Park Sayung
- Kawasan Industri Turboyo Semarang
- Kawasan Industri Wijayakusuma
- Kawasan Industri Wonogiri
- LIK Bugangan Baru Semarang
- Taman Industri BSB
- Tanjung Emas Export Processing Zone

P EAST JAVA

- Java Integrated Industrial & Port Estate
- Kawasan Industri Gresik
- Kawasan Industri Tuban
- Nggoro Industrial Park
- Surabaya Industrial Estate Rungkut
- Kawasan Industri Maspion
- Pergudangan dan Industri Safe N Lock

Q EAST KALIMANTAN

- Kaltim Industrial Estate
- Kawasan Industri Kariangau Balikpapan
- Delma Industrial Park
- Muara Wahau Industrial Estate

R SOUTH SULAWESI

- Kawasan Industri Makassar
- Kawasan Kota Industri Terpadu Takalar

S CENTRAL SULAWESI

- Kawasan Industri Palu

SPECIAL ECONOMIC ZONES

- Industry
- Tourism

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16.2 Industrial Parks

Industrial parks offer a cost-effective way to increase access to basic infrastructure and ensure that production can be carried out in an efficient and effective manner.

Located throughout the country, these investment options have become more targeted in recent years, often specializing in select industries and providing investors with the resources, utilities, and connections to transport networks required to optimize production chains.

17. POST CLEARANCE AUDIT (PCA)

Traditionally Customs documentary checking and physical examination connected with importations and exportations takes place before the goods are released. The concept of post clearance audit allows for speedier clearance of the goods with the audit examination being performed subsequently at the importers' premises. Such clearance should only be afforded to reputable importers who should be made aware that their records may be the subject of audit. The amount of importations selected for audit will depend on the Customs resources available with the main effort directed at known areas of risk. The aim would be to cover the activities of all major importers over a reasonable period of time. Where irregularities are discovered the audit can be extended to include all the importations made by the particular importer under examination.

Post clearance audit (PCA) is a new and important area for Indonesian Customs. The successful implementation of PCA in Indonesia will help strengthen enforcement and provide the necessary support and confidence in the implementation of trade facilitating measures and simplified procedures in cargo processing and valuation specifically.

Indonesian Customs may assess the level of traders' compliance with the Customs Law through a post clearance audit. Post clearance audit includes activities to examine financial statements, bookkeeping, notes and documentations that serve as the source documents for bookkeeping, documents related to the

company's activity (including electronic data), documents related to Customs activities and/or inventories of goods, to verify compliance with the Customs Law.

Post clearance audit is conducted by the Customs officials for control purposes, as a consequence of the implementation of:

- The self-assessment system;
- The provision on Customs valuation based on the transaction value; and
- Facilities granted to permit the non-collection, non-imposition, exemption, relief, refund or postponement of import duty under certain circumstances, which only may be monitored and evaluated after imported goods are released from the Customs areas.

Post clearance audit is only intended to examine the level of compliance with the provisions of the Customs Law. The request to submit financial statement during post clearance audit is intended to ensure that the bookkeeping presented to the Customs officials is the same actual bookkeeping that is used to record business activities as summarized in the financial statements at the end of the period concerned. The Customs auditor is prohibited to disclose the information collected in the post clearance audit to any unauthorized parties.

17.1 PCA Procedures

In Indonesia, general steps of a Customs post clearance audit are generalized as follows:

- Issuance of an assignment letter;
- Issuance of a data request letter, under which seven business days are provided for the auditee to provide all the requested data, although the auditee may request an extension of the period for an additional three business days;
- Fieldwork, carried out for a maximum period of 30 days;
- Issuance of an audit report;
- Closing; and
- Issuance of a provisional finding list (DTS) to the auditee within seven business days of closing, which may be extended for another seven business days.

