

Business News

Since November 30th 1956

FACTS

ANALYSIS

INFORMATION

Especially for : Entrepreneurs Managers Officials Politicians Technocrats Scholars

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TENURE OF KPK

The House of Representatives (DPR) advanced one step again in relations to efforts to debilitate the anti-graft commission (KPK). In view of the recommendation about the revision of KPK Law (UU No.30/2002), the public suppose that DPR has other agenda other than the objective to strengthen the position and institution of KPK. By determining the tenure of KPK, namely 12 years, DPR clearly intends to kill KPK earlier than the ideal one. By ignoring the public will, DPR actually has been against the logic of the people's representatives.

To the best of our beliefs, a number of articles in the draft revision are deemed debilitating KPK and amputating authority of the super body institution. For instance, Article 4 of the bill states that KPK is established with a view of enhancing the efficiency and effectiveness in the prevention of corruption crime. Emphasizing the objective of the establishment of KPK on preventive aspect constitutes a strategy to withdraw KPK from the taking-action or prosecution domain that becomes its power so far. Indeed the taking action or prosecution by KPK has not caused curative effect as expected. However, through the prosecution instrument, KPK has become a frightening specter for corrupters. Any of the evidences which may be disclosed here is the birth of efforts made by corrupters against KPK. Another article clearly debilitating KPK is Article 5 stating that KPK only stands for only 12 years as from the promulgation of the law. If only two articles are quoted here, it should be understood that the debilitation of KPK may be done by only one or two articles. Surely the impact would be more powerful if it is executed through several articles as reflected in the bill proposed DPR, which is now in the center of public spotlights.

Obviously the bill regulating KPK contains irregularities triggering pros and cons. It is not only

related to substantial aspect but the recommendation about the revision of KPK Law has been rejected by President Jokowi some time ago. Another irregularity we are difficult to accept is that the Indonesia Democratic Party of Struggle (PDIP) constituting political party nominating and supporting Jokowi, becomes the main force forcing the deliberation of the bill. PDIP seems to forget that KPK was established in the past Megawati administration era.

Undeniably, the irrational measure triggers turbulence actually unnecessary, unbeneficial and unexpected by the people. It is not worrisome to say that submitting recommendation about the revision of the law when this nation is working hard to overcome economic downturns and fog disaster in Sumatra and Kalimantan reflects the inability of the parliament to catch the people's aspirations.

We reject the whole efforts intended to debilitate KPK, including the effort to force the deliberation about the bill substantially debilitating KPK. At the same time, we support the same opposition disclosed by community elements. PBNU, for instance, stands in the line by rejecting strongly the efforts to debilitate KPK, including the limitation of KPK tenure.

Undeniably, KPK was established in a condition wherein the Indonesian police and prosecutor encountered public distrust. However, the public trust to police and prosecutor –if proven someday—could not be used as reason to terminate the existence of KPK. Later, how long should KPK stand? The best answer may only be granted by the corruption phenomenon, only political lobbies. Finally, the people and empirical facts would determine how long this nation actually needs KPK.

Jakarta, October 9, 2015

POLICY ON MINERAL EXPORTS RELAXATION, A TUG OF WAR BETWEEN ENTREPRENEURS AND GOVERNMENT

Jakarta, *Business News*

Indonesian Mining Services Association (Aspindo) sees that the policy on mineral export relaxation and incentives is a tug-o-war between entrepreneurs and the Ministry of Energy and Mineral Resources (MEMR). Minister of Energy and Mineral Resources, Sudirman Said, asserted that export relaxation has more disadvantages than benefits. But entrepreneurs seemed to be looking for a chance to obtain relaxation. "Entrepreneurs from Harita Group are still struggling to continue to obtain relaxation, especially for bauxite and nickel. But, they are still optimistic," Herman Kasih of Aspindo told *Business News* (October 9).

Harita is building a bauxite smelter plant that refines bauxite into alumina worth 1 billion US dollars (around IDR10 trillion) in Ketapang, West Kalimantan. The production capacity is expected to reach two million tons per year. Hari-

ta partnered with investors from China under a joint venture scheme. As a conglomerate, Harita is also

working on coal business. Construction of the smelter is done in two stages. The target of completion is around the end of 2015. The next stage, the development will be done in 2016. "Harita as a conglomerate will build four smelters, in West Kalimantan and East Halmahera (Maluku). Because it is still being debated (about the relaxation policy), the situation is like a standing cocktail (reception)."

Meanwhile, the price of coal in the world market drops. Entrepreneurs are still waiting, hoping that market will rebound. When coal demand from China and India is high, the price reached 100 US

dollars per ton. Demand from China in 2008 is very high, economic growth reached double-digit (above 10 percent). "But now coal price fell to below 60 US dollars per ton. We had to wait until 2017 for the price to return to normal. But our company (Mandiri Group) will not do layoff and will keep surviving in the midst of crisis."

China is increasingly restricting the import of low-quality coal. Some coal is not environmentally friendly after being



burned. Exporting countries such as America, Canada, and Venezuela also export coal to China and other countries. Consequently, Indonesian coal companies are competing to seize the Chinese market. "Environmental pollution is caused by sulfur. If sulfur content is high, thick smoke (the product of combustion) pollutes the environment. The Chinese government increasingly limits coal with high sulfur content. "

Coal business alternative for the domestic market is through the use of steam power plant (PLTU). Coal as energy, once extracted and crushed for downstreamization using different types of technology. "We once produced coal bricks, but it is costly. The market of coal brick is small. We use a strategy by selling thermal coal for export. It is partly used to fuel steam power plant and partly for the construction of steam boilers of paper and cement plants. "

Applied technology for coal downstreamization amid the global crisis is also a bit difficult. For example, gasification or coal to liquid (liquid coal) requires a rather expensive cost. The market price is

low, so that the high cost of technology application is considered improper. Additionally, government reference price (HPP) or coal reference price (HBA) is also considered unrealistic. "HBA is too high compared to the market price, which is 58.21 US Dollars. We are now selling below the reference price. We were selling at a loss, but we still pay taxes and royalties. The last meeting is with Indonesian Coal Mining Association (APBI), so that the government will revise the HBA. The government calculation of royalties and taxation is based on HBA. "

Another strategy is that coal producers expect a lot from the plan to build 35,000 MW power plant. Because the development is partly handed over to the private sector. And, electric power transmission was planned to be handed over to the private sector. So that the role of APINDO and related industry organizations is ready. "The emphasis is on Mulut Tambang steam power plant in Sumatra and Kalimantan. Whereas in Java, the power plants range from 1000 to 2000 Mega Watt. "(E)



GOVERNMENT STILL TO RELEASE FOURTH POLICY PACKAGE

Jakarta, *Business News*

The Government would still launch follow up Policy Package, following the past package already launched most probably in third or fourth week of October. Pramono Anung, Cabinet Secretary disclosed this on Wednesday (7/10).

Pramono felt sure that Chapter 3 of Policy Package which was focused on energy pricing and improving business climate would be as effective as Chapter 2 Policy Package announced on September 29 last. "The positive signal which we felt in the past week was Rupiah strengthening significantly in the past week. Rupiah was already below Rp 14,000.- if I'm not mistaken Rp13,900. This is the momentum to be safeguarded," Pramono explained while saying while announcement of the 3 packages was done simultaneously by the Government, I and OJK.

