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Tax & Customs Update

Customs Regulation Changed, Base of Mineral Export Duty and Import Duty Tariff Adjusted

Indonesian Government applies several new strategic policies on Customs sector in the beginning of 2017. Thus, importers and exporters shall take the adjusted tariff composition and Customs system into account.

Layer Is Added, Mineral Export Duty Base Is Adjusted

Particularly for business players in mineral mining sectors, the Minister of Finance (MoF) has issued MoF Regulation Number 13/PMK.010/2017 stipulating further about mineral export duty imposition on processed metal mineral product and metal mineral product under specific criteria. Prior to the issuance of the new regulation, metal mineral export duty is regulated by MoF Number 140/PMK.010/2016, where the imposition base referred to the smelter

facility construction absorption costing percentage. However, as of 10 February 2017, export duty imposition base was adjusted by referring to the progress level of smelter physical construction. Aside from the tariff imposition base adjustment, this regulation adjusts the tariff rate amount as well. Unlike the prior regulation which stipulated three export tariff layers, the new regulation put an additional tariff layer. Hence, the export tariff layer is divided into totally four layers.

The metal mineral export duty adjustments are detailed as follows:

Former Regulation (PMK 140/2016)	New Regulation (PMK 13/2017)
Tariff Imposition Base: Mineral smelter construction facility progress stage is in compliance with the absorption costing percentage amount.	Tariff Imposition Base: Smelter facility physical construction completion stage.
Smelter absorption costing: A. Stage I: Absorption costing up to 7.5% B. Stage II: 7.5%-30% C. Stage III: >30%	Smelter physical completion stage: A. Stage I: <30% B. Stage II: 30%-50% C. Stage III: 50%-75% D. Stage IV: >75%
Tariff Amount: A. For completion stage I : 7.5% B. For completion stage II : 5% C. For completion stage III : 0%	Tariff Amount: A. For completion stage I : 7.5% B. For completion stage II : 5% C. For completion stage III : 2.5% D. For completion stage IV : 0%
Applicability Period: 30 September 2016-12 January 2017	Applicability Period: 9 February 2017-11 January 2022

HS Is Simplified, Import Duty Tariff Soared to 10%

Another important regulation is MoF Number 6/PMK.010/2017 on Determination of Goods Classification and Import Duty Tariff Imposition, effective per 1 March 2017. This regulation is the legal basis of Indonesia's Customs Tariff Book (BTKI) amendment, in line with the simplification of Harmonized System (HS) from ten digits to eight digits and the increment of import duty tariff in 300 tariff sections.

The revision to BTKI has become regular agenda for every five years to adjust it with the HS amendment schedule by World Customs Organization (WCO) and to follow ASEAN Harmonized Tariff Nomenclature (AHTN). The latest BTKI revision made by Indonesia was in 2012. With the last two-digit reduction, it sets a general HS code applicable in all ASEAN countries. This affects to

merger, separation, and additional tariff sections on the revised BTKI.

In BTKI amendment process, there was a proposal of import duty tariff increment to 1,089 tariff sections of mainstream and downstream products. It was then reduced to 996 tariff sections.

Following a deep analysis, MoF decided to increase import duty tariff for only 300 tariff sections. Averagely speaking, import duty tariff of all countries or the Most Favorable Nations (MFN) in BTKI are generally increased, from 8.81% to 10.08%.

MoF explains that the tariff adjustment policy was made by considering the relationship between import duty tariff and several industrial performances, comprising: output, manpower, productivity, export and import.

	BTKI 2012	BTKI 2017
Classification Structure	10 digits XXXX.XX.XX.XX	8 digits XXXX.XX.XX
Number of Chapter	98 Chapter	98 Chapter
Number of Subsection WCO	5,205 6 digits of HS subsection	5,387 6 digits of HS subsection
Number of Tariff Section of BTKI	10,025	10,826

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