

REGULATION OF THE MINISTER OF FINANCE OF THE R.I.

NUMBER 259/PMK.04/2016

CONCERNING

THE EXEMPTION OR RELIEF FROM IMPORT DUTY AND/OR  
EXEMPTION FROM VALUE ADDED TAX ON THE IMPORT OF GOODS  
IN THE FRAMEWORK OF CONTRACT OF WORK OR COAL CONTRACT  
OF WORK

BY THE GRACE OF GOD THE ALMIGHTY

THE MINISTER OF FINANCE OF THE R.I.

Considering : a. that in the contract of work or coal contract of work, the provision concerning the exemption from Value Added Tax on the import of goods in the framework of contract of work or coal contract of work had been regulated;

b. that based of the provision of Article 26 sub-article (1) letter a, letter b and letter c, Law No.10 Year 1995 concerning Customs as amended by Law No.17 Year 2006 concerning the Amendment to Law No.10 Year 1995 concerning Customs, exemption or relief from import duty may be given on the import of machinery as well as goods and materials

c. that to improve taxation and customs services in mineral and coal mining, orderly administration, supervision and legal certainty on the realization of transfer of ownership, re-export, and annihilation of goods imported using taxation and customs facilities in the framework of contract of work or coal contract of work, it is deemed necessary to re-arrange the provision concerning the exemption or relief from import duty and/or exemption from Value Added Tax on the import of goods in the framework or coal contract of work;

d. that based on considerations as referred to in letter a, letter b and letter c, as well as to implement the provision of Article 26 sub-article (3) Law No.10 Year 1995 concerning Customs as amended by Law No.17 Year 2006 concerning the Amendment to Law No.10 Year 1995 concerning Customs, it is deemed necessary to establish the

Regulation of the Minister of Finance concerning The Exemption or Relief from Import Duty and/or the Exemption from Value Added Tax on the Import of Goods in the framework of Contract of Work or Coal Contract of Work;

- In view of :
1. Law No.6 Year 1983 concerning General Provision and the Procedure of Taxation (State Gazette of the RI of 1983 No.49, State Gazette Supplement of the RI No.3262) as several times amended lastly by Law No.16 Year 2009 concerning the Establishment of Government Regulation in lieu of Law No.5 Year 2008 concerning the Fourth Amendment to Law No.6 Year 1983 concerning General Provision and the Procedure of Taxation into Law (State Gazette of the RI of 2009 No.62, State Gazette Supplement of the RI No.4999);
  2. Law No.10 Year 1995 concerning Customs (State Gazette of the RI year 1995 No.75, State Gazette Supplement of the RI No.3612) as amended by Law No.17 Year 2006 concerning the Amendment to Law No.10 Year 1995 concerning Customs (State Gazette of the RI of 2006 No.93, State Gazette Supplement of the RI No.4661);

HAS DECIDED

To establish : THE REGULATION OF THE MINISTER OF FINANCE CONCERNING THE EXEMPTION OR RELIEF FROM IMPORT DUTY AND/OR EXEMPTION FROM VALUE ADDED TAX ON THE IMPORT OF GOODS IN THE FRAMEWORK OF CONTRACT OF WORK OR COAL CONTRACT OF WORK.

CHAPTER I

GENERAL PROVISION

Article 1

In this Ministerial Regulation:

1. Customs Law refers to Law No.10 Year 1995 concerning Customs as amended by Law No.17 Year 2006 concerning the Amendment to Law No.10 Year 1995 concerning Customs.
2. Transfer of Ownership refers to the transfer of right, transfer of asset, sale, exchange, grant, or erasing from company assets.
3. Re-export refers to releasing imported goods ex facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the Framework of Contract of Work or Coal Contract of Work from Customs Area in compliance with the provision of customs in the field of export.
4. Annihilation refers to the activities of eliminating the original form and shape of a certain commodity into an element or compound that cannot be molded into the original commodity.
5. Contract of Work, hereinafter abbreviated to KK refers to an agreement between the government of Indonesia and a company of Indonesian legal entity in the framework of foreign capital investment to carry out the business of mining extractive materials, not including petroleum, natural gas, geothermal, radioactive and coal.
6. Coal Contract of Work hereinafter abbreviated to PKP2B refers to a cooperation agreement/work between the government of the Republic of Indonesia and the Contractor to carry out coal mining business.
7. Contractor of Work Contract or Coal Contract of Work hereinafter referred to as Contractor, refers to a business entity that carries out mineral or coal mining, either in Foreign Capital Investment (PMA) or Domestic Capital Investment (PMDN).
8. Minister refers to the Minister of Finance of the RI.
9. Director General refers to the Director General of Customs and Excise.
10. Official of Customs and Excise refers to the officer of the Directorate General of Customs and Excise appointed in a certain position to perform a certain task based on Customs Law. .
11. Customs Office refers to the office in the sphere of the Directorate General of Customs and Excise a place where customs obligation is met in compliance with the Customs Law.