The Economy Package 3 released on Wednesday (7/10) afternoon was Government's decision to lower energy prices including Avtur, LPG 12 kg, Pertamina and Peralite which was effective since October 1 last. Price of Premium oil remained Rp 7,400 per litre for Java, Sumatra and Bali and Rp 7,300 per litre beyond Java; but price of subsidized Solar oil was reduced to Rp2,000/litre so the retail price would be Rp6,700/litre. Coordinating Minister Darmin Nasution stated that the prices would be effective from October to December 2015.

In case of price of gas for factories it would be adjusted to purchasing power of the fertilizer industry, i.e. USD 7/mmBtu while price of gas for other industries like petrochemicals etc it would be lowered according to the purchasing power of the respective industries. "The Regulations on gas would only be effective per January 1, 2016 because the Law on Non-Tax-State's Income was still to be changed," Darmin

said.

Minister Darmin said that lowering of gas did not affect income from shares of company contact. "The part which is being sacrificed in the PNPB and distribution cost."

As with electricity, subscriber 13 and 14 would be allowed reduced tariff of Rp 12 Rp 13 per kWh according to oil price. Besides there would also be discount of 30% for night power consumption between 23.000 – 08.00.

The Government also allowed delay of subscribers' payment up to 40% for the first 6 or 10 months and pay the rest by installment for labor intensive industries.

Less Interest for People Business Credit.

On the monetary side, the Government also increased pipelining of People's Business Credit (KUR) from 22% per year to 22% per year. Families having fixed income were entitled to KUR for productive sectors, which they were not entitled to in the past because it was regarded as unproductive.

Simplification of Land Permit Application

In land management, the Government was simplifying permit application procedures for investors. The Government revised Ministerial Regulation No.2 2015 on standard of service. "Essentially it is giving of land permit especially the right to use land. Besides there was also prolongation or rights which was simplified and for much shorter time. There would also be renewal of right over land." Darmin said while showing an example of KGU permit up to 200 ha to be shortened from 30 -90 days to 20 working days and procurement of land above 200 ha to become 45 working days.

For permit extension it was even shorter.

Extention of HGU rights for land up to 200 ha from the previous 20 – 50 days to become 7 days and 14 working days for land above 200 ha. Furtermore estention of HGU rights would also be simplified.

The Minister of Space Planning and Head of National Land Board (BPN) Ferry Mursi and Baldan explained that the Dergulation was basically supporting instrument to One Stop Service encompassing request, Requirement and Extension.

To request land certifucate, Ferry said, applicants needed not to be hectic to meet requirements, just to to the One Stop Service Center and he could obtain information in 3 hours. "We would issue clarification in 3 hours that the applicant request fo land snd we would immediately freeze the land" Ferry said.

In the past it may take 70 days for applicant to obtain right to use land. 'All investors have to do is just to come to PTSP and we would complete the process" he said.

As soon as land was designated, Ferry said, if the applicant needed HGU Right he would have 14 days to complete. If it was not completed in 14 days the document would be returned to the applicant and

blocking of land was cancelled.

Ferry underscored that land consideration which used to take 3 to 5 days to complete now only needed 3 hours. Furtermore Land measuring which mightg take 30 days to complete now only 15 days for 200 ha and 20 days for land above 200 ha.

Furthemore Ferry said that to apply for extention of Right over Land the requirement was not the same as new request but Just evaluation and examination of land. "We would examine the document whether ther was any change in 7 days" Ferry said.

The procedure fore extention would not be the same as new application. "Evaluation included inspection and control, The applicant applied two years before the permit expired and it would be ready in 1 to 3 days." Ferry said while adding on that the certification consisted of 3 categories: qualified for extention according to the land, extended but area of land reduced or not extendable.

Lastly for Building Cerrificate, the Minister of Agriculture and Space Planning and Head of BPN stated that the procedure was now much shortened, from 5 days to 7 days.(SS)

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LABOR ATTACHE SHOULD BE MARKETING INTELLIGENCE

Jakarta, *Business News*

The Ministry of Labor reminded the urgency to increase the number of staff of Labor Attache in Indonesian Embassies abroad. Beside protecting TKI the Labor Attache should observe any available job opportunity abroad and for that matter they should play the role of Marketing Intelligence in collaboration with consular, economic and diplomatic functions in the embassy.

The Ministry of Labor in Jakarta on Wednesday (7/10) had asked all Labor Attaches in Indonesian Embassies abroad to seek for employment opportunities for Indonesian migrant workers abroad especially of the formal sector. According to Hanif, Labor Attaches should enhance networking abroad to meet the objective.

Hanif stated that today the Ministry of Foreign Affairs of RI had Labor Attaches in 13 countries, i.e. in Hong Kong, Malaysia, Singapore, South Korea, Brunei Darussalam, Saudi Arabia (Riyadh and Jeddah), Kuwait, Qatar, Uni Arab Emirates, Taiwan, Syria and Jordania. Based on data of the Board of TKI Protection the number of TKI sent abroad numbered 429,872 people consisting of formal TKI 247,610 (58%) and informal TKI 182,262 (42%).

Beside Marketing Intelligence, the Role of Labor Attaches was to protect TKI, manage TKI database, monitoring the whereabouts of TKI, evaluate performance of TKI placement agencies, advocacy

assistance for TKI, legalizing employment agreement, and training TKI being placed abroad.

In view of the importance of their role, Hanif had asked that the status of Labor Attaches to level up with diplomat that they could perform their task more effectively. Hanif stated that of 13 Labor Attaches in 12 countries, only 4 Labor Attaches had the status of diplomat while the rest only had the status of technical staff. The consequences was that not all TKI problems could be overcome.

Hanif stated that he would manage and re-map TKI problems from upstream to downstream and improve placement system.

Today the Labor Attache of diplomatic status were those stationed in Malaysia, Saudi Arabia, Kuwait and Uni Arab Emirates the rest were technical staff in Labor Affairs.

Hanif reminded that to manage placement and protection system of TKI abroad, all stakeholders must collaborate to solve TKI problem. The Minister admitted that labor problem was wide and diversified, including therein TKI problem. Therefore collaboration was necessary among stakeholders.

Betterment of TKI management included upgrading of TKI quality of protection, improvement in the quality of TKI placement agencies (PPTKS), betterment of Government's role in controlling and developing placement agencies, procurement of infrastructure for TKI complaints by on line and management of TKI insurance. (SS)

THE ACHIEVEMENT OF TSP II OF EUROPEAN UNION IN INDONESIA

Jakarta, *Business News*

In an effort to focus on improving the quality of export products according to world standards of quality to expand export access of Indonesian products, so that leading Indonesian products must be able to meet the standards and technical requirements which are accepted and recognized by all export destination countries, the Ministry of Trade participates and acts as a technical coordinator in the implementation of Trade Support Programme (TSP) II in Indonesia. TSP II is a European Union (EU) program aimed at accelerating the integration of Indonesia in international trade. The program worth around EUR 15 million has been started since the signing of the financial agreement by both parties on October 30,

2009 and will end on October 30, 2015.