17.2 Findings and Risks

Areas of findings targeted by post clearance audit are usually in the fields of (1) Customs valuation, (2) tariff and classification, (3) unreported/unmatched type and quantity of imported goods and (5) improper Customs, trade and/or Industry Facilities management.

Traders are facing the risks of administrative fine at a minimum of 100% up to a maximum of 1000% of the underpayment of import duty or to settle the underpaid import duty.

For example failure to keep proper records is subject to a fine of Rp.25 million and companies with no record keeping procedures are subject to a fine of Rp.50 million.

Penalties for underpayment of import duty due to incorrect Customs value and quantity or type of goods discrepancy are charges as a percentage of the underpaid duty amount as follows:

up to 25%	100%
>25 % - 50%	200%
>50% - 75%	400%
>75% - 100%	700%
above 100%	1000%

Where the rate of import duty is 0% there is an administrative penalty applicable of Rp.5 million per import document.

17.3 Voluntary Disclosure

Voluntary disclosure may mitigate the Customs penalty risks arising from an incorrect Customs valuation due to futures prices (commodities), royalty, and proceeds.

17.4 Statute of Limitations

For general post clearance audit, the statute of limitations is ten years, except for matters related to Customs value and tariff classification, where the statute of limitations is two years.

18. PENALTIES, OBJECTIONS AND APPEALS

18.1 Penalties

Penalties for Customs related offences are stipulated in various Articles of the Customs Law 1995 as follows:

Article 7: *Carrier not complying with the provisions as referred to in paragraph (1) or (2) shall be subject to a penalty of minimum Rp2,500,000.00 (twenty five million rupiah) up to maximum Rp25,000,000.00 (twenty five million rupiah). The carrier complying with the provisions as referred to in paragraph (1) or (2) shall pay import duties on goods in short in case the number of unloaded goods does not conform with the number notified in the Customs Declaration and be subject to a penalty of minimum Rp5,000,000.00 (five million rupiah) up to maximum Rp50,000,000.00 (fifty million rupiah) unless the shortage can be proven accordingly. The carrier complying with the provisions as referred to in paragraph (1) or (2) shall be subject to a penalty of minimum Rp5,000,000.00 (five million rupiah) up to maximum Rp50,000,000.00 (fifty million rupiah) whenever the number of goods unloaded is in excess of the number notified in the Customs Declaration. Any person who releases goods from the Customs Area before obtaining an approval of the Customs official shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 8: *Importers who do not pay the Import Duties on imported goods as referred to in paragraph (2)(b) or (2)(c) within the period designated by this law shall be subject to a penalty of ten percent of the Import Duties that should be paid.*

Article 10: *The exporter who does not notify the export cancellation as referred to in paragraph (4) shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 11: *The carrier, who does not declare the transported goods as referred to in paragraph (1) or (2), shall be subject to a penalty of Rp5,000,000.00 (five million rupiah). The carrier complying with the provisions as referred to in paragraph (2)(a) or (2)(b), shall pay the Import Duties on goods transported which do not reach the destination or in which the number does not conform with the number notified in the Customs Declaration and be subject to a penalty of minimum Rp5,000,000.00 (five million rupiah) up to maximum Rp50,000,000.00 (fifty million rupiah) unless they can be proven accordingly.*

Article 16: *The importer who has erroneously notified the Customs value for the calculation of the Import*

Duty, hence the shortage of payment of the Import Duty occurs, shall be subject to a penalty of minimum of one hundred percent up to maximum five hundred percent of the Import Duty in short.

