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New E-Commerce Regulations

by Pratiwi Widyastuti

Image source: https://encrypted-tbn0.gstatic.com/images?q=tbn%3AANd9GcTB_qDoza7XVidnLUUkULIvdD3z6N9UUL2_X6racM8jruVKIT4S

The government has issued new regulations to regulate and streamline ecommerce in Indonesia (the **Regulations**).* The Regulations cover sellers, buyers and online sales platform providers.

The Regulations provide that online sellers must have a business licence and generally follow the regulatory requirements for "bricks and mortar" shops, such as implementing data protection policies and procedures, keeping adequate accounting records and accurate sales inventories.

The Regulations provide buyers with an avenue of complaint – directly to the Ministry. Generally, buyers of online products have the same rights as buyers of products in shops.

The Regulations set out various obligations for online sales platform providers including the obligations to keep accurate and up to date records and adequate online security.

The Regulations also state that the general principles of contract law for the sale of goods in "bricks and mortar" shops will apply to sales of goods online, giving specific details about offer and acceptance online.

The Regulations provide administrative sanctions for breach.

*Government Regulation No. 80 of 2009.

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Stimulate Investment: Regulation No. 78/2019

by Woro Nastiti

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On 13 December 2019, the Government enacted new regulations on income tax relief (the **Regulations**).* The Regulations expand the number of business sectors eligible for tax relief to 183 from 145 sectors.

Tax incentives are provided for businesses that:

- have high levels of investment in Indonesia;
- employ high levels of local workers; or
- use local resources

Eligible businesses will receive a 30% reduction in tax on fixed assets for 6 years, that is charged 5% per year. While this level remains the same as previous regulation, many more businesses will be eligible due to the expansion in the business sectors to which the tax incentives apply.

One year extension to the time period for tax relief may be gained by certain businesses that suffer losses, including those that use renewable energy, use domestic raw material at least 70% no later than second tax year or increase 300 or more local workers for a period of four years. For those who increase their local workers should maintain the number. Further extensions are available under the Regulations.

Tax relief under the Regulations may be applied for through the Online Single Submission (OSS) system.

*Government Regulation 78/2019

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Banking: Synergies between Islamic and General

by Muhammad Ikram Afif

Last month, the Financial Services Authority of the Republic of Indonesia (**OJK**) issued new regulations* to promote efficiency in the financial services sector through clear and regulated partnerships between Islamic banks and general banks.

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To enhance the partnerships and cooperation, the regulations allow for cross ownership of shares between the different types of banks. The new regulations also allow general banks to provide certain Islamic banking services, such as fundraising, on behalf of Islamic banks. In order to be able to provide Islamic banking services, the new regulations require that general banks must fulfill certain criteria including in relation to financial reporting.

The regulations require that this type of cooperation must be carried out in accordance with a written partnership agreement and include written policies and procedures on many different areas of management including risk identification and risk management strategies.

Further, the regulations require that any such cooperation between Islamic banks and general banks must have the prior approval of the OJK. OJK approval, once given, is valid for six months only. That is, the planned cooperation must begin within six months after approval has been given or the banks must reapply for approval. Once cooperation has been established in accordance with the regulations, OJK approval is required for the termination of the cooperation.

The regulations provide for administrative sanctions for breach of its provisions.

*POJK No. 28/POJK.03/2019.

Import Duty Exemptions: New Regulations

by Melisa Kristian

Image source: https://encrypted-tbn0.gstatic.com/images?q=tbn%3AANd9GcRTqDMKCJmAOzMOZA61d0McORkZ6s0nGVs5M5fiqOw7MEoNKQNK

In November 2019, the Minister of Finance (the **Minister**) enacted new regulations to exempt certain goods from import duty (the **Regulations**).* Specifically, the regulations except goods, imported by the central/regional governments or third parties cooperating with the government for the public interest. This will simplify customs procedures and ensure the smooth movement of goods. To be eligible, the importer must apply to the Minister and fulfil other criteria listed in the Regulations.

The Regulations categorise all goods that are eligible for the duty exemption as:

- purchased with money from the central or regional governments; and/or
- a gratuitous and unconditional grant of goods to the central or regional government.

The Regulations provide that exemptions may be granted for the:

- importation of goods into bonded storage, to special economic zones or to free zones;
- handover of exempt imported goods to the recipient of the exemption; and
- the grant of temporarily imported goods to the central government.

Goods that have been granted exemption status under the Regulations, may also attract other exemptions including from value added tax, luxury sales tax or income tax.

However, in specific cases, the exemption of import duty and/or taxes may only be given due to certain reasons. For instance, in the hand-over of imported goods, such exemption is only applicable if the hand-over is due to force majeure events.

*Minister of Finance Regulation No. 171/PMK.04/2019

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The AXA Tower - Kuningan City, 28th Floor
Jl. Prof Dr. Satrio Kav.18, Kuningan - Setiabudi
Jakarta 12940, Indonesia

t : +6221-3048 0718
f : +6221-3048 0715
e : budiarto@blp.co.id