"Just like TSP I, this program is also emphasized on the compliance of Indonesian export products with standards and other technical requirements, including product traceability applied by EU. We wanted Indonesian products to achieve world quality standards," said Director General of Standardization and Consumer Protection of the Ministry of Trade, Widodo, in the opening of the Achievements and Closure Exhibition of EU-Indonesia TSP II, in Jakarta, on Wednesday (October 7).

Based on studies conducted by TSP II in 2010, the program is focused on five Indonesia's potential sectors that have a relatively small share of imports in the EU. The sectors are agro food products, fisheries, electronics, furniture, and natural cosmetics. Widodo said that the main results that can be noted from TSP II is the creation of Export Quality Infrastructure (EQI) Roadmap and Guidelines. This Roadmap is an export quality infrastructure development plan to be a world class EQI that must be realized jointly by the ministries and institutions, as well as other relevant stakeholders.

"By having a world class EQI, quality certificates issued by Indonesia's conformity assessment body will always be accepted and recognized by the notified bodies, and there is no refusal from export destination countries. Thus, access to Indonesian export products will be more easy and smooth," said Widodo.

Meanwhile, the Food and Drug Supervisory Agency (BPOM) laboratory is very competent in testing the safety of food products. BPOM is also committed to make efforts to increase exports of Indonesian



products. "In line with the assessment results of TSP II expert team, several BPOM laboratories are believed to play a strategic and competent role in implementing food safety assessment, especially testing of aflatoxin contamination in nutmeg.

"BPOM is ready to facilitate food assessment, especially nutmeg, which is to be exported to the European Union," said Head of BPOM, Roy Sparringa. Besides, National Quality Assurance (NQA) as part of the implementation of EQI Roadmap must be followed up with the same commitment. Because it involves various sectors, the Coordinating Ministry for Economic Affairs will be the driving force, with BPOM and the Ministry of Trade as the technical coordinator, respectively for food and non-food affairs.

"I am optimistic that the implementation of NQA will improve the quality of Indonesian products, both for domestic and export markets," said Head of BPOM. In a continued effort to improve the quality standards of export products, because consumers today have an awareness of quality products manufactured by considering health, safety, security, environment, and social, demands on producers and exporters in improving product quality is also higher.

TSP II responded to this by establishing In-

donesia Technical Requirement Information System (INATRIMS / inatrim.kemendag.go.id) containing information on standards and technical requirements of export destinations. The information is focused on 10 Indonesia's main export products, namely textiles, electronics, rubber and rubber products, palm oil, forest products, footwear, automotive, shrimp, cocoa, and coffee; and 10 potential export products, namely leather and leather products, medical equipment, medicines, medicinal plants, processed foods, essential oils, fish, crafts, jewelry, spices, and non-paper stationery products.

Currently, INATRIMS has covered information on the EU market, China, and South Korea, and will be followed by United Arab Emirates, United States and other countries. TSP II is focused on seven relevant ministries / agencies, namely the Ministry of Trade, Ministry of Industry, Ministry of Maritime Affairs and Fisheries, Ministry of Agriculture, Food and Drug Supervisory Agency, the National Standardization Agency, the National Accreditation Committee, and Indonesian Institute of Sciences.

The Achievements and Closure Exhibition of EU-Indonesia TSP II held in October 6-7, 2015 was also filled with presentations of achievements of TSP



II by beneficiaries. One of the achievements listed are the National Data Sharing System (DSS) which is managed by the Ministry of Maritime Affairs and Fisheries. DSS provides centralized, consistent, and transparent data to prevent and combat Unreported Illegal Unregulated (IUU) Fishing. This system is easily accessible by competent authorities, at both central and provincial government level.

Ambassador-designate of European Union to Indonesia and Brunei Darussalam, Vincent Guérénd, expressed his pride of the achievements of TSP II, especially on matters relating to EQI. Vincent is proud that TSP II is able to support work priorities of the government to overcome some trade barriers between Indonesia and the European Union. For example in the fisheries sector, TSP II helps strengthen DSS for the implementation of capture fisheries certification in 32 ports, so as to balance the strictness of EU regulation on IUU.

The development of marine and fisheries sector is one of the main priorities of the government.

"The success story can also be seen in nutmeg commodity of Siau, North Sulawesi, where TSP II not only supports the legal system and quality control of nutmeg, but also implements a pilot project at the stage of production and post-harvest handling," said Vincent. Other success stories of TSP II were also presented in the exhibition, which is about EQI Roadmap and Guidelines for Strategic Improvement of Indonesian Export; National Quality Assurance to Enhance Export Quality Products; Strengthened Policy Framework Ensures Compliance with EU Requirements; Best Practices Lead to more Effective and more Efficient Accreditation at KAN; Improving Export Access through INATRIMS; Improved Nutmeg Quality for Better Acceptance in EU Market; Improved Quality of Cocoa Beans and It's Derivatives Expands Access to EU Market; Strengthened Catch Certification System by Support of Data Sharing System; National Residue Monitoring Plan (NRMP) to Secure Access to EU Market for Fishery Products; and Improved KIM LIPI Capabilities Guarantees International Trust. (E)



REDUCING RISK OF LOSSES, GOVERNMENT PROVIDES INSURANCE FOR RICE FARMING

Jakarta, *Business News*

The Financial Services Authority (OJK) in collaboration with the Ministry of Agriculture, Ministry of State-Owned Enterprises, and a consortium of insurance companies will apply the provision of insurance for the agricultural sector to reduce farming losses due to uncertainty of season.

Chairman of the Board of Commissioners of OJK, Muliaman D. Hadad, in his statement at the President's Office on Wednesday (October 7), said that rice agriculture insurance scheme will be the first to be applied by insurance company, which 80% of the premium is paid by the government.

Through agricultural insurance it is expected that rice farming, which is frequently disturbed by the uncertainty of season, resulting in farmers being exposed to losses, would be able to reduce the losses suffered by farmers. Moreover, with such an insurance scheme, farmers become bankable. "Because usually they lose money, cannot repay the loan, but, now there is someone to bear the losses, so they can repay the loan. With their bankable status through insurance company facilities, it is expected to stabilize income of farmers," said Muliaman.

For the first phase, the government has allocated premium funds amounting to IDR 150 billion. The fund is targeted to cover approximately one million hectares of rice farming. Agricultural insurance premiums for 6 million hectare area amounted to IDR180,000, where IDR150,000 is paid by the

government through subsidies, and the remaining IDR30,00 have to be paid by farmers. Potential credit for farmers with this scheme is approximately IDR6 trillion.

Deputy Commissioner for the Supervision of Non-Bank Financial Industry (IKNB) of OJK, Dumoli Pardede, in Jakarta (October 80) said that based on data from the Ministry of Agriculture, on a national scale the size of agricultural land affected by floods, droughts and harmful organism on average reached 1,051,228 hectare / year of the annual harvest area of about 12,886,255 hectare or 7.69%.

Furthermore, Dumoli said that agricultural GDP grew by 0.66% in 2014 compared with 2013. However, labor absorption in 2014 fell by 0.78% compared with 2013, which was around 36.05 million, as a result of increase of conversion of agricultural land to non-agriculture land and increasing urbanization due to the development of industry and services sectors.

