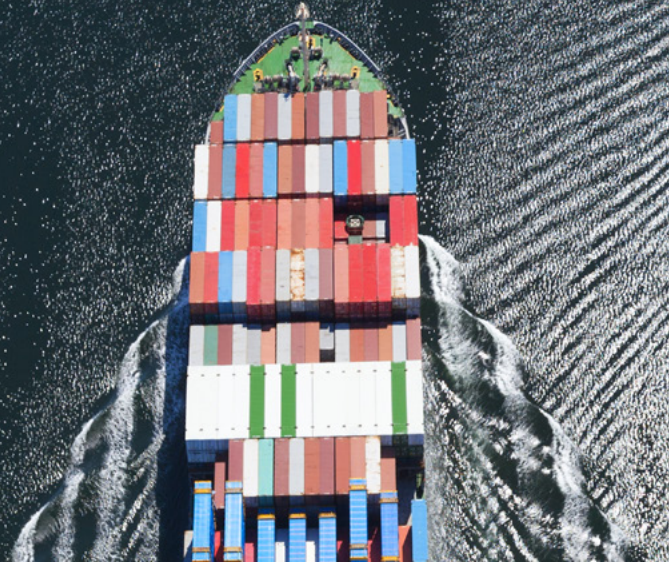


Indonesia Regulatory Update

November 2016



Regulatory Highlights

This publication sets out to highlight at summary level, some of the key current regulatory changes in Indonesia. These important changes have implications for industry, covering a wide range of industries and within these, specific and complex business processes. For further details on any of the items covered, a listing of KPMG Contact Points for further discussion is included at the end of the document. If you wish to receive a full research pack of all of the Indonesia regulatory change then please contact Susanto, contact details provided at the end of this document. Hyperlinks to the source documentation (Bahasa Indonesia for most items) are provided as appropriate.

Regulatory updates covered in this publication are as follows:

- Procedures for the Supply and Determination of Coal Price for Mine Mouth Power Plants
- Procedures for the Reimbursement of Value Added Tax or Luxury Goods Sales Tax on the Acquisition of Taxable Goods and/or Taxable Services to Contractors in Oil and Gas Upstream Business Activities
- Rupiah-Currency Handling-Service Provider
- Conduct of Digital Financial Services
- Conduct of Electronic Money
- Conduct of Payment Transaction Processing

Energy and Natural Resources Sector

[Procedures for the Supply and Determination of Coal Price for Mine Mouth Power Plants](#)

Ministry of Energy and Mineral Resources ("MEMR") Regulation No. 24 of 2016 is the Amendment to [MEMR Regulation No. 9 of 2016](#) on the Procedures for the Supply and Determination of Coal Price for Mine Mouth Power Plants. This regulation stipulates

a new formula to be used in the calculation of coal specifically used by Power Plants ("Coal Price for Power Plant"). The new formula stipulates the additional of production premium/royalty to the coal base price in order to arrive at the total "Coal Price for Power Plant". The previous regulation did not incorporate the production premium/royalty to the calculation.

This regulation eliminates the requirement for the MEMR to approve the coal base price. The coal base price is to be determined based on agreement between coal-mining companies and power-plant companies. The formula for calculating coal base price is: **production cost + margin + escalation factors**. The margin is ranging from 15% to 25% of the total production cost. The escalation factors are to be determined annually, based on any changes to Rupiah-exchange value; Diesel-fuel price; Consumer-price index; and Regional minimum wage.

(Issued regulation in Bahasa: [MEMR Regulation No. 24 of 2016](#))

[Procedures for the Reimbursement of Value Added Tax or Luxury Goods Sales Tax on the Acquisition of Taxable Goods and/or Taxable Services to Contractors in Oil and Gas Upstream Business Activities](#)

On 25 October 2016, the Government issued MoF Regulation No. 158/PMK.02/2016, which amends [MoF Regulation No. 218/PMK/02/2014](#) regarding the Procedures for the Reimbursement of Value Added Tax ("VAT") or Luxury Goods Sales Tax on the Acquisition of Taxable Goods and/or Taxable Services to Contractors in Oil and Gas Upstream Business Activities. This amendment is issued in response to objections from the industry and to accommodate Production Sharing Contracts ("PSCs") which specifically address VAT reimbursement.

The significant amendments stipulated in the regulation are:

- The Government Share is no longer to exclude the Government's entitlement to First Tranche Petroleum ("FTP"). This means that any PSC

contractor whose contract includes a FTP provision and is in the production stage, but with no equity to be split yet, should be able to obtain VAT reimbursement. However the maximum amount of VAT reimbursement is as much as the Government's shares.

- Input VAT from LNG expenses cannot be credited, unless it is provided for in the PSC contractual terms and/or other regulations.

