

# Customs, excise and tax incentives on import of goods for COVID-19 treatments

On 16 April 2020, the Minister of Finance ("MoF") issued MoF Regulation No 34/PMK.04/2020 ("PMK-34") to provide customs and/ or excise and tax incentives on import of goods for COVID-19 treatments. PMK-34 is effective on 17 April 2020.

The Minister of Finance issued PMK-34 to accelerate the services to provide fiscal incentive on import of goods needed for COVID-19 treatments. PMK-34 is also to implement Articles 9 and 10 of the Government Regulation in lieu of Law No 1/ 2020 ("PERPPU -1").

## A. Important definitions

Important definitions under PMK-34 are:

1. Free Zone is an area that is determined as a Free Trade Zone ("FTZ") and a Free Port, which is an area located within the Indonesian sovereign jurisdiction that is separate from the customs area so that they are free from import duty, Value Added Tax ("VAT"), Luxury Goods Sales Tax ("LGST") and excise imposition.
2. Company receiving an Incentive for Import Processing for Export Purpose (*Kemudahan Impor Tujuan Ekspor* - "KITE") status is a company that receives Exemption KITE (*KITE Pembebasan*), Refund KITE (*KITE Pengembalian*) and Small Medium Industry KITE (*KITE Industri Kecil Menengah*) in accordance with the Customs Law and regulations.
3. Person is an individual, central government, regional government, legal entity or non-legal entity.

**B. Detail of customs and/ or excise and tax incentives ("Fiscal Incentive")**

1. Fiscal Incentives given on import of goods needed for COVID-19 treatments are in the form of:
  - a) Import duty and/ or excise exemption;
  - b) VAT or LGST not collected; and
  - c) Article 22 income tax on imports exemption.
2. Types of imported goods that receive Fiscal Incentive are listed in Attachment A of PMK-34, which are specifically identified based on their Harmonized System (HS) codes. The imported goods as stated in Attachment A of PMK-34 are categorized under the following groups:
  - a) Hand sanitizer and products with disinfectant content;
  - b) Test kit and reagent laboratories;
  - c) Virus transfer media;
  - d) Medicine and vitamins;
  - e) Medical equipment; and
  - f) Personal Protective Equipment.
3. The import of goods that receive Fiscal Incentive can be carried out through bonded logistic center.
4. The Fiscal Incentives are also applicable to goods originating from overseas (imported goods) and/or domestic (Other Places Within Indonesia Customs Area or *Tempat Lain Dalam Daerah Pabean - "TLDDP"*) that are released from:
  - a) Bonded zone or bonded warehouse;
  - b) Free Zone or Special Economic Zone ("SEZ"); and/or
  - c) Company with KITE status.
5. On the release of imported goods and/ or TLDDP goods, a bonded zone entrepreneur, a bonded warehouse entrepreneur, a Free Zone entrepreneur, businesses in SEZ or a company with KITE status:
  - a) is exempted from the obligation to pay import duty and/ or excise as well as excepted from the obligation to pay tax on imports; and/ or
  - b) is excepted from the obligation to pay VAT or LGST,that have not yet been paid at the time when the goods were obtained.

6. The release of goods that is excepted from the obligation to pay VAT or LGST (as stated in 5.b) is the delivery of taxable goods to TLDDP borne by the Government in accordance with the prevailing tax regulations.

**C. Procedures to file the application to obtain Fiscal Incentive**

1. To obtain the Fiscal Incentive, a Person should file an application with the Minister of Finance via the Head of Customs office where the entry or the release of goods are placed. The application should at least support by:
  - a) The Person's identity;
  - b) Copy of the Person's Tax ID Number;
  - c) List of the number and type of goods that the Fiscal Incentive is requested for along with its estimated customs value; and
  - d) Description on the intended use of goods that the Fiscal Incentive is requested for.

The application along with the scanned copy of the supporting documents that should be attached to the application shall be electronically submitted through the Directorate General of Customs and Excise ("DGCE") portal or Indonesia National Single Window ("INSW") System. In case, DGCE portal or INSW system is experiencing operational disruption, the written application should be submitted in hardcopy and the scanned copy of the supporting document in soft copy form stored in the electronic data storage media.