The decline also occurred in farmer exchange rate in 2014 which decreased by 2.81% compared to 2013, which is 104.95. This is caused by the fall of international prices of primary commodities, while farmers have to pay a more expensive price for their daily necessities. Likewise, the achievement of agricultural trade balance in 2014 decreased by 30.10% compared to 2013 at IDR15.98 billion, due to decline of demand as a result of economic recession in America, Europe, and East Asia, and the fall of international prices of primary commodities. (E)

AMKRI STILL NOT OPTIMISTIC ABOUT DEREGULATION PACKAGE

Jakarta, *Business News*

The Association of Indonesian Furniture and Crafters (AMKRI) was not too optimistic about the Economy Policy Package run by the Government considering that the reality afield was still a far cry from goodness. Meaning the Policy Package which consisted of some deregulation points and debirocratization would not bring any significant benefit on producers. The package would remain to be beyond expectation. This was obviously on account of certain interest of certain fraudulent interest of some big shots in the bureaucracy. An example was furniture producers who had to import cushion cloth for their products.

Producers had to face complicated bureaucracy in terms of quarantine, taxes, trading etc. "Harmonized System of textile keeps changing time after time. He have to apply for new permit if HS changed. Every application needs 3 weeks to complete. This is quite troublesome to us. Not to mention the process of quarantine, harbor cost etc. And our imported cloth was accused as germ containing from abroad. In fact the raw materials contained no germs at all" Johanne Sumarno member of AMKRI Consultative Board told *BusinessNews* (8/10)

The Deregulation Package which was designed to jack up export finally turned counter productive. Since the era of Trade Minister Gobel, exporters were urged to jack up export. But bureaucracy made business difficult to producers. "We expect while the atmosphere is still on 'honeymoon' stage we have the chance to fight complications, Don't let burraucracy

shackle us"

In the same location, the Director of PEN Nus Nuzulia stated that Government executives were not blind and not deaf. We are ready to be cursed in very mentoring with businesspeople. "We listen to grievances and we are ready to make deregulations. Our Minister of Trade would announce the strategy in detail." Nus told *Business News*.

Meanwhile Chairman of AMKRI Rudy Halim stated there were already investors in furniture products who relocated their workshop from Indonesia to Vietnam. There was some handicap in investment in Indonesia particularly in furniture, which was increase of workers wages. "Increase of wages can be as high as 20%. In some places in East Java the difference could be as high as Rp 1 million." Chairman of AMKRI Rudi Halim told *Business News* (8/10)

The problem of SVLK was also extremely not sensible. SVLK seemed "fixed price" for producers including small business. In Vietnam and China there was no mandatory rule for SVLK for producers of furniture so they could downsize production cost. In Indonesia high cost economy beganb from SVLK to loading and unloading at the seaport. "The producers in Vietnam are pragmatic not bureraucratic."

Mandatory SLVK was spectre to furniture producers in Indonesia. SLVK was only relevant if wood raw materials for furniture was taken from conservation forest. Furniture producers in Indonesia did not take wood from the forest. SVLK was probably only applicable for the pulp industry because they used forest wood.

(SS)

ALLOCATED BUDGET FOR FOOD SOVEREIGNTY INCREASED BY 0,55% IN 2016

Jakarta, *Business News*

In 2016 the Government planned to allocate budget for food sovereignty amounting to Rp 126.6 trillions in RAPBN 2016, an increase of 0.55% compare to that of 2015. Of that amount Rp50,4 trillion were allocated through Ministerial Expenditure and Rp76,1 trillion through non ministerial expenditure.

There were 3 ministries playing important role in prioritizing food sovereignty, i.e. the Ministry of Agriculture, the Ministry of Public Works and People's Housing and the Ministry of Maritime and Fishery. Allocation for food sovereignty was at the Ministry of Agriculture Ministry of Public Works and Ministry of Maritime and Fishery. Allocated budget for the Ministry of Agriculture for 2016 was Rp 32.9 trillion fully focused on increasing productivity especially essential food.

Allocated budget for the Ministry of Public Works and People's housinh was Rp6.6 trillion allocated for building irrigation network for agriculture. While allocated fund for food sovereignty at the Ministry of Maritime and Fishery was Rp11.0 trillion prioritized for promoting production of hooked fish, nursery of fish and other fishery products.

Allocated fund for food sovereignty through non Ministerial spending, the support for attaining food sovereignty was among others through :

1. Provision of food subsidy for 15.5 targeted families with amount of 15 kg R/T/S pipelining for 12 months, fertilizer subsidy at the volume of 9.55 million tons and seed subsidy at the volume of 116,500,000 kg consisting of hybrid type of rice, inhybrid and soy seed.
2. Allocated transfer to the provinces through Special Allocated Fund (DAK) for irrigation among others for rehabilitation/renovation and procurement of supporting facilities.
3. Other expenditures among others for Goernment's Rice Reserves (CBP) to anticipate natural disasters and reserve food stabilization prices and food resiliency to anticipate food price turbulence with the potential of increasing people's life burden, especially the marginal people.

Food sovereignty had its strategic meaning especially in regard to food production increase sustainably for all Indonesian people.

Thereby dependency on imported food could be supressed or eliminated. The main objectives of development in food sovereignty in 2016 were among others :

1. To increase production of main food: paddy 76.23 million tons, corn 21,35 million tons, soy 2.03 million tons, beed 0.59 million tons
2. Meningkatkan produksi ikan perikanan tangkap 6,45 juta ton dan perikanan budidaya (termasuk rumput laut dan ikan hias) sebesar 19,46 juta ton.
3. To increase production of hooked fish 6.45 million tons and cultivated fish including seaweed and display fish amountying to 19.46 million tons.

4. To increase Government's rice reserves
5. Completion of 19 irrigation dam construction.

Food Sovereignty Budget 2015 - 2016
(in trillions of Rupiah)

Specification	2015	2016
	APBNP	RAPBN
I State Ministry/institutions	50.8	50.4
1. Ministry of Agriculture	32.8	32.9
2. Ministry of Maritime and Fishery	7.8	11.0
3. Ministry of Public Works and PERA	10.2	6.6
II. Non K/L	75,1	76,1
1. Subsidy	59,4	52,1
a. 1. a. Food subsidy	18.9	21.0
b. Fertilizer subsidy	39.5	30.1
c. Seed subsidy	0.9	1,0
2. Other expenditures	3.5	4.2
a. 1 a, Government's Rice Reserves	1.5	2,0
b. Price Stabilization Reserves	2.0	2,2
Food and Food Resilience		
3. Transfer to the Provinces	12.2	19.9
a. Irrigation	5,5	13.7
b. Agriculture	6.7	6.2
Total	125,9	126,6

Source: the Ministry of Finance
(SS)