(Issued regulation in Bahasa: [MoF Regulation No. 158/PMK.02/2016](#))

Financial Services and Capital Market

Rupiah-Currency Handling-Service Provider

Bank Indonesia ("BI") Regulation No. 18/15/PBI/2016 on Rupiah-Currency Handling-Service Provider sets out the guidelines for the handling of the Rupiah currency across the country by Rupiah-Currency Handling-Service Provider (Penyelenggara Jasa Pengolahan Uang Rupiah – "PJPUR"). The Regulation stipulates that Rupiah-Currency Handling-Services may only be offered by parties which have secured PJPUR licenses from BI. All licensed PJPUR must start offering its service(s) within 90 days since the license's issuance date by entering into written cooperation agreements with banks or other relevant parties.

PJPUR carries out services which relate to the physical form of the Rupiah currency, including distributing, processing, depositing of Rupiah currency, as well as refill, collection and/or monitoring of Rupiah-currency monies sufficiency in various Automated Teller Machines ("ATM"), Cash Deposit Machines ("CDM"), and/or Cash Recycling Machines ("CRM"). PJPUR is obliged to prepare and implement the effective risk management measures, and submit periodic reports and incidental reports to BI, along with other relevant documents and/or information, in accordance with the standards determined by BI. This regulation has come into effect as of 31 October 2016.

(Issued regulation in Bahasa: [BI Regulation No. 18/15/PBI/2016](#))

Conduct of Digital Financial Services

BI Circular Letter No.18/22/DKSP on Conduct of Digital Financial Services sets out the procedures and requirements for banks and non-banking institutions in order to engage in Digital Financial Services (Layanan Keuangan Digital – "LKD"). Banks and non-banking institutions can become organizers of LKD provided that they have secured approval from BI and enter into cooperation agreements with legal

entities or individual agents regarding the channeling of such services. In order to secure approval from BI, LKD Organizers must first submit their applications at least 45 working days before the commencement of the LKD services. LKD Organizers must start rendering the relevant LKD service within 60 days of any approval being granted. In order to organize LKD via individual agents, a bank's core-capital level (BUKU) must be categorized as BUKU 3 or 4 for commercial banks, and BUKU 1 or 2 for regional development banks. Non-banks should only organize LKD via legal-entity agents.

LKD are organized by using registered electronic money, which is based on servers in either mobile or card form. The maximum value of any single electronic-money transaction is set at IDR10 million, with a maximum transaction value of IDR20 million per month. The maximum value of any self-registered electronic-money transaction is set at IDR1 million, with a maximum initial cash withdrawal value of IDR250,000.

(Issued regulation in Bahasa: [BI Circular Letter No.18/22/DKSP](#))

Conduct of Electronic Money

BI Circular Letter No. 18/21/DKSP amends [BI Circular Letter No. 16/11/DKSP](#) regarding the conduct of electronic money ("e-money"). The key amendments covered in this circular letter are:

- Any banks or non-banks which are intended to become issuers of e-money must undertake internal trials before conducting any e-money service. In order to perform such trials, the prospective issuers must submit to BI the proposal/pre-trial report (no later than 30 days before the commencement of the trial) and the trial-result report (within 10 days after the end of any trial).
- The maximum value of any registered e-money has been increased from IDR5 million to IDR10 million. The transaction limit remains the same, and is currently set at IDR20 million per month.
- In order to organize e-money on a joint basis, the issuers of e-money must submit work proposals to BI at least 45 working days before the signing of any cooperation agreements.
- The issuers are obliged to submit incidental report (reports which set out any network or data-center failures, or any acts of fraud), and data-revision report (reports which set out changes to data and information related to the issuers) to BI.

(Issued regulation in Bahasa: [BI Circular Letter No.18/21/DKSP](#))

Conduct of Payment Transaction Processing

BI issued Regulation No. 18/40/2016 on the Conduct of Payment Transaction Processing, which is aimed at supporting Financial Technology ("FinTech") and E-Commerce activities in Indonesia.

Pursuant to the regulation, payment-transaction processing comprises of the following areas: pre-transaction, authorization, clearing, transaction settlement and post-transaction. These areas are to be organized by the following parties:

- **Payment-System Service Providers** (consist of principals; issuers; acquirers; and organizers of: clearance, payment gateway, settlement, fund transfer, and electronic wallet("e-wallet")).
- **Supporting Providers** (e.g. card printing centre; data centre; disaster recovery centre; ATM / EDC provider; etc).

Any parties which are functioning as Payment-System Service Providers are required to secure the licenses from BI. Any parties which intend to organize e-wallet services are only required to secure the license if their service has or plan to have at least 300,000 users. The regulation also required parties applying to become Principal, Switching organizer, Clearance Organizer, and Settlement organizer to form a limited liability company (*Perseroan Terbatas* – "PT") that is at least 80% owned by Indonesian citizens and/or Indonesian legal entity.

For compliance, switching operators, payment gateway operators and e-wallet operators that had performed their activities before this regulation was enacted, must apply for a business license to BI, at the latest six months after the enactment of this regulation. This regulation has come into effect as of 9 November 2016.

(Issued regulation in Bahasa: [BI Regulation No. 18/40/2016](#))

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