Article 25: *Any person who does not comply with the provisions of the exemption of the Import Duties by virtue of this law, whenever causing loss of the government revenue, shall be subject to a penalty of one hundred percent of the Import Duty that should be paid.*

Article 26: *Any person who does not comply with the provisions of the exemption and relief of the Import Duty by virtue of this law, whenever causing loss to the government revenue, shall be subject to a penalty of one hundred percent of the Import Duty that should be paid.*

Article 43: *The operator of the Temporary Storage who cannot be accounted for the goods stored shall be subject to a penalty of twenty five percent of the Import Duty that should be paid.*

Article 45: *Any person who removes goods from the Bonded Storage prior to the approval of the Customs official shall be subject to a penalty of Rp5,000,000.00 (five million rupiah). The operator of the Bonded Storage who cannot be accounted for the goods stored shall be subject to a penalty of one hundred percent of the Import Duty that should be paid.*

Article 52: *Any person who does not comply with the provisions as referred to in Article 49 or 51 and whose act does not cause financial losses to the State shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 81: *The carrier or the company who does not render appropriate assistance shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 82: *Any person who does not fulfil the request enabling such an official to conduct the examination as referred to in paragraph (2) shall be subject to a penalty of Rp5,000,000.00 (five million rupiah). Any person who mistakenly declares the type and/or number of imported goods in the Customs Declaration causing shortage of payment of the Import Duty shall be subject to a penalty of minimum of 100% (one hundred percent) up to maximum 500% (five hundred percent) of the Import Duty in short. Any person who mistakenly declares the type and/or number of exported goods in the Customs Declaration shall be subject to a penalty of minimum Rp1,000,000.00 (one million rupiah) up to maximum Rp10,000,000.00 (ten million rupiah).*

Article 86: *The person as referred to in article 49 who fails to meet the request of the Customs official as referred to in article 50, or refuses the request of the Customs official to examine his/her inventory, shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 89: *Any person who causes the Customs official unable to apply the provisions as referred to in Article 87 and 88, shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 90: *Any person who refuses to stop the discharge as referred to in paragraph (3) shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 91: *The carrier who refuses to fulfil the request as referred to in paragraph (1), (2), and/or (3) shall be subject to a penalty of Rp5,000,000.00 (five million rupiah).*

Article 107: *A Customs broker who handles the Customs Declaration, acting on behalf of an importer or exporter, shall also be subject to the same penalty when committing the same crime.*

Article 113: *The termination of the investigation of the Customs crime as referred to in paragraph (1), shall only be done after the party concerned has paid the Import Duty in short or due, and added with a penalty of four times as much the Import Duty in short or due.*

Article 114: *All violations that is subject to a penalty calculated from the percentage of the Import Duty, if tariff or final tariff of Import Duty on the goods concerned is zero percent, then the offender shall be punished with a penalty of Rp5,000,000.00 (five million rupiah).*

18.2 Objections

Objections are stipulated in Article 93, 94, Part One, Chapter XIII of the Customs Law 1995 as follows:

(1) Person who has objections against the assessment of tariff classification and/or Customs value determined by the Customs official or subject to penalty, may file a written objection only to the Director General in thirty days as of the date of the assessment by depositing a security as much the Import duty due.

(2) The Director General shall make decision on the objection, as referred to in paragraph (1) within a period of sixty days after the objection is received.

(3) Whenever the objection as referred to in paragraph (1) is rejected by the Director General, the security shall be cashed or transferred and the Import Duty due shall be deemed paid and if the objections are accepted, such a security shall be returned.

(4) If within the period of sixty days as referred to in paragraph (2), the Director General has not come to any decision, the objection shall be deemed accepted and the security shall be returned.

(5) If the security as referred to in paragraph (1) is in the form of cash and the security returned as referred to in paragraph (3) and (4) is refunded after the sixty-day period has passed, two percent of monthly interest for twenty four months maximum shall be granted by the Government.

18.3 Appeals

Appeals are stipulated in Article 95, 96, Part One, Chapter XIII of the Customs Law 1995 as follows:

(1) Person who has objections against the assessment of tariff classification and/or Customs value determined by the Customs official as referred to in Article 17 paragraph (2) or the decision of Director General as referred to in Article 93 paragraph (2) or Article 94 paragraph (2), may file a written appeal to the Tax Judicatory Institution in thirty days as of the date of the assessment or decision, after the Import Duty has been paid.

