

Indonesia Regulatory Update

June 2016



Regulatory Highlights

This publication sets out to highlight at summary level 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. Hyperlinks to the source documentation (Bahasa Indonesia for most items) are provided as appropriate.

Regulatory updates covered in this publication are as follows:

- Tax Allowance for Labor-Intensive Industry
- Risk Management for Non-Bank Financial Institutions
- Core-Capital Requirements for the Establishment of New Commercial-Bank Offices
- Provision of Credit Card Data and Information for the Purposes of Taxation
- Export Duty for Crude Palm Oil and Cacao
- Import Quota for Complementary Goods, Goods for Market Test, and After-Sales Services

Tax Regulations

Tax Allowance for Labor-Intensive Industry

With the aim of boosting labor-intensive investments, Government Regulation No. 9 of 2016 was issued to amend [Government Regulation No. 18 of 2015](#) on Income-Tax Concessions for Investment in Certain Fields and/or Areas. The regulation, which was issued on 15 April 2016, revised the list of industries entitled to receive tax allowance by adding 5 (five) sectors in labor-intensive industry to the list. The additional business fields are textile-based apparel, leather-based apparel, footwear, sport shoes and industrial-safety footwear.

(Issued regulation in Bahasa: [Government Regulation No. 9 of 2016](#))

Financial Services Sector

Risk Management for Non-Bank Financial Institutions

The Financial Services Authority ("OJK") has issued Circular Letter No.10/SEOJK.05/2016 on Guidelines for the Implementation of Risk Management Measures and Self-Assessment for Non-Bank Financial Institutions ("NBFI"). The Circular Letter sets out that all NBFIs are required to establish guidelines relating to the implementation of risk-management measures, in an effort to identify, monitor and control the various risks, which may arise as a result of their business activities. All NBFIs Institutions are also required to undertake self-assessment, with regards to the implementation of any risk-management measures and report the results to the OJK. The reports to OJK must cover NBFI's general information and financial conditions, as well as a summary of the implementation of risk-management measures.

(Issued regulation in Bahasa: [OJK Circular Letter No.10/SEOJK.05/2016](#))

Core-Capital Requirements for the Establishment of New Commercial-Bank Offices

The Financial Services Authority ("OJK") has issued Circular Letter No.14/SEOJK.03/2016 on the Establishment of Commercial-Bank Networks Based on Core Capital. The Circular Letter sets out detailed procedures and requirements for commercial banks which are looking to establish new office networks in Indonesia or overseas, according to their core-capital level. Previously, these matters were regulated under BI Circular Letter No.15/7/DPNP on the Establishment of Commercial-Bank Networks Based on Core Capital. The OJK Circular Letter incorporates the "coefficient for achieving efficiency" as an element which has to be used in calculating the allocation of core capital. This "coefficient" was not included in the previous calculation under the BI Circular Letter.

(Issued regulation in Bahasa: [OJK Circular Letter No.14/SEOJK.03/2016](#))

Provision of Credit Card Data and Information for the Purposes of Taxation

Ministry of Finance ("MoF") issued regulation No.39/PMK.03/2016 on 23 March 2016, which amends MoF Regulation No.16/PMK.03/2013. The regulation encompasses lists of institutions, associations or other relevant parties which are required to provide transaction data and information relating to credit-card holders to the Directorate General of Tax. These lists comprise of 23 banks (local and foreign banks) which are currently offering credit-card services to their customers. These banks are now obliged to report their customers' credit-card information to the Directorate General of Tax on monthly basis. This credit-card information will be used by the tax office to crosscheck spending with income stated on tax receipts. The regulation has become effective starting from 31 May 2016.

(Issued regulation in Bahasa: [MoF Regulation No.39/PMK.03/2016](#))

Customs Regulations

Export Duty for Crude Palm Oil ("CPO") and Cacao

Ministry of Trade ("MoT") has released Regulation No.29/M-DAG/PER/4/2016 regarding export benchmark price of agricultural and forestry products which are subjected to export duty. In this new regulation, CPO reference price was increased by 10.52% to US\$754.1/ton in May 2016 from US\$682.32/ton in April 2016. On the other hand, Cacao reference price was decreased by 1.4% from US\$2,992.02/ton to US\$2,950.11/ton. It was the first time since October 2014 that the CPO reference price hit above the export duty threshold of US\$750.

With the current price level, CPO is subjected to export duty of US\$3/ton starting from 1 May 2016, as compared to US\$0/ton in the previous month. Export duty for Cacao has remained unchanged from the previous month, which was 10%, with reference to Appendix II Ministry of Finance Regulation 75/2012.

(Issued regulation in Bahasa: [MoT Regulation No.29/M-DAG/PER/4/2016](#))

Import Quota for Complementary Goods, Goods for Market Test and After-Sales Services

Ministry of Industry ("MoI") issued MoI Regulation No.19/M-IND/PER/3/2016 about terms of commendation for importing complementary goods, goods for market test and after-sales services. This regulation acts as technical guidance for Ministry of Trade ("MoT") Regulation No.118/2015. MoI Regulation No.19/2016 elaborates the time limit and import quota for complementary goods, goods for market test and after-sales services, which apply to the various industries, including agriculture, chemical, textile, metal, machinery, transportation vehicle and electronics. Import quota applicants must enclose their investment and business development plans. For after-sales products, import is subjected to technical study conducted by MoI.

(Issued regulation in Bahasa: [MoI Regulation No.19/M-IND/PER/3/2016](#))

Contact us

Siddharta Widjaja & Rekan Audit Services

33rd Floor, Wisma GKBI
28, Jl. Jend. Sudirman
Jakarta 10210, Indonesia
T: +62 (0) 21 574 2333/2888
F: +62 (0) 21 574 1777/2777

Kusumaningsih Angkawidjaja Partner In Charge, Audit Services

Kusumaningsih.Angkawidjaja@
kpmg.co.id

Liana Lim Head of Financial Services

Liana.Lim@kpmg.co.id

KPMG Advisory Indonesia Tax Services

33rd Floor, Wisma GKBI
28, Jl. Jend. Sudirman
Jakarta 10210, Indonesia
T: +62 (0) 21 570 4888
F: +62 (0) 21 570 5888

Abraham Pierre Partner In Charge, Tax Services

Abraham.Pierre@kpmg.co.id

Ichwan Sukardi Head of Energy and Natural Resources

Ichwan.Sukardi@kpmg.co.id

Mark Godson Head of Consumer Markets and Diversified Industrials

Mark.Godson@kpmg.co.id

KPMG Siddharta Advisory Advisory Services

35th Floor Wisma GKBI
28, Jl. Jend. Sudirman
Jakarta 10210, Indonesia
T: + 62 (0) 21 574 0877
F: + 62 (0) 21 574 0313

Ho Wah Lee Partner In Charge, Advisory Services

Wahlee.Ho@kpmg.co.id

kpmg.com/id

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