BASIC NEEDS PRICE

Jakarta, Business News

No.	Commodity	Unit	OCTOBER 2015						
			1	2	3	4	5	6	7
1	Rice IR. I (IR 64)	Kilogram	10,885.00	10,895.00	10,885.00	10,895.00	10,775.00	10,885.00	10,805.00
2	Rice IR. II (IR 64)	Kilogram	10,078.00	10,067.00	10,067.00	10,078.00	9,967.00	9,967.00	9,967.00
3	Rice IR. III (IR 64)	Kilogram	11,720.00	11,720.00	11,720.00	11,720.00	11,720.00	11,920.00	11,820.00
4	Rice Muncul .I	Kilogram	12,770.00	12,770.00	12,690.00	12,670.00	12,790.00	12,570.00	12,740.00
5	Rice IR 42	Kilogram	12,290.00	12,270.00	12,290.00	12,290.00	12,360.00	12,340.00	12,340.00
6	Rice SETRA - I	Kilogram	11,045.00	11,064.00	11,018.00	11,036.00	11,091.00	10,955.00	10,864.00
7	Cooking oil (yellow/curah)	Kilogram	29,455.00	29,455.00	28,091.00	28,273.00	28,273.00	27,727.00	26,545.00
8	Curly red chilli	Kilogram	30,545.00	31,000.00	29,000.00	29,364.00	29,091.00	28,455.00	26,182.00
9	Red Chilli (TW)	Kilogram	38,545.00	35,364.00	34,727.00	35,000.00	31,773.00	30,455.00	31,273.00
10	Red cayenne pepper	Kilogram	24,909.00	25,000.00	24,000.00	24,182.00	23,182.00	22,636.00	23,636.00
11	Green cayenne pepper	Kilogram	20,818.00	20,273.00	20,273.00	20,273.00	20,273.00	20,364.00	20,364.00
12	Red onion	Kilogram	24,182.00	24,455.00	24,364.00	24,364.00	25,000.00	25,000.00	25,091.00
13	White onion	Kilogram	120,455.00	120,000.00	119,545.00	119,545.00	120,000.00	120,000.00	120,909.00
14	Tenderloin	Kilogram	109,091.00	109,273.00	109,273.00	109,273.00	109,091.00	109,091.00	109,091.00
15	Chuck (Semur)	Kilogram	30,300.00	30,100.00	29,800.00	30,100.00	29,600.00	29,700.00	29,700.00
16	Broiler chicken (Ras)	Pieces	20,182.00	20,000.00	20,000.00	20,091.00	19,909.00	19,818.00	19,818.00
17	Chicken egg	Kilogram	20,182.00	20,000.00	20,000.00	20,091.00	19,909.00	19,818.00	19,818.00
18	Lamb	Kilogram	108,125.00	106,250.00	106,250.00	107,500.00	107,500.00	106,250.00	106,250.00
19	Fatty pork	Kilogram	65,500.00	66,500.00	66,500.00	66,500.00	66,000.00	65,000.00	65,500.00
20	Milkfish (medium)	Kilogram	35,455.00	35,455.00	35,455.00	35,727.00	35,455.00	35,455.00	35,455.00
21	Goldfish	Kilogram	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	29,800.00
22	Satfish	Kilogram	24,300.00	24,300.00	24,300.00	24,300.00	24,200.00	24,200.00	24,200.00
23	Sugar	Kilogram	12,636.00	12,727.00	12,727.00	12,727.00	12,682.00	12,682.00	12,682.00
24	Wheat Flour	Kilogram	8,636.00	8,636.00	8,636.00	8,636.00	8,636.00	8,636.00	8,636.00
25	Salt	200 Gram	4,650.00	4,550.00	4,550.00	4,550.00	4,550.00	4,550.00	4,550.00
26	Gas Elpiji (3Kg)	3 Kilogram	20,000.00	20,000.00	20,125.00	20,000.00	20,000.00	20,125.00	20,125.00
27	Bendera powder milk (400 gr)	Box	41,500.00	41,786.00	41,786.00	41,786.00	41,643.00	41,643.00	41,643.00
28	Dancow powder milk (400 gr)	Box	48,138.00	48,113.00	48,113.00	48,113.00	47,888.00	48,138.00	48,138.00
29	Bendera condensed milk (200 gr)	Can	11,875.00	12,000.00	11,875.00	12,000.00	12,000.00	12,000.00	12,000.00
30	Enak condensed milk (200 gr)	Can	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00	11,160.00
31	Margarine Blueband Cup (250 Gr)	Can	9,618.00	9,618.00	9,618.00	9,618.00	9,609.00	9,609.00	9,609.00
32	Margarine Blueband Cup (200 gr)	200 Gram	6,709.00	6,664.00	6,664.00	6,664.00	6,745.00	6,745.00	6,745.00
33	Potato (medium)	Kilogram	11,273.00	11,273.00	11,273.00	11,273.00	11,182.00	11,273.00	11,273.00
34	Tomato	Kilogram	11,091.00	10,909.00	11,000.00	11,091.00	10,545.00	10,545.00	10,818.00
35	coconut peeled	Pieces	6,550.00	6,600.00	6,600.00	6,550.00	6,500.00	6,450.00	6,500.00
36	Water melon	Kilogram	7,750.00	7,750.00	7,750.00	7,750.00	7,750.00	7,750.00	7,750.00
37	Orange Medan	Kilogram	23,778.00	23,556.00	23,667.00	23,556.00	23,556.00	23,556.00	23,778.00

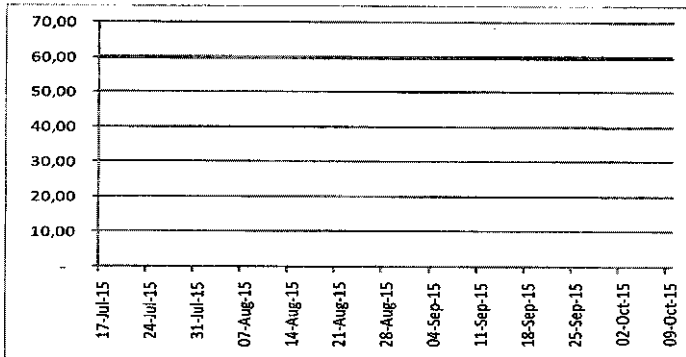
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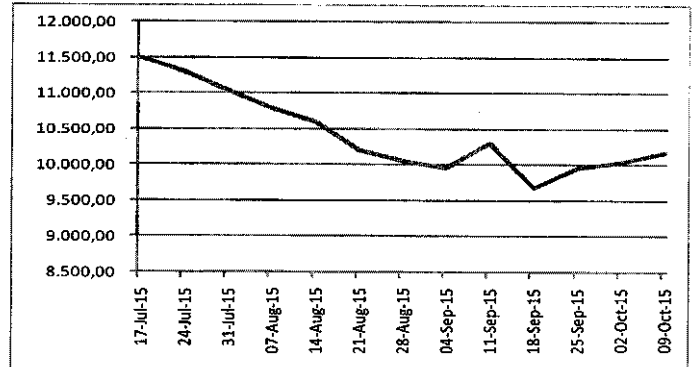
COMMODITY PRICES