## CHAPTER II

TREATMENT OF CUSTOMS AND/OR VALUE ADDED TAX ON THE  
IMPORT OF GOODS IN THE FRAMEWORK OF CONTRACT OF WORK  
OR COAL CONTRACT OF WORK

Article 2

- (1) Exemption or relief from import duty on the import of goods in the framework of KK and PKP2B can only be given to the Contactor whose contract includes exemption or relief from import duty on the import of goods in the framework of KK and PKP2B.
- (2) Exemption of Value Added Tax on the import of goods in the framework of KK and PKP2B can only be given to the Contractor whose contract includes exemption from Value Added Tax on the import of goods in the framework of KK and PKP2B.

Article 3

- (1) Exemption or relief from import duty and/or exemption from Value Added Tax as referred to in Article 2 is issued through the, masterlist determined by the Head of the Capital Investment Coordinating Body or an official appointed on behalf of the Minister.
- (2) The masterlist as referred to in sub-article (1) contains at least the following elements:
  - a. Number and date of masterlist;
  - b. Name of Contractor's company;
  - c. Tax Payer's ID (NPWP);
  - d. Address;
  - e. Base of contract;
  - f. Customs Office where goods are entering;
  - g. Port of incoming goods;
  - h. Type, quantity and units of goods;
  - i. Specification of goods;
  - j. Price estimation/import value;
  - k. Country of origin; and
  - l. Type of facilities of exemption or relief from import duty and/or exemption from Value Added Tax.
- (3) Import of goods may be in knocked down condition, in the case data element of the type of goods in the masterlist as referred to in sub-article (2) letter d includes data in details or knocked down.

(4) In issuing the masterlist on the import of goods in the framework of KK and PKP2B, the Head of the Capital Investment Coordinating Body should take into consideration the KK and PKP2B. which become the base of issuing the masterlist.

(5) The masterlist as referred to in sub-article (2) is made in at least 4 (four) copies with the following allotments:

First Copy : KK or PKP2B contractor;

Second copy : The Director General of Taxes;

Third copy : The Director General;

Fourth copy : Head of the Capital Investment Coordinating Body.

#### Article 4

Finalizing customs obligation on the import of goods as referred to in Article 2 is conducted at the Customs Office at the port of entrance included in the masterlist.

#### Article 5

- (1) Import of goods which is not based on the masterlist as referred to in Article 3, should pay import duty and/or Value Added Tax levied.
- (2) In the case of force majeure, the invoice document already approved by the Head of the Capital Investment Coordinating Body or an appointed official, may be used instead of the masterlist as referred to in Article 3.
- (3) Regarding the payment of import duty and/or Value Added Tax as referred to in sub-article (1), there will be no reimbursement.

### CHAPTER III

#### TRANSFER OF OWNERSHIP OF GOODS IN THE FRAMEWORK OF KK OR PKP2B

##### First Part

## Term of Transfer of Ownership

### Article 6

Transfer of Ownership can be effected on imported goods which obtain the facilities of:

- a. Exemption or relief from import duty; and/or
- b. Exemption from Value Added Tax, in the framework of KK and PKP2B.

### Article 7

- (1) Transfer of Ownership may be effected on goods obtaining the facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B as referred to in Article 2, after having been utilized for 2 (two) years at the shortest as of the date of notification of import from the Customs Office.
- (2) The provision concerning the term of Transfer of Ownership as referred to in sub-article (1) is not valid in the case of:
  - a. force majeure;
  - b. re-exported;
  - c. the company goes bankrupt or shut down;
  - d. transferred of Ownership to another party that obtains the facilities of exemption or relief from import duty and/or exemption from Value Added Tax.

