Introduction to Bonded Storage Areas

In today’s era of seemingly borderless trade, it is important for a country to support the infrastructure sector, so that domestically produced goods can compete with products from other countries. Indonesia is not an exception. The government established the legal framework for Bonded Storage Areas in order to incentivize industrial production and trade across the country.

Bonded Storage Areas, pursuant to Government Regulation No. 32 of 2009, as recently amended by Government Regulation No. 85 of 2015 (“Bonded Storage Regulation”), are areas that fulfill specific requirements which are used to store goods and receive certain facilities.

According to the Bonded Storage Regulation, there are seven types of Bonded Storage Areas:

1. Bonded Warehouse (Gudang Berikat).
2. Bonded Zone (Kawasan Berikat).
3. Bonded Logistics Center (Pusat Logistik Berikat).
4. Bonded Exhibition Area (Tempat Penyelenggaraan Pameran Berikat).
6. Bonded Auction Place (Tempat Lelang Berikat).
7. Bonded Recycling Zone (Kawasan Daur Ulang Berikat).

This newsflash will discuss the following:

1. Bonded Warehouses, as set out under Minister of Finance Regulation No. 143/PMK.04/2011 regarding Bonded Warehouses (“Bonded Warehouse Regulation”);
2. Bonded Zones, as governed under Minister of Finance Regulation No. 147/PMK.04/2011 regarding Bonded Zones, as lastly amended by Regulation No. 120/PMK.04/2013 (“Bonded Zone Regulation”); and
3. Bonded Logistics Centers, as stipulated under Minister of Finance Regulation No. 272/PMK.04/2015 regarding Bonded Logistics Centers (“Bonded Logistics Regulation”).

DEFINITIONS

Bonded Warehouses, Bonded Zones, and Bonded Logistics Centers have similar purposes: to support industry and to encourage the export of domestically produced goods, as can be seen from their respective definitions.

<table>
<thead>
<tr>
<th>Bonded Warehouse</th>
<th>Bonded Zone</th>
<th>Bonded Logistics Center</th>
</tr>
</thead>
<tbody>
<tr>
<td>A structure or building in which imported goods are stored for further processing, e.g., packaging/repackaging, sorting, kitting and the like, to be extracted within a certain period of time.</td>
<td>An area in which imported goods and/or goods from other locations in Indonesia are stored to be processed primarily for export.</td>
<td>A place to store imported or domestically produced goods for a period of time, during which they undergo packaging, sorting, standardization, kitting, packing, reassembling/repair, and labelling before being extracted for a specific purpose, such as delivery.</td>
</tr>
</tbody>
</table>
Bonded Warehouses:

1. Bonded Warehouses for imported goods distributed to industrial companies (limited to manufacturing, mining, heavy equipment, and oil services industries).

2. Bonded Warehouses that act as distribution centers for duty-free stores.

3. Bonded Warehouses for goods in transit that will be re-exported.

**REQUIREMENTS**

Areas that are intended to become a Bonded Warehouse, Bonded Zone, or Bonded Logistics Center must fulfil certain requirements.

<table>
<thead>
<tr>
<th>Bonded Warehouse</th>
<th>Bonded Zone</th>
<th>Bonded Logistics Center</th>
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</thead>
<tbody>
<tr>
<td>1. Used only to store goods to support industrial activities, to be distributed to duty free stores, or to be exported</td>
<td>1. Used for processing raw materials into finished goods</td>
<td>1. Has a transit area for goods that have registered for customs notification</td>
</tr>
<tr>
<td>2. Has clear demarcations and borders</td>
<td>2. Has clear demarcations</td>
<td>2. Has clear demarcations</td>
</tr>
<tr>
<td>3. Located in an area that has direct access to a public road and can be accessed by container transport vehicles</td>
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</tr>
<tr>
<td>4. Is not directly adjacent to other buildings</td>
<td>4. Is not directly adjacent with other buildings</td>
<td>4. Has an area allocated for physical examination of imported goods and goods to be exported</td>
</tr>
<tr>
<td>5. Has one main entrance for import and export of goods that can be directly accessed by transport carriers</td>
<td>5. Has one main entrance for traffic of goods that can be passed by transport vehicles</td>
<td>5. Has an area for storage, loading and unloading, importation and extraction of goods to and from overseas, or other locations in Indonesia</td>
</tr>
</tbody>
</table>

**FACILITIES AND INCENTIVES**

In order to understand the incentives granted to Bonded Warehouses, Bonded Zones, and Bonded Logistics Centers, it is important to elaborate the treatment of taxes and duties on goods when they enter or exit Bonded Storage Areas.
Entering

Upon entering a Bonded Warehouse or Bonded Zone, goods can be provided with one or more of the following:

1. Import duty postponement.
2. Excise waiver.

Only certain types of goods can receive these facilities for entering a Bonded Zone:

1. Raw and production auxiliary materials for further processing.
2. Capital goods to be used within the Bonded Zone.
3. Produce of other Bonded Zones to be further processed or used in another Bonded Zone.
4. Goods produced in a Bonded Zone to be processed further or turned into capital goods for production.
5. Goods produced in a Bonded Zone returned from outside the customs area or a Bonded Exhibition Location into a Bonded Zone.
6. Finished goods from outside the customs area to be combined with goods produced in a Bonded Zone specifically for export.
7. Packaging or packaging equipment from outside the customs area and/or another Bonded Zone that will be an integral part of the goods produced in a Bonded Zone.