DATED JULY 17 2015 - OCTOBER 9 2015

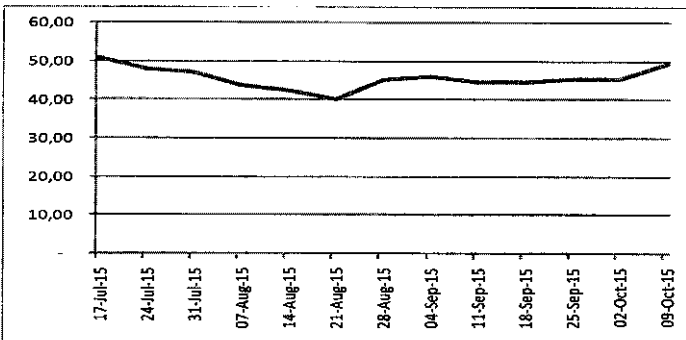
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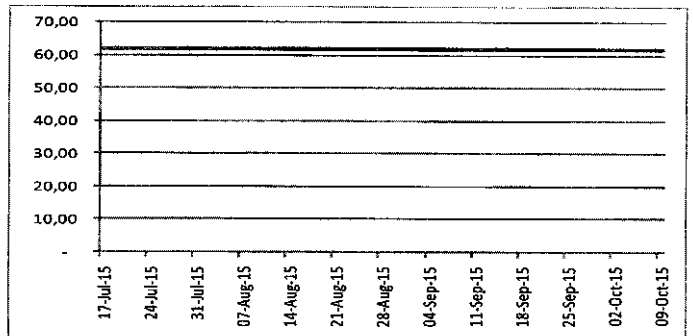
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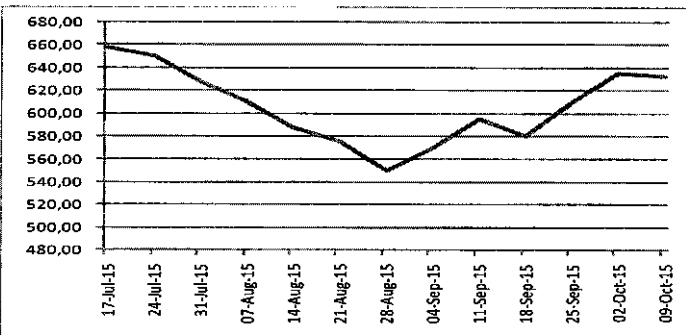
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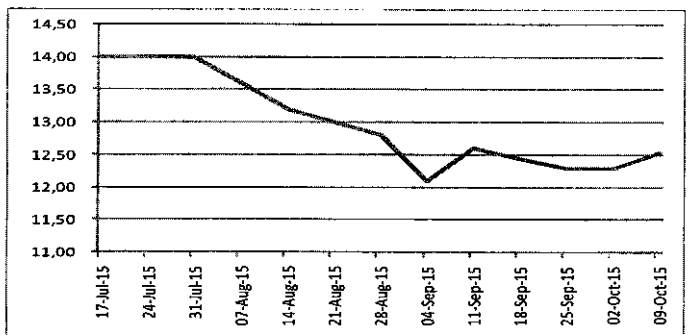
CLSPAUNE Index Coal (USD)



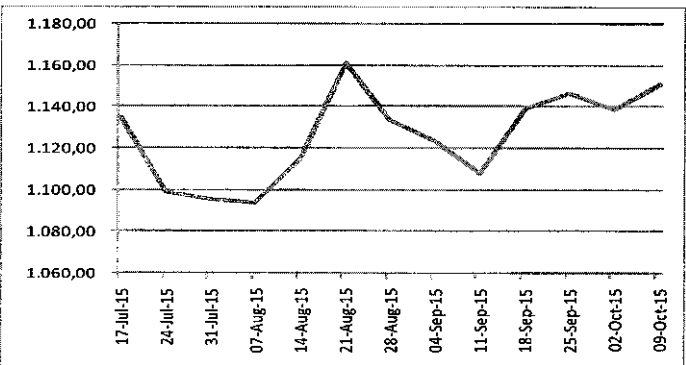
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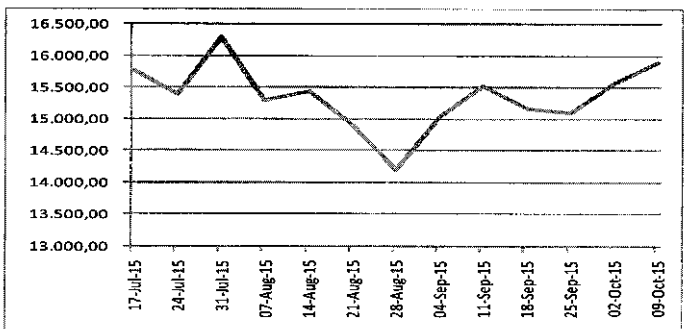
IDRUSR20 Index Rubber US/kg



GOLDS Cmdty (USD)



LMSNDS03 TIN (USD)



FOREIGN EXCHANGE RATES

Jakarta, *Business News*

EXCHANGE RATES ON TRANSACTION

CURRENCY	VALUE	OCTOBER 9, 2015		
		BUYING	MIDDLE RATE	SELLING
AUD (Australia)	1,-	9,777.64	9,829.78	9,881.92
BND (Brunei)	1,-	9,609.97	9,659.24	9,708.51
CAD (Canada)	1,-	10,362.81	10,417.61	10,472.41
CHF (Switzerland)	1,-	13,913.54	13,986.05	14,058.56
CNY (China Yuan)	1,-	2,118.82	2,129.53	2,140.24
DKK (Denmark)	1,-	2,033.68	2,044.12	2,054.55
GBP (United Kingdom)	1,-	20,665.15	20,772.33	20,879.50
HKD (Hong Kong)	1,-	1,735.80	1,744.63	1,753.46
JPY (Japan)	100,-	11,214.57	11,273.62	11,332.67
KRW (Korean)	1,-	11.67	11.74	11.80
KWD (Kuwaiti Dinar)	1,-	44,502.15	44,741.97	44,981.79
MYR (Malaysia)	1,-	3,253.52	3,273.91	3,294.30
NOK (Norway)	1,-	1,652.72	1,661.49	1,670.25
NZD (New Zealand)	1,-	8,971.81	9,021.24	9,070.66
PGK (Papua New Guinea)	1,-	4,569.98	4,693.64	4,817.30
PHP (The Philippines)	1,-	292.71	294.26	295.80
SAR (Saudi Arabian Riyal)	1,-	3,587.08	3,605.46	3,623.83
SEK (Sweden)	1,-	1,630.69	1,639.23	1,647.77
SGD (Singapore)	1,-	9,609.97	9,659.24	9,708.51
THB (Thailand)	1,-	376.94	378.95	380.96
USD (United States)	1,-	13,453.00	13,521.00	13,589.00
EUR (Europe)	1,-	15,173.64	15,251.70	15,329.75

NOTE : The middle rate is based on Business News calculation

OBLIGATORY USE OF RUPIAH WITHIN THE TERRITORY OF THE UNITARY STATE OF THE REPUBLIC OF INDONESIA

**(Circular Letter of the Head of the Department of Policy and
Supervision On Payment Syatem No. 17/11/DKSP, dated
June 1, 2015)**

WITH THE BLESSING OF THE ONE AND ONLY GOD

Pertaining to the validity of Regulation of Bank Indonesia Number 17/3/PBI/2015 concerning Obligatory Use of Rupiah within the territory of the Unitary State of the Republic of Indonesia (Statute Book of the Republic of Indonesia Year 2015 Number 70, Supplement to Statute Book of the Republic of Indonesia Number 5683), it is necessary to govern provision on obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia in Circular Letter of Bank Indonesia as follows:

I. GENERAL PROVISION

- A. Obligatotry use of Rupiah within the territory of Unitary State of the Republic of Indonesia adopts the principle of territory. Every transaction exercised within the territory of Unitary State of the Republic of Indonesia, either

execised by the citizen or non-citizen, transaction either in cash or non-cash so long it is exercised within the territory of the Unitary State of the Republic of Indonesia must use Rupiah.