## Second Part

### Application for a Permit for the Transfer of Ownership

### Article 8

- (1) The Transfer of Ownership as referred to in Article 6 is effected after obtaining a permit from the Head of the Customs Office the place of goods to be Transferred of Ownership..
- (2) To obtain permit for the Transfer of Ownership as referred to in sub-article (1), the Contractor submits an application in writing to the Head of the Customs Office the place of goods

to be Transferred of Ownership by mentioning the reason for Transfer of Ownership.

- (3) In the case the Customs Office the place of goods to be Transferred of Ownership is not the Customs Office where goods are received, the carbon copy of the application as referred to in sub-article (2) is submitted to the Director whose task and function is in issuing customs facilities and the Head of the Customs Office the place where goods are received.
- (4) The application as referred to in sub-article (2) at least is attached with the following documents:
- a. a letter of recommendation from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
  - b. a letter of recommendation from the Head of the Capital Investment Coordinating Body, as regards the Transfer of Ownership it is effected after 2 (two) up to 5 (five) years since the date of import customs notification;
  - c. photocopy of KK and PKP2B which includes the provision concerning the granting of customs and/or taxation facilities;
  - d. photocopy of the Decree of the Minister of Finance concerning the granting of exemption or relief from import duty and/or exemption from Value Added Tax on goods to be Transferred of Ownership as well as the Appendix of the Decree of the Minister of Finance concerned which includes the goods to be transferred of ownership;
  - e. photocopy of notification on the import of goods which had obtained the registration number.
  - f. list of goods to be transferred of ownership.
  - g. original stamped statement signed by the chief of the Contractor stating that goods to be transferred of ownership are:
    1. not used/as collateral to another party;
    2. not under dispute with another party; and/or
    3. still in the control of the company.
  - h. written reference from related agencies and attached with proofs which support that it is a force majeure, in the case the Transfer of Ownership is due to force majeure.

- i. Decree of the Minister of Finance concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax on behalf of the party that receives the Transfer of Ownership in the case the transfer of ownership is to fellow recipient of facilities of exemption or relief from import duty and/or exemption from Value Added Tax; and
  - j. Photo of goods to be transferred of ownership
- (5) The list of goods to be transferred of ownership as referred to in sub-article (4) letter f, at least to include data elements as follows:
- a. details of goods;
  - b. technical specification of goods;
  - c. quantity and units of goods;
  - d. number of the Decree of the Minister of Finance concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax on goods to be transferred of ownership and consecutive number of goods included in the Appendix of the Finance Minister's Decree concerned;
  - e. Customs Office the place of incoming goods;
  - f. number and date of registration of notification on the import of goods; and
  - g. signature of the Company's chief.

#### Article 9

- (1) The Head of the Customs Office or the officer of Customs and Excise appointed at the Customs Office the place of goods to be transferred of ownership, conducts a research whether all requirements have been met to obtain permit for Transfer of Ownership in the application as referred to in Article 8 and physical examination of goods to be transferred of ownership.
- (2) In the case the result of physical examination as referred to in sub-article (1) declares:
- a. compatible, the Head of the Customs Office the place of goods to be transferred of ownership on behalf of the Minister issues the Decree of the Finance Minister concerning permit for the Transfer of Ownership of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption



- from Value Added Tax in the framework of KK and PKP2B;
- b. incompatible, the Head of the Customs Office the place where goods are to be transferred of ownership, on behalf of the Minister writes a letter rejecting the application for Transfer of Ownership of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK or PKP2B by mentioning the reason for rejection.
- (3) In the case the Customs Office the place where goods are to be transferred of ownership is not the Customs Office the place of incoming goods, a copy of the Decree of the Head of the Customs Office on behalf of the Minister as referred to in sub-article (2) letter a, is submitted to the Director whose task and function is issuing customs facilities and the Head of the Customs Office the place of incoming goods.
- (4) The Decree of the Head of the Customs Office on behalf of the Minister as referred to in sub-article (2), may be used by the Director whose task and function is issuing customs facilities to carry out monitoring and evaluation of the Transfer of Ownership of imported goods to be used which obtain facilities of exemption or relief from import duty and/or Exemption from Value Added Tax in the framework of KK and PKP2B.