2. To obtain the Fiscal Incentive, the following imported goods are excepted from the requirement to file an application:
  - a) Shipment with customs value of no more than FOB US\$ 500 per receiver per shipment and is settled with Consignment Note (CN). The Fiscal Incentive is given after the post office or the goods receiver provide its Tax ID Number in the CN; or
  - b) Passenger luggage with customs value of no more than FOB US\$ 500 per person for each arrival and settled with Customs Declaration.
3. After receiving the application to obtain the Fiscal Incentive, the Head of Customs and Excise office shall carry out an examination on whether the Person is entitled to receives the Fiscal Incentive.

4. In case, the application is approved, the Head of Customs and Excise office, for and on behalf of the MoF, issues MoF Decree regarding the provision of the Fiscal Incentive on the import of goods for COVID-19 treatments. In case, the application is rejected, the Head of Customs and Excise office, for and on behalf of the MoF, issues the rejection letter along with the reason of the rejection.
5. The Head of Customs and Excise office, for and on behalf of the MoF, shall provide the approval or the rejection on the application within:
  - a) two working hours after the application is completely and accurately received, in case the application is filed electronically; or
  - b) two business days after the application is completely and accurately received, in case the application is filed in written.

#### D. Customs declaration

1. The required customs declaration should follow the provision which corresponds to the place where the goods are imported or released, e.g. PIB for imported goods, BC 2.8 for goods released from bonded logistic center, BC 2.5 for goods released from bonded zone, etc.
2. Import of goods needed for COVID-19 treatments can be carried out by using a Special Import Declaration (*Pemberitahuan Impor Barang Khusus - "PIBK"*) in case:
  - a) Import of goods that obtain the Fiscal Incentive;
  - b) Import of goods on shipment with customs value of more than FOB US\$ 500 per receiver per shipment; or
  - c) Import of goods on passenger luggage with customs value of more than FOB US\$ 500 per person for each arrival.
3. Upon the goods are imported or released, the Person should attach a recommendation from the National Disaster Management Agency (*Badan Nasional Penanggulangan Bencana - "BNPB"*) if the import of goods that obtain Fiscal Incentive is subject to import restriction. Exception on the recommendation requirement is given if the import of goods obtaining the Fiscal Incentive does not exceeds the amount stipulated by the relevant ministries or institutions and/ or BNPB.

#### E. Release of imported goods for use by using guarantee

1. On the imported goods for use needed for COVID-19 treatments that are still waiting for a decree on the Fiscal Incentive application, can be released by using a guarantee.
2. To obtain approval to release imported goods for use by using a guarantee, the Person should file an application with the Head of Customs and Excise office on where the entry of goods is placed.
3. The guarantee can be in the form of a written guarantee, which shall use the prescribed format as attached in Attachment B of PMK-34.

#### F. Validity period

The provisions under PMK-34 is valid on goods declared on import declaration which the corresponding manifest has been registered, and on goods declared on other customs declaration which has been registered at the Customs and Excise office on where the customs obligations are fulfilled, until the treatment period for COVID-19 is ended, which shall be determined by BNPB.

#### G. Administrative sanctions

1. A Person that uses the imported goods obtaining the Fiscal Incentive not in accordance with the purpose of the Fiscal Incentive given, must pay the import duty, excise, and/ or tax on imports payable and subject to penalty for a minimum of 100% of import duty that should have been paid or a maximum of 500% of import duty that should have been paid according to the prevailing Customs Law, as well as sanctions according to the prevailing Excise Law and/or Tax Laws.
2. On the Person that has been subject to any time customs audit, other than the above administrative sanctions, it is also subject to customs access blocking for a year.

#### Closing

At the time PMK-34 is enacted:

1. The application to obtain Fiscal Incentive on import of goods needed for COVID-19 treatments which is still in process may be completed based on the provisions regulated in PMK-34.
2. On the imported goods needed for COVID-19 treatments that have been released by way of rush handling, these can be completed based on the provisions regulated in PMK-34.

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