

Client Alert

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For More Information:

Riza Buditomo

Partner

+62 21 2960 8569

riza.buditomo

@bakermckenzie.com

Sheriel Ivia Tirta

Senior Trade Specialist

+62 21 2960 8578

sheriel.tirta

@bakermckenzie.com

Nandina Kusumaningrum

Trade Specialist

+62 21 2960 8790

nandina.kusumaningrum

@bakermckenzie.com

Lower Threshold for Import Duty Exemption on E-Commerce as Part of Making Indonesia 4.0

Following its press release in December last year (please read our client alert on this [here](#)), the Indonesian government has issued Ministry of Finance Regulation No. 199/PMK.010/2019 on Provisions on Customs, Excise and Taxes of Consignment Goods. The main aim of this regulation is to lower the threshold for import duty exemption. Regulation 199 will come into effect on 30 January.

The provisions on lowering the threshold for import duty exemption in the new regulation are consistent with what was set out in the press release. The duty exemption threshold is now USD 3 per shipment (down from USD 75). The goods of USD 3 and less will also be exempted from income tax, but value added tax (VAT) and sales luxury tax will still be imposed based on the applicable rates. For goods with a value above USD 3 for each consignee per shipment, all import duty and import taxes will be imposed.

The tax and customs treatments under Regulation 199 are summarized below:

Goods Value Threshold	Import Duty	VAT	SLT	Income Tax Article 22	Remarks
< FOB USD 3	Exempted	10%	Most likely not subject to SLT as the goods are below the threshold	Exempted	For general imported goods
> FOB USD 3	Imposed. The tax base to calculate import duty would be the total customs value of the goods.	10%	Most likely not subject to SLT as only certain goods are subject to LST	Imposed	-





The aim of the government in lowering the duty exemption threshold is to protect domestic players. Some domestic players have gone out of business because they cannot compete with imported products.

This is part of an effort to empower Micro, Small and Medium businesses, which is one of the national priorities in relation to "making Indonesia 4.0". "Making Indonesia 4.0" is a roadmap to implement several priorities to prepare Indonesia for industry 4.0 era. It is expected that empowering domestic industries can create new job opportunities as a foundation for Indonesia's economic growth. By implementing "making Indonesia 4.0", the goal is to make Indonesia as top 10 global economies by 2030.

www.hhp.co.id

HHP Law Firm
Pacific Century Place, Level 35
Sudirman Central Business District Lot. 10
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12190
Indonesia

Tel: +62 21 29608888
Fax: +62 21 2960 8999