### Third Part

#### Imposition of Import Duty and/or Value Added Tax

#### Article 10

- (1) In the case of Transfer of Ownership of imported goods as referred to in Article 7 sub-article (1) is effected on a Company which does not obtain the facilities of exemption or relief from import duty and/or exemption from Value Added Tax within a period of more than 2 (two) years but less than 5 (five) years, as of the date of import customs

notification, the facilities of exemption or relief from import duty and/or exemption from Value Added Tax already given is revoked and the Contractor should pay import duty and/or Value Added Tax payable.

(2) The Contractor as referred to in sub-article (1) has no obligation to pay import duty and/or Value Added Tax, in the case of:

a. force majeure;

b. goods to be Transferred of Ownership are re-exported by the Contractor;

c. being transferred of ownership to another company which obtains the facilities of exemption or relief from import duty and/or exemption from Value Added Tax; or

d. goods to be transferred of ownership are annihilated.

(3) The Transfer of Ownership of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B to the recipient who does not obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax within a period of more than 5 (five) years as of the date of import customs notification, is exempted from the imposition of import duty and/or Value Added Tax payable.

(4) In the case the document of import customs notification as referred to in sub-article (3) is not found, the date of import customs notification may be determined by using another document at the time of incoming of goods, among others:

a. manifest;

b. Bill of Lading/Airway Bill;

c. Invoice;

d. Report on the Result of Audit; or

e. another document which can prove the date of incoming goods to be transferred of ownership.

## Fourth Part

### Payment of Import Duty and/or Value Added Tax

#### Article 11

- (1) The Contractor pays the payable Import Duty and/or Value Added Tax as referred to in Article 10 sub-article (1), based on the Decree of the Minister of Finance concerning permit for Transfer of Ownership of imported goods to be used which obtain facilities of exemption or relief from Import Duty and/or Value Added Tax in the framework of KK and PKP2B as a basic document of payment of import duty and/or Value Added Tax payable.
- (2) The payment of import duty and/or Value Added Tax as referred to in sub-article (1) is based on classification, burden and customs value in the import customs notification at the time of incoming of goods.

## Fifth Part

### Settlement of Transfer of Ownership

#### Article 12

- (1) The Contractor who already obtained the Decree of the Minister of Finance concerning permit for Transfer of Ownership and is to realize the Transfer of Ownership of goods, should submit a notification in writing before hand to the Head of the Customs Office where goods are to be transferred of ownership.
- (2) Regarding the Transfer of Ownership which includes the obligation to pay import duty and/or Value Added Tax as referred to in Article 11 sub-article (1), notification as referred to in sub-article (1) is attached with evidence of payment of import duty and/or Value Added Tax.
- (3) Upon the realization of Transfer of Ownership, the officer of Customs and Excise appointed at the Customs Office where goods are to be transferred of ownership makes an official report on the Transfer of Ownership.

## Sixth Part

### Transfer of Ownership of State Property

#### Article 13

The procedure of Transfer of Ownership of imported goods to be used which obtain the facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B with the status of State Property, is implemented in compliance with the laws and regulations which arrange State Property.

## CHAPTER IV

### RE-EXPORT OF GOODS IMPORTED USING THE FACILITIES OF EXEMPTION OR RELIEF FROM IMPORT DUTY AND/OR EXEMPTION FROM VALUE ADDED TAX IN THE FRAMEWORK OF KK OR PKP2B

#### First Part

#### Re-export

#### Article 14

The Contractor may Re-export imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B by submitting an export customs notification to the Customs Office where goods are to be Re-exported.

#### Second Part

## Documents of Re-export

### Article 15

- (1) Submission of an export customs notification as referred to in Article 14 at least should be attached with:
  - a. a letter of recommendation from the Directorate General of Mineral and Coal, Ministry of Energy and Mineral Resources;
  - b. a letter of recommendation from the Capital Investment Coordinating Body, in this case Re-export is to be effected after 2 (two) years up to 5 (five) years as of the date of import customs notification;
  - c. photocopy of KK and PKP2B which includes the provision concerning the granting of customs facilities and/or taxation facilities;
  - d. photocopy of the Decree of the Minister of Finance concerning the granting of exemption or relief from import duty and/or exemption from Value Added Tax on goods for Re-export and the Appendix of the Decree of the Minister of Finance concerned;
  - e. photocopy of an import notification of goods which had obtained the registration number.
  - f. list of goods for Re-export; and .
  - g. photo of goods for Re-export.
- (2) List of goods for Re-export as referred to in sub-article (1) letter f, at least includes the following data elements:
  - a. details of goods;
  - b. technical specification of goods;
  - c. quantity and units of goods;
  - d. number of the Decree of the Minister of Finance concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax on imported goods transferred of ownership and consecutive number of goods for Re-export in the Appendix of the Finance Minister's Decree concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Aded Tax;
  - e.. the Customs Office the place of incoming goods;
  - f. number and date of registration of notification on the import of goods ; and

g. signature of the Company's chief.

