

New Regulation on Export Procedure of Palm Oil, Crude Palm Oil and Its Derivative Products

Nowadays, the government is trying various methods to attract and encourage business practitioners and industry to invest and carry out business activities in Indonesia, especially in the field of palm oil export such as, simplifying the export procedures for palm oil, crude palm oil ("CPO") and its derivative products. By simplifying the export procedures for such commodities, it is expected that Indonesian CPO products will become more competitive in the global market.



Last February, the Minister of Trade issued Minister of Trade Regulation No. 17 of 2019 ("MoT Reg. 17/2019") revoking Minister of Trade Regulation No. 54/M-DAG/PER/7/2015 concerning Verification or Technical Tracing of Exports of Palm Oil, CPO and Its Derivative Products ("MoT Reg 54/2015"), which came into effect on 7 March 2019. Just the day after, the Minister of Finance also issued Minister of Finance Regulation No. 22/PMK.04/2019 on Exports of Palm Oil, CPO and Its Derivative Products ("MoF Reg. 22/2019") on 1 March 2019, which came into effect on 8 March 2019.

Essentially, both MoT Reg. 17/2019 and MoF Reg. 22/2019 aim to further improve data accuracy, accelerate services and customs supervision in the export sector for palm oil, CPO and its derivative products as well as improve the effectiveness of the export procedure.

What's New?

The positive impact of the enactment of MoT Reg. 17/2019 is that the exporter will no longer have to follow a number of procedures to export their products, while previously the export procedures of palm oil, CPO and its derivative products had to follow several procedures prior to export, which were stipulated in the previous regulations in Indonesia.

In the past, any palm oil and derivative products were required to be verified by a surveyor in the form of administrative and physical verification before the commodity could be examined by the Customs and Excise Office. This verification procedure included a laboratory test to assess the commodities' quality and specification. The result of such verification or technical tracing was drawn up in the form of a surveyor's report, which was used as a complementary customs and excise document required for submission of an Export Declaration (*Pemberitahuan Ekspor Barang* or "PEB") to the Customs and Excise Office. If the commodities did not meet this requirement, then they could not be exported.

Since the verification or technical tracing procedure was revoked by MoT Reg. 17/2019, the procedure to export palm oil, CPO and its derivative products has been subject to the provisions under MoF Reg. 22/2019, which simplified the procedure, in that palm oil, CPO and its derivative products are now only checked by the Customs and Excise Office.

Key Impacts of MoF Reg. 22/2019

As explained above, the exporters are no longer required to have exports verified by a surveyor. Hence, a palm oil, CPO and its derivative products can directly submit an application to have a physical examination conducted by the Customs and Excise Official. This physical examination can be conducted either before or after the exporters submit the PEB, the document required to obtain the final export approval, to the Customs and Excise Office.

There are 2 (two) types of physical examination conducted by the Customs and Excise Official provided for in MoF Reg.22/2019, which depend on the form of the commodity to be exported, whether the commodity that will be examined is in the form of bulk goods or non-bulk goods. This physical examination includes examination of the quantity and type of goods.

In the event the goods to be exported are in the form of bulk goods, the exporters are required to submit an application to the Head of Customs Office for the loading of the bulk goods to be exported prior to the application for the PEB along with its supporting documents, i.e. shipping instruction/shipping order, invoice and packing list, which will be further examined by the Customs and Excise Officials followed by the issuance of an Audit Report (*Laporan Hasil Pemeriksaan* or "LHP"), which document is used as the basis in preparing the PEB.

If the commodity to be exported is in the form of non-bulk goods, the exporter may submit an application to have a physical examination before applying to the Head of Customs Office for the PEB attaching the invoice and packing list. If the exporters choose to not have such a physical examination, MoF Reg. 22/2019 provides that exporters of non-bulk goods can apply for a PEB by submitting the supporting documents i.e. invoice, packing list and the result of a laboratory test conducted by Directorate General of Customs and Excise's laboratory or any other laboratory registered under the Excise Office.

The physical examination may be conducted at (i) the customs area in the loading zone, temporary stockpiling zone, customs hoarding zone, or bonded stockpiling zone, or (ii) the exporter's warehouse or any other place used by the exporter for storing the goods to be exported.

Exemption from Physical Examination

This physical examination may be waived in the event the exporter has obtained a recognition as an Authorized Economic Operator ("AEO") from the Directorate General of Customs and Excise. The requirement to be recognized as an AEO is further regulated in Ministry of Finance Regulation No. PER-11/BC/2017 concerning Implementation Guidelines for AEO. However, even if the exporter has been recognized as an AEO, in order to export the palm oil, CPO and its derivative products, the exporter must submit to the Customs and Excise official, the result of a laboratory test conducted by Directorate General of Customs and Excise's laboratory or any other laboratory registered under the Excise Office, within 14 (fourteen) days as from the date of the PEB.

Transitional Provision

MoF Reg. 22/2019 provides that upon the effectiveness of the regulation, PEB for exported palm oil, CPO and its derivative products which have obtained a registration number shall be completed in accordance with the provision in the previous regulations.

Conclusion

The revocation of MoT Reg 54/2015 has accelerated the export procedures for palm oil, CPO and its derivative products since the verification process conducted by the surveyor usually took approximately 2 (two) weeks. Now, the exporters will not have to conduct the duplication of activities, which in principle, are the same. Further, this revocation will hopefully increase the transparency of the government in issuing the reports from such examination, which previously, involved dubious practices carried out by irresponsible people.

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