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Government Launched Temporary Safeguard Import Duty



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ABOUT DDTC Newsletter

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

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Indonesia's Paying Taxes Ranking Increases

The World Bank Group (WBG) has again released the 2020 Ease of Doing Business (EoDB) Report. In 2020 EoDB, Indonesia remains in the same position as last year, i.e. ranks at 73 out of 190 countries.

Various efforts undertaken by the government in terms of ease of doing business have indeed slightly increased Indonesia's score from 67.96 to 69.6 out of 100. By and large, however, there have been improvements, one of which pertains to the ranking of paying taxes.

Indonesia's paying taxes area ranks at 81, indicating an increase compared to the previous year ranking at 112. The rise in ranking is due to Indonesia's paying taxes score of 75.8 that improved from the previous year score of 68.4.

In further detail, the number of payments from formerly 43 per year is now 26 per year. The time spent on handling taxes (time to comply) has declined from 208 hours to 191 hours per year.

Concurrently, the total tax and contribution rate and post-filing index remain unchanged at 30.1% of profit and a score of 68.8. In its report, the WBG claims that Indonesia has simplified tax payments by implementing online reporting and payment systems.

On a side note, the 10 countries ranked as the top paying taxes are Bahrain, Hong Kong SAR, China, Qatar, Ireland, Mauritius, Kuwait, Singapore, Denmark, New Zealand, and Finland, respectively.

Bonded Warehouse Rules Updated

The government has set forth policies regarding Bonded Warehouse (*Gudang Berikat*) facilities through the Minister of Finance Regulation No. 155/2019 concerning Bonded Warehouses (MoF Reg. No. 155/2019). The issuance of the regulation signifies the government's serious intent to enhance the competitiveness of domestic industries to compete in local and international markets.

This new regulation revokes the previous regulation, namely MoF Reg No.143/2011 concerning Bonded Warehouses. A number of considerations underlying the revocation include ease of business for users of Bonded Warehouse facilities, development of the function of Bonded Warehouse facilities, and optimization of supervision of goods in Bonded Warehouses.

Licensing is facilitated and expedited by synchronizing regulations pertaining to licensing whereas business operations are facilitated by raising stockpiling period, simplifying documents, certain treatments, and arrangements related to Independent Customs Bonded Warehouses.

Moreover, MoF Regulation No. 155/2019 is adapted to the development of industrial business processes by developing facility functions, including the addition of types of goods entitled to facilities, namely goods required for management and operation in Bonded Warehouses and regulations concerning One-on-One Bonded Warehouses, returnable packages, and damaged goods in Bonded Warehouses.

With its convenience and developments, this new regulation mandates an efficient supervision pattern with risk management enabling the facilities to hit the target. Regulations concerning supervision include affirmations related to stripping, responsibilities of Bonded Warehouse entrepreneurs, segregation of stockpiling and inspection sites, and arrangements related to the monitoring and evaluation in Bonded Warehouses.

In summary, through this regulation, the government emphasizes that the stringency of supervision is applied in two manners, i.e. taxation and the imports of goods mechanism.

In terms of taxation, through this regulation, the authorities elucidate that goods entering Bonded Warehouses must fulfill certain mechanisms, for instance, a tax invoice must be prepared and evidenced with customs and excises declaration documents and books, record, documents related to the entry of goods into Bonded Warehouses must be well-maintained.

In contrast, in terms of import of goods, the authorities also state that goods entering the Bonded Warehouses must comply with a number of provisions. *First*, stripping must be performed on goods entering the Bonded Warehouses.

Second, stripping is undertaken immediately after the goods enter Bonded Warehouses. Third, in the event that stripping cannot be promptly conducted due to the company's business processes, the loading of goods into the Bonded Warehouse can be postponed with the approval of the Head of the Customs Office.

These provisions, however, are exempted for liquid, bulk goods, gas, or the like and other goods based on the approval from the Head of Prime Customs and Excise Office or the Head of Customs Office in consideration of the company's risk profile.