(3) On the submission of notification of export of goods as referred to in Article 14, physical examination is conducted by the Officer of Customs and Excise at the Customs Office where re-export is taking place.

(4) The procedure of Re-export is implemented according to laws and regulations which regulate the provision concerning the managing of customs in the field of export.

#### Article 16

In the case the Customs Office in which goods are to be Re-exported is not the Customs Office the place of incoming goods, the Head of the Customs Office where goods are to be Re-exported sends a notification on Re-export of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B to the Director whose task and function is providing customs facilities and the Head of the Customs Office the place of incoming goods.

#### Third Part

Exempted from the Obligation of Paying Import Duty and/or Value Added Tax

#### Article 17

The Contractor who re-export imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B is exempted from the obligation of paying import duty and/or Value Added Tax payable.

### CHAPTER V

ANNIHILATION OF IMPORTED GOODS USING THE FACILITIES OF EXEMPTION OR RELIEF FROM IMPORT DUTY AND/OR VALUE ADDED TAX IN THE FRAMEWORK OF KK OR PKP2B

## First Part

### Application for Annihilation Permit

#### Article 18

The Contractor may carry out the Annihilation of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B.

#### Article 19

- (1) In order to be able to carry out Annihilation as referred to in Article 18, the Contractor should submit an application in writing to the Head of the Customs Office the place where goods are to be Annihilated by mentioning the reason for Annihilation.
- (2) In the case the Customs Office in which goods are to be annihilated is not the Customs Office the place of incoming goods, a copy of the application as referred to in sub-article (1) is submitted to the Director whose task and function is providing customs facilities and the Head of the Customs Office of incoming goods.
- (3) The application as referred to in sub-article (2) at least attached with:
  - a. a letter of recommendation from the Directorate General of Mineral and Coal Ministry of Energy and Mineral Resources;
  - b. a letter of recommendation from the Capital Investment Coordinating Body, for Annihilation carried out after 2 (two) years up to 5 (five) years as of the date of import customs notification.
  - c. photocopy of KK and PKP2B which includes a clause regarding customs facilities and taxation.
  - d. photocopy of the Decree of the Minister of Finance regarding the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax on goods to be annihilated and the Appendix of the Decree of the Minister of Finance concerned;
  - e. photocopy of notification on the import of incoming goods which had obtained a registration number;
  - f. list of goods to be annihilated; and

- g. photo of goods to be annihilated.
- (4) The list of goods to be Annihilated as referred to in sub-article (3) letter f, at least to include the following data elements:
- a. details of goods;
  - b. technical specification of goods;
  - c. quantity and units of goods;
  - d. number of the Decree of the Minister of Finance concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax on goods to be annihilated and the consecutive number of goods Annihilated in the Appendix of the Decree of the Minister of Finance concerning the granting of facilities of exemption or relief from import duty and/or exemption from Value Added Tax;
  - e. Customs Office the place of incoming goods;
  - f. number and date of registration of Import Notification of incoming goods; and
  - g. signature of the Contractor's chief.

#### Article 20

- (1) The Head of the Customs Office or the Officer of Customs and Excise appointed at the Customs Office the place of goods to be annihilated, made a research whether all requirement had been met to obtain the Annihilation permit in the application as referred to in Article 19 and physical examination of goods to be annihilated.
- (2) In the case the result of research and physical examination as referred to in sub-article (1) declares:
- a. compatible, the Head of the Customs Office the place of goods to be annihilated on behalf of the Minister issues the Decree of the Minister of Finance concerning approval for Annihilation of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B;
  - b. incompatible, the Head of the Customs Office the place of goods to be annihilated on behalf of the Minister makes a letter rejecting the application for Annihilation of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption



from Value Added Tax in the framework of KK and PKP2B, by mentioning the reason for rejecting.