- B. Transaction and payment shall be one unit. made within the territory of the Unitary State of the Republic of Indonesia and receipt of payment thereof must be issued in Rupiah.

Example:

Company A as foreign company making payment in cash through an agent using foreign currency or by transfer using currency of its country of origin must change it to Rupiah currency.

If payment is made by transfer, then PT B shall be obliged to accept such payment from Company A in Rupiah currency.

- C. Obligatory use of Rupiah in every transaction referred to in letter A does not apply to transactions cited below:
1. particular transaction in the implementation of State Revenue and Expenditure covering:
 - a. repayment in overseas;
 - b. re-payment domestically in foreign currency;
 - c. expenditure on goods from overseas;
 - d. expenditure on capital from overseas;
 - e. State Income originating from sale of State debenture in foreign currency; and
 - f. other transactions in the implementation of State Revenue and Expenditure, such as tax payment, visa on arrival, and State Non-Tax Income;
 2. Income or grant from overseas provided by the parties who either of them domiciled overseas;
 3. international transactions covering:
 - a. export and/or import of goods to and from outside the Customs area of the Republic of Indonesia; and/or
 - b. service trading activities outside the State's territory exercised by means of the following:
 - 1) cross-border supply, such as online purchase through call center. Also included in this perception of cross-border provision shall be expert having particular expertise assigned by its parent company in overseas to work in Indonesia; and
 - 2) consumption in overseas, such as consumption of Indonesian students during their stay in overseas or those undergoing hospital medical treatment in overseas;
 4. Deposit in Bank in the form foreign exchange such as saving in foreign exchange or deposit in foreign exchange; or
 5. payment of international financing made by the parties that either of them domiciled in overseas, such as credit granted by a Bank overseas to a customer in Indonesia.

- D. Obligatory use of Rupiah in every transaction as referred to in letter A does not apply for fund transaction in foreign exchange from any local individual to any party in overseas not referred to as payment or settlement of obligation arising from transaction within the territory of the Unitary State of the Republic of Indonesia.
- E. Obligatory use of Rupiah in every transaction referred to in letter A also does not apply for transaction in foreign currency made based on the provision in the Law covering:
1. Business activity in foreign currency exercised by the Bank based on the Law that governs banking and syariah banking businesses covering, among other things,:
 - a. credit in foreign exchange for export activities and other kinds of activities;
 - b. money market inter-Banks in foreign exchange;
 - c. bond in foreign exchange;
 - d. sub-debt in foreign exchange;
 - e. sale and purchase of commercial paper in foreign exchange; and
 - f. other banking transactions in foreign exchange as governed in the Law and its implementing regulation on banking and syariah banking businesses.

What is meant by business activities in foreign exchange also cover the fee charged by the Bank in carrying out such business activities..

2. Transaction of commercial paper in initial market and secondary market in foreign exchange issued by the Government under the Law that governs State debenture and State Syariah commercial paper.

Example:

Global transaction of 'sukuk' in foreign exchange issued by the Government.

3. Other transactions in foreign exchange exercised based on the law.

Example:

Transaction of domestic financing in foreign exchange by Lembaga Pembiayaan Ekspor Indonesia (LPEI) based on the Law that governs Indonesia institutional export financing.

- F. Any party is prohibited from rejecting to accept Rupiah which delivery thereof is for payment or settlement of obligation that must be fulfilled in Rupiah and/or for other financial transactions within the territory of Unitary State of the Republic of Indonesia.

Example:

Provider of goods and/or services is prohibited from rejecting to accept Rupiah from the user of goods and/or services.

- G. The provision referred to in letter F is exempted from this matter in the existence of:
1. uncertainty of authenticity of the Rupiah received in cash for the transaction; or
 2. payment of settlement of obligation in foreign exchange has been agreed upon in writing.
- H. The writtten agreement referred to in point G.2 may be entered into for:
1. transactions that are exempted from obligatory use of Rupiah as referred to in letter C and letter E;
or
 2. strategic infrastructure project that has obtained approval for exemption from obligatory use of Rupiah from Bank Indonesia.
- I. To support implementation of obligatory use of Rupiah, the business player, either individual person or corporation is obliged to state the price of goods and/or services in Rupiah only.
- J. Bank Indonesia has the authority to request for report, information, and/or data from any party that relates to implementation of obligatory use of Rupiah and obligation to state the price of goods and/or services in Rupiah.
- K. Bank Indonesia is obliged to exercise supervision on the fulfillment by every party in complying with the obligatory use of Rupiah and obligation to state the price of goods and/or services in Rupiah.
- L. If problem arises on business player with particular characteristic pertaining to the implementation of obligatory use of Rupiah for non-cash transaction, Bank Indonesia may endeavor particular policy but

keep maintaining the obligatory use of Rupiah.

II. OBLIGATION TO STATE THE PRICE OF GOODS AND/OR SERVICES IN RUPIAH

- A. Any business player within the territory of Unitary State of the Republic of Indonesia is obliged to state the price of goods and/or services in Rupiah only and is prohibited from stating the price of goods and/or services in foreign currency at the same time (dual quotation).

Example of dual quotation:

Shop A states the price of one (1) computer Rp.15.000.000,00 and USD.1,500.00 simultaneously.

- B. Such obligations and prohibition referred to in letter A apply on:

1. price label, such as price label as specified on the goods;
2. service fee, such as, agency fee for sale and purchase of property, service on tourism, service on consultancy;
3. lease charges, such as rent of apartment, house, office, building, land, warehouse and vehicles;
4. tariff, such as tariff of unloading of container at the port or tariff of airflight for cargo;
5. price list, such as price list of restaurant menu;
6. contract, such as clause of price or charges as specified in contract or agreement;
7. documents in the form of offer, collection, as referred to in the clause pertaining to price as specified in the invoice, delivery order, purchase order; and/or
8. proof of payment of the price as specified in the receipt.

- C. The obligation to state the price of goods and/or service in Rupiah and prohibition as referred to in letter A and letter B also apply in stating the price of goods and/or services for electronic media.

III. IMPLEMENTATION OF OBLIGATORY USE OF RUPIAH FOR STRATEGIC INFRASTRUCTURE PROJECT AS AGREED UPON IN WRITING.

- A. Project of infrastructure covers projects as cited below:

1. infrastructure for transportation covers provision of airport service, port service, railway facilities

and infrastructure;

2. infrastructure for roads, covering toll roads and toll bridges;
3. infrastructure for irrigation covering water supply pipeline;
4. infrastructure for potable covering construction for water intake, transmission network, distribution network, potable processing installation;
5. infrastructure for sanitation covering waste water processing installation, collecting and main network, and waste facilities covering transporting and disposal;
6. infrastructure for telecommunication and information covering telecommunication network and e-government infrastructure;
7. infrastructure for electricity covering generator, including development of geothermal electric power, transmission or distribution of electric power; and
8. infrastructure for natural oil and gas covering transmission and/or distribution of natural oil and gas.

B. The project for infrastructure referred to in letter A may be exempted from obligatory use of Rupiah if:

1. it is declared by the Central Government or Regional Government as strategic infrastructure project as proven by statement letter from the relevant Ministry / Institution to the project owner; and
2. obtain approval for exemption from the obligatory use of Rupiah from Bank Indonesia.

