

The Government Controls Goods Traffic in Free Zone

The government controls goods traffic in free zone by changing the procedures of goods entry and release in free trade zone within Indonesian jurisdiction. The affirmation and changes are expressed in Minister of Finance (MoF) Regulation Number 84/PMK.04/2019 on Procedures of Goods Entry and Release to and from the Zone Designated as Free Trade Zone and Free Port and Excise Exemption.

The purposes of the amendment to the regulation issued and effective on 28 May 2019 are to push the increase in trade activity and national industry, strengthen company's competitiveness, increase investment, and provide legal certainty.

There are two improvements made by the issuance of this regulation. *First*, the government adds the provisions regarding the release of goods produced in the free zone to outside the zone, which has not been stipulated in the previous regulation (MoF Regulation No. 47/PMK.04/2017).

The gist is that the government confirms the procedures of goods entry and release as well as the calculation of import duty value and Income Tax Article (ITA) 22 on goods from outside the zone only. Further, the determination of customs value on the goods produced in the free zone is based on the selling price once the goods are released from the free zone to other places inside customs territory.

Meanwhile, the calculation of the state levy amount that shall be paid on the release of goods produced in the free zone is determined in accordance with the types of levy, such as import duty, excises, Value Added Tax (VAT), and ITA 22.

No	Types of Levy	Calculation Base
1	Import Duty	<ul style="list-style-type: none">• Customs value in accordance with the selling price when the goods produced are released from the free zone• Classification of the manufactured goods• Prevailing exemption
2	Excises	Laws and regulations on excises
3	VAT	Laws and regulations on tax
4	ITA 22	Prevailing tariff of the customs value plus import duty

However, the goods produced in the free zone can be exempted from the state levy if the goods use raw materials from overseas; enter the zone after the buy-and-sell transaction occurs; and have clear, measurable, and consistent conversion.

The second improved provision in the regulation is related to the imposition of antidumping duty. If when entering the free zone the goods obtain the exemption from antidumping duty, countervailing duty, safeguard duty, and/or retaliatory tariff, they will be subject to those levies during the release.

Unless, the raw materials have been processed into new products or manufactured goods, or used for repairing other goods and become parts of the repaired goods.

TAX BLITZ is a publication of MUC Consulting Group to provide our clients, contact, and business relations with information of tax news and latest tax regulation. The materials within are limited to the purpose of providing information and should not be treated similarly as professional advice or basis in formulating strategic business decisions. For subscription of TAX BLITZ, please send your request by email to publishing@mucalobal.com. For more information about MUC Consulting Group, please click www.mucalobal.com

For further information, please contact the following MUC Consulting Group partners:

- **Bambang Sabur** sabur@mucglobal.com
- **Karsino** karsino@mucglobal.com