With respect to goods that have entered the Bonded Warehouse, the government underlines that such goods are not to be transferred for two years, except for goods in the form of piled goods packaging which will be transported to the distribution destination company.

A Bonded Warehouse is a Bonded Storage to stockpile imported goods, with one or more activities, i.e. packaging, repackaging, sorting, kitting, packing, adjusting, cutting, for certain goods within a certain period to be discharged later.

Safeguard Import Duty for Imports of Aluminum Foil Products

The Ministry of Finance has imposed safeguard import duty (*be masuk tindakan pengamanan*/BMTP) on imports of aluminum foil products. The imposition of the BMTP resulted from an investigation by the Indonesian Trade Safeguard Committee (*Komite Pengamanan Perdagangan Indonesia*/KPPI) showing the threat of serious losses to the domestic industry due to a surge in imports of aluminum foil products.

The provisions of BTMP imposition on the imports of aluminum foil products are contained in Minister of Finance Regulation No. 153/PMK.010/2019 (MoF Reg No. 153/2019) concerning the Imposition of Safeguard Import Duty on Imports of Aluminum Foil Products. The regulation was promulgated on 24 October 2019 and will enter into force in 14 days from the date of promulgation. This policy, nonetheless, will only be valid for two years since the effective date of the regulation.

Under this regulation, BMTP is imposed on imported goods in the form of aluminum foil products that are not printed or are not placed on paper, cardboard, plastic, or similar bases. Moreover, the thickness of the aluminum foil product should not exceed 0.2 mm, is rolled but not further processed, and the aluminum content is 97.5% or higher of its weight.

Furthermore, this regulation's two-year validity period is divided into two. In the first period, BMTP tariff is imposed at 6% and will be valid for one year since the effective date of this Minister Regulation. In the second period, the BMTP tariff is imposed at 4% and will be valid for one year since the end of the first period.

Subsequently, this BMTP regulation is imposed on imports from all countries, except for aluminum foil products produced by 124 countries listed in the appendix to this MoF Regulation. Countries exempted from the imposition of BMTP include the Philippines, Qatar, Saudi Arabia, Maldives, Malaysia, Singapore, and Hong Kong.

In more detail, the imposition of BMTP on imported aluminum foil products takes the form of additional general import duties (Most Favored Nation) or additional preference import duty. The preference import duty is employed if a country has trade cooperation with Indonesia and meets the applicable provisions.

Furthermore, importers originating from countries exempted from the imposition of this BMTP or countries with international trade cooperation with Indonesia are required to submit Certificate of Origin documents. BMTP is fully applicable to imported aluminum foil products of which the import customs declarations documents have received a registration number from the Customs Office of the port of entry as of 7 November 2019.

Temporary Safeguard Import Duty for Imports of Yarn Products (Other Than Sewing Thread) from Synthetic and Artificial Staple Fibers

The government has imposed temporary safeguard import duty (*bea masuk tindakan pengamanan sementara*/BMTPS) on imports of yarn products other than sewing thread from synthetic and artificial staple fibers. The imposition of BMTPS is due to the investigation results by the Indonesian Trade Safeguard Committee (*Komite Pengamanan Perdagangan Indonesia*/KPPI) that indicates the threat of serious losses to the domestic industry due to the uprise in product imports.

The provisions of BMTPS imposition are contained in the Minister of Finance Regulation No. 161/2019 (MoF Reg. No. 161/2019) concerning the Imposition of Temporary Safeguard Import Duty on Imports of Yarn Products (Other Than Sewing Thread) from Synthetic and Artificial Staple Fibers. The regulation was promulgated on 6 November 2019 and entered into force three days after the date of promulgation. Further, this BMTPS policy is only valid for 200 days since 9 November 2019.

BMTPS imposition targets imported products in the form of yarn products other than sewing threads from synthetic and artificial staple fibers included in HS code 5509.22.00, 5509.32.00, 5509.51.00, 5509.53.00, 5510.12.00, and 5510.90.00. Descriptions pertaining to the types of products based on the HS code are indicated in Table 1.