(2) Body sebagaimana tax court referred to in paragraph (10) is the tax judicial bodies referred to in Law No. 6/1983 concerning General Provisions and Tax Procedures as amended by Law No. 9/1994.

(3) Prior to the establishment of the Tax Judicatory Institution as referred to in Article 95 paragraph (2), an appeal application shall be filed to the appeal institution which decision shall not be regarded as the decision of the State Administration Court.

(4) The appeal as referred to in paragraph (1) shall be written in Indonesian with clear reasons within a period of sixty days after the receipt of the decision or assessment enclosed with copies of such a decision or assessment.

(5) The decision of the Tax Judicatory Institution shall be final.

18.3.1 Appeal Institution

Appeal Institution is stipulated in Article 97, 98, 99, 100 and 101, Part One, Chapter XIII of the Customs Law 1995 as follows:

Article 97: *To examine and decide on the appeal as referred to in Article 96 paragraph (1), an appeal institution shall be established under the name of the Customs and Excise Appeal Institution. The Customs and Excise Appeal Institution shall be located in Jakarta and the Customs and Excise Appeal Institution shall be led by a chairman and have members coming from the government, private entrepreneurs, and experts.*

Article 98: *The chairman of the Customs and Excise Appeal Institution shall appoint a committee to process the appeal.*

Article 99: *The session of the committee shall be closed for public. The decision of the committee shall be drawn upon deliberation for agreement. In case the agreement as referred to in paragraph (2) fails to be reached, the decision shall be made by voting. The decision of the committee shall be informed to the appellant and the Director General in fourteen days at the most after the date of the decision.*

Article 100: *Committee members, that have personal interest in the case examined shall resign from the committee.*

Article 101: *The organizational structure and work procedure and any matter concerning administration, allowances, expenses, and the code of conduct of the Customs and Excise Appeal Institution shall be stipulated by the Government Regulation.*

19. CUSTOMS IPR BORDER PROTECTION

Indonesia has taken its first steps towards an effective and efficient Customs IPR border protection

system. After Government Regulation No. 20 of 2017 on Controls of Import and Export Goods under 2006 Customs Law came into effect on August 2, 2017, the Ministry of Finance has finally passed Implementing Regulation No. 40 of 2018 which sets out the procedures for Customs recordal and seizures. The Implementing Regulation takes effect on 16 June 2018.

19.1 Recordal for Trademarks and Copyrights

Trademark and copyright owners with a local business entity domiciled in Indonesia can now file Customs recordal applications. In addition to the usual proof of trade mark certificates or copyright and information on genuine goods, the application must include documents relating to the local business entity, importer/exporter information and a statement of liability from the IPR owner. The IPR owner must also appoint an examiner who can verify genuine products as well as understand the distribution and marketing of the products.

Once the application is submitted, Customs will review the application and approve or reject the application within 30 days. Recordals are valid for one year and are renewable.

19.2 Restraint Confirmation by IPR Owners

Restraint of goods occurs first for trademarks and copyrights that have been recorded at the Customs. Once Customs notifies the IPR owner of a restraint, the IPR owner will need to send confirmation of its decision to either apply for Court detention order or otherwise to Customs within two days.

19.3 Examination of Detained Goods

Upon receipt of the Court detention order, Customs will detain the goods for ten business days. Within two business days of Customs' receipt of the Court detention order, the IPR owner will need to send its request to Customs who will arrange a time for all parties including the appointed examiner to examine the detained goods.

If more time is required, the IPR owner can apply to Court for an extension of ten business days but there will be an additional security of another IDR 100 million (USD 7,200).

19.4 Legal Action and Settlement

After the ten-day detention period, if the goods are confirmed as infringing and if there is no settlement, the IPR owner can take legal action. The 2017 Regulation provides that this means civil or criminal action or settlement.

