

Client Alert

November 2018

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The New Regime of Customs Valuation Advice

Overview

Previously, Indonesia's customs authority ("**Customs**") helped importers with customs valuations by providing *customs advice* and *valuation rulings*.¹ Importers that needed definite advice or certainty about the customs value of its imported goods could submit a request to Customs to obtain customs advice and valuation ruling.

In practice, these services seemed to be suspended or were no longer provided to importers due to certain internal policies, even though the provision on procedures to grant customs advice and valuation ruling has not been revoked. Thus, importers have only approached Customs for consultations if they are uncertain about customs valuation of their imported goods.

It seems that importers can now again enjoy those services from Customs under the new regime — as we will elaborate further below.

New Provision on Valuation Advice

The Ministry of Finance (MOF) has recently issued Regulation No. 134/PMK.04/2018 on Valuation Advice² ("**Regulation 134**"), which came into effect on 2 November 2018.

Regulation 134 aims to accelerate the process of customs clearance from the customs zone, and to speed up the review process of imported goods' customs value, in accordance with the World Trade Organization Trade Facilitation Agreement and World Customs Organization Technical Guidelines on Advance Rulings for Classification, Origin, and Valuation.

This regulation will be a breath of fresh air to importers, who will have more certainty about the customs valuation of their imported goods prior to the submission of their customs declaration or *Pemberitahuan Impor Barang* (PIB).

¹ Customs Decision No. KEP-166/BC/2003 on Procedures for Granting Customs Advice and Valuation Ruling. This decision has not been revoked ("**Customs Decision 166**" or "**Old Regime**").

² Full Title: Ministry of Finance Regulation No. 134/PMK.04/2018 on Procedures of Application for and Granting Guidance on Calculation of Customs Value in the Form of Costs and/or Value Treatment on Goods That Will Be Imported Before the Submission of Customs Declaration (*Valuation Advice*). This Regulation was stipulated on 21 September 2018 and legalized on 3 October 2018. ("**Regulation 134**" or "**New Regime**")



The Key Changes

Changes	Old Regime	New Regime
Type of Advice/Ruling	<ul style="list-style-type: none"> • <i>Customs advice</i> • <i>Valuation ruling</i> 	<ul style="list-style-type: none"> • <i>Valuation advice</i>
Definition	<ul style="list-style-type: none"> • <i>Customs advice</i> refers to guidance on calculating the customs value of goods to be imported, which is given to an importer upon request.³ • <i>Valuation ruling</i> refers to information on the stipulation of the customs value of goods that have been imported, to be used as the basis of the calculation of customs value of identical goods that will be imported by the same importer from the same supplier. This is given to an importer upon request. 	<ul style="list-style-type: none"> • <i>Valuation advice</i> refers to guidance on calculating the customs value of goods to be imported. This contains treatment of costs or value that should be added, deducted or not included in the transaction value — it does not provide the customs value. It is given to an importer upon request.
Binding	<ul style="list-style-type: none"> • <i>Customs Advice</i>: Not binding⁴ • <i>Valuation Ruling</i>: Binding⁵ 	<ul style="list-style-type: none"> • <i>Valuation Advice</i>: Binding⁶
Validity	<ul style="list-style-type: none"> • <i>Customs Advice</i>: Valid for one-time importation only⁷ • <i>Valuation Ruling</i>: Valid as long as there are no changes to the circumstances of a transaction or a maximum of six months⁸ 	<ul style="list-style-type: none"> • <i>Valuation Advice</i>: Valid for three years after the issuance date, as long as there are no changes to the circumstances of the transaction⁹
Material Substance	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Accommodate material substance. Material substance means components of value or costs which should be added, deducted, or not included in the transaction value of the imported goods.

³ Article 1 of Customs Decision 166.

⁴ Article 3 (1) Customs Decision 166.

⁵ Article 5 (1) of Customs Decision 166.

⁶ Article 12 (1) Regulation 134.

⁷ Article 3 (3) of Customs Decision 166.

⁸ Article 5 (2) of Customs Decision 166.

⁹ Article 10 of Regulation 134.



Application Procedure

We set out below the steps to obtain valuation advice:¹⁰

Application

- This can be submitted electronically through the Customs' system or manually with a written application letter in accordance with the format set out in Attachment A of Regulation 134.
- Application documents should be submitted by attaching documents that prove a buy and sell transaction (e.g., purchase order, invoice), documents related to *material substance* of the customs value (e.g., contract, freight documents, insurance).

Review Process

- If necessary, Customs may request additional data or documents from the importer through the system or through a written letter within 10 days after all of the application documents have been received.
- The importer should provide any additional data or documents within five days after it receives the request letter.
- Customs may request that the importer provide a verbal explanation regarding material substance in case the data or documents are deemed insufficient. The importer should meet and provide a verbal explanation within three days after the request letter has been received.

Rejection/Approval

- Customs will decide whether to approve or reject the application within 30 to 40 days after the application documents have been completely received.

Impact on Importers

- Valuation Advice is a form of customs valuation ruling in Indonesia. This helps importers obtain certainty when declaring the customs value of goods that they will import.
- Once issued, Valuation Advice is binding. Therefore, Customs should follow the valuation guidance stated in the advice. This advice is valid for three years and is useful, especially during a customs audit.
- The Valuation Advice can mitigate the risks of incurring penalties due to mistakes in declaration of customs value. An importer that has mistakenly declared customs value that causes an underpayment of import duty will be imposed with a penalty in the range of the underpayment of import duty multiplied by 100 to 1,000.

¹⁰ Article 4 to Article 7 of Regulation 134.

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