BMTPS tariff is imposed at Rp1,405.00/kg. Moreover, BMTPS is imposed on imports from all countries, except for yarn products other than sewing threads from synthetic and artificial staple fibers produced by 121 countries listed in the attachment to the regulation. Excluded countries among others include Brazil, Brunei Darussalam, and Malaysia.

In greater detail, BMTPS imposition on these products takes the form of additional general import duty (Most Favored Nation) or additional preference import duty. The preference duty is used in the event that a country has trade cooperation with Indonesia and meets the applicable provisions.

Additionally, importers originating from countries exempted from BMTPS imposition or countries with international trade cooperation with Indonesia are required to submit Certificate of Origin documents. BMTPS is fully applicable to the products of which the import customs declarations documents have received a registration number from the Customs Office of the port of entry as of the enactment of this regulation.

Table 1 - Description of Yarn Products Other Than Sewing Thread from Synthetic and Artificial Staple Fibers Imposed with BMTPS

No.	HS code	Description
1	5509.22.00	Yarns (other than sewing thread) from synthetic staple fibers, not produced for retail sales in the form of ply yarns (folded) or twisted into cord yarns
2	5509.32.00	Yarns (other than sewing thread) from synthetic staple fibers, not produced for retail sales in the form of ply yarns (folded) or twisted into cord yarns
3	5509.51.00	Yarns (other than sewing thread) from synthetic staple fibers, not produced for retail sales that are mixed mainly or only with artificial staple fibers
4	5509.53.00	Yarns (other than sewing thread) from synthetic staple fibers, not produced for retail sales that are mixed mainly or only with cotton
5	5510.12.00	Yarns (other than sewing thread) from artificial staple fibers, not produced for retail sales in the form of ply yarns (folded) or twisted into cord yarns
6	5510.90.00	Yarns (other than sewing thread) from artificial staple fibers, not produced for retail sales of other yarns

Source: Based on MoF Reg. No. 6/2017, can be accessed at: The Directorate General of Customs and Excise.

Temporary Safeguard Import Duty for Imports of Textile Products

The government has imposed temporary safeguard import duty (*bea masuk tindakan pengamanan sementara*/BMTPS) on imports of textile products. BMTPS is imposed following the investigation results by the Indonesian Trade Safeguard Committee (*Komite Pengamanan Perdagangan Indonesia*/KPPI) that imply the threat of substantial losses to the domestic industry due to the rise in textile product imports.

The provisions of BMTPS imposition are stipulated in the Minister of Finance Regulation No. 162/2019 (MoF Reg. No. 162/2019) concerning the Imposition of Temporary Safeguard Import Duty on Imports of Textile Products. The regulation was promulgated on 6 November 2019 and entered into force three days after the date of promulgation. Further, this BMTPS policy is only valid for 200 days since 9 November 2019.

BMTPS is imposed on the imports of on 107 types of textile products with HS code 5208.12.00 to 6006.44.90. Based on the Indonesian Customs Tariff Book (*buku tarif kepabeanan indonesia*/BTKI), products imposed with BMTPS include woven fabrics from cotton, woven fabrics from synthetic filament yarn, woven fabrics from synthetic monofilament, woven fabrics from synthetic staple fibers, tulle and other net fabrics, long pile fabrics, including faux fur long pile fabrics and terry fabrics, and knitted or crocheted fabrics.

BMTPS imposed on these textile products vary from Rp1,318/meter to Rp9,521/meter depending on the type of fabric. Apart from the specific tarrifs, *ad volerum* tariffs apply to three types of woven fabrics from high strength yarns from viscose rayon, i.e. printed fabrics at a tariff of 39.40%, dyed fabrics at a tariff of 67.70%, and screen printed fabrics at 36.30%.

BMTPS is imposed on imports from all countries, except imports of textiles produced by 122 countries listed in this regulation. The exempted countries include Argentina, Chile, Ghana, India, Thailand, and Vietnam.