20. AUTHORIZED ECONOMIC OPERATORS (AEOS)

AEO based on WCO SAFE is an economic operator involved in the movement of goods in the supply chain internationally in any function that has been recognized by or on behalf of the national Customs administration because it meets WCO standards or supply chain security standards. Economic operators who can participate in the AEO include: producers, importers, exporters, PPJK, transporters, consolidators, intermediaries, port authorities, terminal managers, warehousing entrepreneurs, and distributors.

The objectives of Indonesia's AEO program are:

- Secure and safe supply chain;
- Active participation of AEO participants in securing trade chain;
- Efficient business practices for AEO participants;
- Simplification of Customs procedures;
- Compliance and recognition of international standards.

20.1 AEO Regulations

In 2005, the Republic of Indonesia signed a letter of intent for WCO SAFE, for the implementation of AEO in Indonesia. Following this up the President issued Presidential Instruction No. 1 of 2010 instructing the implementation of AEO and information technology to support the investment climate. Then the Minister

of Finance followed up by issuing Minister of Finance Regulation No. PMK 219/PMK04/2010 concerning Customs Treatment of Authorized Economic Operators. In 2014 the Minister of Finance issued Regulation No. PMK 227/PMK04/2014 concerning Authorized Economic Operators that revoked Minister of Finance Regulation No. PMK 219/PMK04/2010 concerning Customs Treatment of Authorized Economic Operators.

20.2 Types of AEOs

In Indonesia, types of AEOs mainly include the following entities:

- Importer;
- Exporter;
- PPJK;
- TPS entrepreneur;
- TPB entrepreneurs;
- Carrier;
- Other parties (consolidators, postal operators)

20.3 AEO Requirements

Conditions and requirements for AEOs in Indonesia are as follows:

- Compliance with Customs regulations;
- Trade data management system;
- Financial ability;
- Consultation, collaboration and communication systems;
- Education, training and care;
- Exchange of information, access and confidentiality;
- Cargo security;
- Safety of movement of goods;
- Location security;

- Employee safety;
- Security of trading partners;
- Crisis management and incident recovery; and
- System planning and implementation of monitoring, measuring, analyzing, and improving the system

20.4 Benefits of AEO Implementation

Benefits for AEO operators include accelerating the process of releasing goods with a minimum of document examination and/or physical inspection, so that it is expected to reduce logistics costs.

Benefits for DGCE include increasing the effectiveness of supervision, service and efficiency of resource allocation.

Benefits for Indonesia include being recognized as a trustworthy country in international trade because it has implemented safety and security measures in the logistics supply chain while facilitated trade, so that it will further have a positive impact on the national economy.

21. TRADE STATISTICS

The Ministry of Trade has continuously made effort to enhance its services in providing information, statistics to the public through the website of the Ministry of Trade. This website is designed to serve the needs of the public, particularly the stakeholders in the trade sector, by providing current information on trade policies, updated data on Indonesia's trade sector, activities related to the trade sector, the profile of the Ministry of Trade and other important information.

Trade statistics in Indonesia is released by the Trade Policy Analysis and Development Agency under the Ministry of Trade (MOT) and are available for reach at the following website: <https://www.kemendag.go.id/en/economic-profile>.

The official website of the Directorate General of Customs and Excise (DGCE) also has a special page for statistics at: <http://www.beacukai.go.id/statistik.html>.

22. CONTACT INFORMATION

For further and detailed information relating to Customs clearance procedures, enquiries should be addressed to the following official contacts:

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Customs and Excise, Ministry of Finance

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Tel: +62 021 4890308 / 4832520 / 1500225

Fax: +62 021 4897512

Website: www.beacukai.go.id

Email: info@customs.go.id

Ministry of Trade, Republic of Indonesia

Address: M. I. Ridwan Rais Road, No. 5, Central Jakarta 10110

Phone: +62 021 3858171

Website: <https://www.kemendag.go.id>

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