For Bonded Zones, the following types of goods are granted with exemptions from VAT or Luxury Goods Tax:

1. Goods from other customs areas to be processed further in the Bonded Zone.
2. Goods from another Bonded Zone or other customs area to be processed further under a subcontract arrangement.
3. Machinery and/or moulding returned from another Bonded Zone or other customs area that was loaned from the Bonded Zone.
4. Semi-finished goods from another Bonded Zone or other customs area to be further processed in the Bonded Zone.
5. Goods produced in another Bonded Zone or other customs area that will be combined with goods produced by the Bonded Zone to be exported.
6. Packaging or packaging equipment from other customs areas to be used by the goods produced by the Bonded Zone.

On the other hand, there are various types of facilities for goods entering a Bonded Logistics Center, as elaborated in the following table.

<table>
<thead>
<tr>
<th>Type of Goods</th>
<th>Exemptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods imported to a Bonded Logistics Center</td>
<td>1. Import duty; 2. Tax on import activities; and/or 3. Excise.</td>
</tr>
<tr>
<td>1. Goods that are moved from a Bonded Logistics Center to another Bonded Logistics Center.</td>
<td>1. Import duty, PDRI, excise, and/or value-added tax; or 2. Value-added tax and luxury goods tax.</td>
</tr>
<tr>
<td>2. Imported goods that are moved to a Bonded Logistics Center from another type of Bonded Storage Area.</td>
<td>1. Import duty, PDRI, excise, and/or value-added tax; or 2. Value-added tax and luxury goods tax.</td>
</tr>
<tr>
<td>Type of Goods</td>
<td>Exemptions</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>3. Imported goods that are moved to a Bonded Logistics Center from a Special</td>
<td>1. Value-added tax; or</td>
</tr>
<tr>
<td>Economic Zone, Free Zone, or other type of economic areas.</td>
<td>2. Value-added tax and luxury goods tax.</td>
</tr>
<tr>
<td>4. Imported goods that are moved to a Bonded Logistics Center from another</td>
<td></td>
</tr>
<tr>
<td>area in Indonesia for a specific purpose.</td>
<td></td>
</tr>
<tr>
<td>1. Domestic goods that are moved to a Bonded Logistics Center from another</td>
<td>1. Value-added tax; or</td>
</tr>
<tr>
<td>type of bonded storage area.</td>
<td>2. Value-added tax and luxury goods tax.</td>
</tr>
<tr>
<td>2. Domestic goods that are moved to a Bonded Logistics Center from a Special</td>
<td></td>
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<td>Economic Zone, Free Zone, or other type of economic area.</td>
<td></td>
</tr>
<tr>
<td>3. Domestic goods that are moved to a Bonded Logistics Center from another</td>
<td></td>
</tr>
<tr>
<td>place for the purpose of export consolidation or procurement of exported goods.</td>
<td></td>
</tr>
</tbody>
</table>

Goods may only enter a Bonded Logistics Center for the following purposes:

1. To support goods from non-customs areas stored in the Bonded Logistics Center
2. Goods needed to carry out certain processes for the goods stored in the Bonded Logistics Center, such as packaging, sorting, standardization, kitting, packing, reassembling/repair, and labelling
3. Goods produced by small and medium scaled industrial companies
4. For export purposes
5. For specific purposes in another customs area

**Exiting**

Goods produced in a Bonded Warehouse or Bonded Zone to be transported to any other location in Indonesia are imposed with:

1. Import duty that had to be paid when the goods entered the Bonded Warehouse;
2. Excise; and
3. PDRI based on the tariff when the Import Customs Notification for the goods was registered and the value of the goods when the goods were imported into the Bonded Warehouse.

Because of these provisions, the costs are relatively lower when importing goods into a Bonded Warehouse or Bonded Zone and processing them there, as the import duty and taxes imposed are calculated based on when the goods were imported into the Bonded Warehouse or Bonded Zone, not the value of the finished products. For goods exiting a Bonded Logistics Center, the goods will be granted with a deduction of import duty and PDRI. For goods that were processed in a Bonded Logistics Center, import duty and PDRI will only be imposed on components that were imported from overseas.
Moreover, goods may only exit a Bonded Logistics Center for specific purposes:

1. To support the industrial activities in a Bonded Zone, Special Economic Zone or other economic area determined by the government.
2. To support the industrial activities of a customs area.
3. For other Bonded Logistics Centers.
4. To be exported.
5. To support industrial activities that are granted with Import duty waivers, reductions or refunds.
6. To support industrial activities that have acquired import duty facilities from the government.
7. To support distribution of certain goods domestically.
8. To support small and medium scaled industrial activities in other customs areas.

❖ CONCLUSION

Each type of Bonded Storage Area has its own advantages and disadvantages:

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<tbody>
<tr>
<td>1. Suitable for export purposes or producing goods from imported materials</td>
<td>1. Suitable for export purposes or producing goods from imported materials</td>
<td>1. More appropriate for exporting goods or importing goods to support domestic industrial activities</td>
</tr>
<tr>
<td>2. Limited to three types of classification: 1) for distributing goods to manufacturing, mining, heavy equipment or oil services companies, 2) distribution center for duty-free store, or 3) for goods in transit that will be re-exported</td>
<td>2. Not subject to limitative classifications</td>
<td>2. May only carry out simple tasks, such as packaging, labelling and quality control, before the goods are exported or distributed to domestic industrial companies</td>
</tr>
</tbody>
</table>

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