In further detail, BMTPS imposition on these products takes the form of additional general import duty (Most Favored Nation) or additional preference import duty. The preference duty is used in the event that a country has trade cooperation with Indonesia and meets the applicable provisions.

Additionally, importers originating from countries exempted from BMTPS imposition or countries with international trade cooperation with Indonesia are required to submit Certificate of Origin documents. BMTPS is fully applicable to imported textile products of which the import customs declarations documents have received a registration number from the Customs Office of the port of entry as of the enactment of this regulation.

Temporary Safeguard Import Duty for Imports of Curtain Products (Including Gordyne), Inner Blinds, Bed Nets, and Other Furniture Items

The government has imposed temporary safeguard import duty (*bea masuk tindakan pengamanan sementara*/BMTPS) on imports of curtain products (including *gordyne*/drapes), inner blinds, bed nets, and other furniture items. BMTPS is imposed following the investigation results by the Indonesian Trade Safeguard Committee (*Komite Pengamanan Perdagangan Indonesia*/KPPI) that signals the threat of serious losses to the domestic industry due to the upsurge in product imports.

The provisions of BMTPS imposition are contained in the Minister of Finance Regulation No. 163/2019 (MoF Reg. No. 163/2019) concerning the Imposition of Temporary Safeguard Import Duty on Imports of Curtain Products (Including *Gordyne*), Inner Blinds, Bed Nets, and Other Furniture Items. The regulation was promulgated on 6 November 2019 and entered into force three days after the date of promulgation. Further, this BMTPS policy is only valid for 200 days since 9 November 2019.

BMTPS imposition targets products with HS code of 6303.12.00, 6303.19.90, 6303.91.00, 6303.92.00, 6303.99.00, 6304.19.90, 6304.91.90, and 6304.92.00 (See Table 2). Based on the Indonesian Customs Tariff Book (*Buku Tarif Kepabeanan Indonesia*/BTKI), these products include curtains (including *gordyne*) and inner blinds, curtains or bed nets made from synthetic fibers, cotton, other textiles, and other furniture items. Additionally, these products are subject to BMTPS tariff of Rp.41,083/kg.

BMTPS is imposed on imports from all countries, except curtains products (including *gordyne*/drapes), inner blinds, bed nets, and other furniture items produced by 124 countries listed in this regulation. The exempted countries include Armenia, Bangladesh, Cambodia, Pakistan, the Philippines, and Nigeria.

In greater detail, BMTPS imposition on imports of curtains products (including *gordyne*/drapes), inner blinds, bed nets, and other furniture items takes the form of additional general import duty (Most Favored Nation) or additional preference import duty. The preference duty is used in the event that a country has trade cooperation with Indonesia and meets the applicable provisions.

Further, importers originating from countries exempted from the imposition of this BMTPS or countries with international trade cooperation with Indonesia are obliged to submit Certificate of Origin documents. BMTPS is fully applicable to imported products of which the import customs declarations documents have received a registration number from the Customs Office of the port of entry as of the enactment of the regulation.

Table 2 – Description of Curtain Products (Including *gordyne*), Inner blinds, Bed Nets, and Other Furniture Items Imposed with BMTPS

No.	HS code	Description
1	6303.12.00	Curtains (including *gordyne*/drapes) and inner blinds; curtains or bed nets from synthetic fibers
2	6303.19.90	Curtains (including *gordyne*/drapes) and inner blinds; curtains or bed nets from other fibers
3	6303.91.00	Curtains (including *gordyne*/drapes) and inner blinds; curtains or bed nets from fibers other than cotton
4	6303.92.00	Curtains (including *gordyne*/drapes) and inner blinds; curtains or bed nets from synthetic fibers
5	6303.99.00	Yarn (other than sewing thread) from artificial staple fibers, not produced for retail sales dari benang lainnya
6	6303.99.00	Other furniture items, excluding mattress, bedroom essentials, and the like
7	6304.91.90	Bed nets listed in the other Sub-post Note 1
8	6304.92.00	Bed nets listed in Sub-post Note 1 in this chapter that are not knitwork of crotchet from cotton

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