- (3) In the case the Customs Office the place of goods to be annihilated is not the Customs Office the place of incoming goods, a copy of the Decree of the Head of the Customs Office on behalf of the Minister as referred to in sub-article (2) letter a, is submitted to the Director whose task and function is providing customs facilities and the Head of the Customs Office the place of goods to be annihilated.
- (4) The Decree of the Head of the Customs Office on behalf of the Minister as referred to in sub-article (2) letter a, may be used by the Director whose task and function is in providing customs facilities to carry out monitoring and evaluation of the Annihilation of imported goods to be used which obtain the facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B.

#### Article 21

The Head of the Customs Office or the Officer of Customs and Excise appointed at the Customs Office the place of goods to be annihilated makes a special report on the Annihilation.

#### Second Part

Exemption from the Obligation to Pay Import Duty and/or Value Added Tax and Goods Still have Economic Value

#### Article 22

- (1) Imported goods to be used which obtain the facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B are already annihilated, are exempted from paying import duty and/or Value Added Tax payable.
- (2) The exemption from the obligation to pay import duty and/or Value Added Tax as referred to in sub-article (1) is not valid in

the case that after Annihilation the goods still have economic value.

- (3) Payment of payable import duty for goods which still have economic value after Annihilation as referred to in sub-article (2), is made based on sale transaction price with the following provisions:
  - a. if the burden of import duty is 5% (five percent) or over, the import duty to be borne is 5% (five percent);
  - b. if the burden of import duty is below 5% (five percent) the import duty to be borne is according to the type of goods.
- (4) Payment of payable Value Added Tax on goods which still have economic value after Annihilation as referred to in sub-article (2), is made in compliance with the laws and regulations in taxation.
- (5) Settlement of customs obligation on goods which still have economic value after Annihilation as referred to in sub-article (3), is made based on the Decree of the Minister of Finance concerning approval of annihilation of imported goods to be used which obtain facilities of exemption or relief from import duty and/or exemption from Value Added Tax in the framework of KK and PKP2B as document the basis of payment of payable import duty.
- (6) In the case Annihilation is done after a period of 5 (five) years as of the date of import customs notification, goods which still have economic value after Annihilation is effected are excepted from the obligation to pay import duty and/or Value Added Tax.

### Third Part

#### Sanction

### Article 23

- (1) In the case of Transfer of Ownership, Re-export, and Annihilation are not executed in compliance with the provisions as referred to in Article 7 sub-article (1), Article 14 and Article 19 sub-article (1), the Contractor should pay:
  - a. import duty payable;

- b. Value Added Tax; and/or
  - c. administrative sanction in the form of fine in compliance with the laws and regulations in customs and/or taxation.
- (2) Payment of import duty as referred to in sub-article (1) letter a, is made based on classification, burden, and customs value on import notification document at the time of incoming of goods
- (3) Imposition of the obligation to pay Value Added Tax as referred to in sub-article (1). letter b, is implemented in compliance with the laws and regulations in taxation.

## CHAPTER VI

### Closing

#### Article 24

At the time this Ministerial Regulation becomes effective, the Regulation of the Minister of Finance No.110/PMK.010/2005 concerning the Procedure of Granting Exemption and/or Relief from Import Duty and Exemption and/or Postponement of Value Added Tax on Import of Goods in the Framework of Contract of Work and Coal Contract of Work, is revoked and is declared null and void.

#### Article 25

This Ministerial Regulation becomes effective after 30 (thirty) days as of the date of its promulgation.

In order that it may be known to all, the promulgation of this Ministerial Regulation is ordered to be published in the State Bulletin of the RI.

Established in Jakarta

On December 30, 2016

MINISTER OF FINANCE OF THE RI

signed

SRI MULYANI INDRAWATI

Promulgated in Jakarta

On January 4, 2017

THE DIRECTOR GENERAL

OF LAWS AND REGULATIONS

MINISTRY OF JUSTICE AND HUMAN RIGHTS OF THE RI

signed

WIDODO EKATJAHJANA

STATE BULLETIN OF THE RI YEAR 2017 NUMBER 28.

For copy conform

Head of General Affairs Bureau

for

Head of Administration Division of the Ministry

signed

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