

Client Alert

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The Government Provides a Non-Fiscal Leniency for Business Actors Due to the Impact of Coronavirus

Recent Developments

On 11 March, the World Health Organization (WHO) announced that Coronavirus Outbreak Disease 2019 ("**COVID-19**") had become a pandemic. This means the epidemic of COVID-19 has occurred in a broad region, for instance on multiple continents and impacts a large number of people. Governments all over the world were forced to increase restriction efforts.

The spread of COVID-19 has clearly affected the global economy such as the supply chain of products and tourism aspects, in particular (i) the availability of food stock and supply to be affect food price stability, (ii) travel restrictions and worker mobility affect the tourism and transportation sector, (iii) disruption of production, distribution and supply chain which affects the performance of the manufacturing sector and its derivatives, and (iv) falling world oil prices due to weakening demand and oil price.

Non-Fiscal Stimulus Provided by the Government

Given the broad impact of COVID-19, the government has issued an economic stimulus package with both fiscal and non-fiscal elements. The non-fiscal stimulus are provided in the form of:

1. Simplification and reduction of the number of prohibitions and restrictions (*larangan dan pembatasan*) for export activities, with the aim of increasing export activities, sustainability and competitiveness. Health certificates and V-Legal documents are no longer required unless needed by the exporters. There will be a reduction of prohibitions and restrictions of 749 HS codes, which consist of 443 HS codes for fish commodities and products, and 306 HS codes for forestry products.
2. Simplification and reduction of the number of prohibitions and restrictions (*larangan dan pembatasan*) for import activities, specifically for raw materials, with the aim of increasing import activities, sustainability and availability of raw materials. This stimulus is provided to companies with status as producers, and in the initial stage will be applied to steel, steel alloys and their derivative products, which will be followed by the strategic food products such as industrial salt, sugar, and flour as raw materials.
3. Acceleration of the export and import process, i.e., auto response and auto approval for export regulations and surveyor's report for reputable traders, namely companies related to export-import activities that have a high level of compliance. As of 13 March, there are 735 reputable traders that consist of



109 Authorized Economic Operator (AEO) companies and 626 companies that are categorized as main partners of customs (*Mitra Utama Kepabeanan - MITA*).

4. Improvement and acceleration of export-import process services, and supervision through the development of the National Logistics Ecosystem (NLE). NLE is a platform that facilitates collaboration of information systems between government and private agencies to simulate and synchronize the flow of information and documents in export/import activities at ports and trade activities/distribution of domestic goods through data sharing, business process simulations, and elimination of repetition, and duplication. The NLE covers the integration of INSW, Inaport, Inatrade, CEISA, trucking system, warehouse system, transportation system and more. The government expects the implementation of export-import services will increase efficiency of the national logistics by integrating the government service with the logistic platforms.

The above stimuli are aimed to provide more encouragement for export-import activities during this COVID-19 crisis.

Fiscal Stimulus Provided by the Government

In addition to the non-fiscal incentives above, the government has also provided fiscal incentives to maintain the economy. One of the fiscal incentives proposed by the government is the exemption of Income Tax Article 22 on import of goods for 19 sectors of industry, certain taxpayers obtaining Ease of Imports for Export Purposes (*Kemudahan Impor Tujuan Ekspor - KITE*), and certain taxpayers obtaining Ease of Imports for Export Purposes for small and medium Entrepreneur (*Kemudahan Impor Tujuan Ekspor - Industri Kecil dan Menengah - KITE IKM*). This incentive will be provided for six months i.e., from April to September 2020. The government hopes that this incentive will provide cash flow to these industries.

Impacts

- The leniency in export-import provided by the government may boost export-import activities in Indonesia.
- By providing the stimulus package to importers, the government expects to maintain the availability of products in Indonesia so that there will not be a shortage of products, particularly food products.
- The process of export-import services should be faster as there is an integrated platform that facilitates collaboration of information systems between the government and private agencies.

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