C. In granting approval, Bank Indonesia will take into consideration, among other things, project source of finance and impact of such project on the stability of macro economy.

D. Approval for exemption from using Rupiah in strategic infrastructure project granted by Bank Indonesia may cover:

1. transaction for development of strategic infrastructure project until construction of the project is completed; and/or
2. transaction for sale of products or services produced by strategic infrastructure project up to a certain period, provided that the sale of products and services has been agreed upon at the initial period of construction of such project.

- E. The party requiring exemption from obligatory use of Rupiah must submit application supported by reason for using foreign exchange in any payment or settlement of obligation.
- F. If project is carried out by a consortium, application may be submitted by either of the members of consortium for and on behalf of the consortium or submitted jointly by members of the consortium..
- G. Procedure for submitting application is governed as follows:
 - 1. The Applicant shall submit application in writing to Bank Indonesia.
 - 2. The application letter referred to in figure 1 must be supported by documents as cited below:
 - a. document that shows the legacy of the Applicant, such Deed of Company Establishment and Company's Articles of Association including its amendments, statement of domicile and profile of business entity;
 - b. statement letter from the Ministry or authorized institution stating that the project conducted is project of strategic infrastructure;
 - c. if the application is submitted by job operator or contractor, the statement concerning the project of strategic infrastructure may be in the form of photocopy of the statement letter referred to in letter b supported by recommendation stating that:
 - 1) the project carried out is part of a project of strategic infrastructure; and/or
 - 2) implementation of the project needs foreign exchange in the context of procurement of goods and/or services originating from outside the territory of the Unitary State of the Republic of Indonesia;
 - d. photocopy of written agreement stating that payment using foreign exchange as stated in the original thereof by the Applicant
- H. In the context of follow-up action the Applicant referred to in letter G, Bank Indonesia may ask for statement and/or additional document and conduct examination pertaining to the application, such as

examination of the project location.

- I. Bank Indonesia shall grant approval or issue rejection in writing to the application submitted within maximum 30 (thirty) days as of the complete application is received.
- J. Bank Indonesia shall issue written notification to the Applicant if additional exceeding the 30 (thirty) days period is needed for processing the application.

IV. IMPLEMENTATION OF OBLIGATORY USE OF RUPIAH IN NON-CASH TRANSACTION WITH PARTICULAR CHARACTERISTIC BY BUSINESS PLAYER.

- A. If there is any problem with particular characteristic to business player relating to implementation of obligatory use of Rupiah for non-cash transaction as referred to in point I.L, Bank Indonesia may endeavor specific policy with due observance with the obligatory use of Rupiah.
- B. In stipulating the specific policy referred to in letter A, Bank Indonesia shall take the following matters into consideration:
 - 1. preparedness of business player, such as, application of obligatory use of Rupiah needs fundamental amendment in the system and/or business process and/or by particular business player;
 - 2. continuous business activity, such as, application of obligatory use of Rupiah immediately without transition, may affect subsistence of business activity;
 - 3. Investment activity, such as, in the case of business activity that needs financment in foreign exchange for a certain period and immediate obligatory use of Rupiah may interrupt such investment operation; and/or
 - 4. business activity with significant impact on the growth of national economy.
- C. Other than considering the factor referred to in letter B, Bank Indonesia shall also consider compliance of business player to the provisions of Bank Indonesia among other things, concerning obligatory income in foreign exchange from export and application of the principle of prudentiality in managing

overseas loan originating from non-Bank corporation.

V. REPORT PERTAINING TO OBLIGATORY USE OF WITHIN THE TERRITORY OF UNITARY STATE OF THE REPUBLIC OF INDONESIA

- A. Bank Indonesia has the authority to request for report, information, and/or data from the relevant party pertaining to obligatory use of Rupiah.
- B. Any party referred to in letter A shall be obliged to submit report, information, and/or data to Bank Indonesia supported by documents as required by Bank Indonesia.

VI. SUPERVISION ON COMPLIANCE WITH OBLIGATORY USE OF RUPIAH WITHIN THE TERRITORY OF UNITARY STATE OF THE REPUBLIC OF INDONESIA

- A. Bank Indonesia shall exercise supervision on compliance of any party in the application of obligatory use of Rupiah and obligation to state the price of goods and/or services only in Rupiah.
- B. Scope of supervision on application of obligatory use of Rupiah as referred to in letter A specifically on compliance with obligatory use of Rupiah for non-cash transaction. In exercising the supervision on non-cash transaction, Bank Indonesia may cooperate with the relevant agency.
- C. In exercising supervision on compliance with obligatory use of Rupiah for cash transaction, Bank Indonesia shall cooperate with the law enforcement apparatus.
- D. The supervision referred to in letter A shall use mechanism based on the provisions as follows:
 - 1. Method of supervision shall be exercised both directly and indirectly.
 - 2. The direct supervision referred to in figure 1 shall be by examination that may be exercised at any time by Bank Indonesia.
 - 3. The indirect supervision referred to in figure 1 shall be by conducting analysis and evaluation of the

report submitted by any party as referred to in butir V.A.

4. In exercising direct examination as referred to in figure 2, the party constituting the object of examination shall be obliged to submit:
 - a. financial report, data of transaction, and supporting data;
 - b. access to conduct observation on the operational activity and physical facilities pertaining to its business activity; and/or
 - c. information on transaction and activity pertaining to obligatory use of Rupiah from the competent and authorized party at conducting the examination.

VII. CORRESPONDENCE

- A. The application referred to in Chapter III, the report referred to in Chapter V, and/or correspondence in Indonesian Language must be submitted to Bank Indonesia at the address below:

"Departemen Kebijakan dan Pengawasan Sistem Pembayaran Kompleks Perkantoran Bank Indonesia Gedung D lantai 5 Jl. M.H. Thamrin No. 2 Jakarta 10350".

- B. If the address referred to in letter A is changed, Bank Indonesia shall issue Notification Letter and/or other media.

VIII. OTHER PROVISIONS

- A. The Bank and Operator of Fund Transfer shall notify about the obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia to every customer intending to make transaction in foreign exchange.
- B. If the customer referred to in letter A insists to make transaction in foreign exchange, the Bank and Operator of Fund Transfer is obliged to instruct the customer to fill-in in the Form or Slip of Transaction the purpose of transaction.

IX. PROCEDURE FOR PENALTY CHARGE

- A. Any party violating the obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia is subject to penalty.
- B. Any violation to obligatory use of Rupiah for cash transaction and/or prohibition from rejecting Rupiah for cash transaction is subject to criminal provision as referred to in Article 33 Law Number 7 Year 2011, concerning Currency.
- C. Penalty for violation to obligatory use of Rupiah for non-cash transaction will be charged based on the provisions as follows:
 - 1. Any party committing violation to obligatory use of Rupiah for non-cash transaction is subject to administrative penalty in the form of:
 - a. written reminder;
 - b. obligatory payment; and/or
 - c. prohibition from participating in payment transaction.
 - 2. The penalty on obligatory payment referred to in point 1.b is subject to the provisions below:
 - a. penalty on obligatory payment will be charged as soon as Bank Indonesia imposed penalty in the form of written reminder for at least twice.
 - b. penalty on obligatory payment is fixed 1% (one percent) of the transaction, with amount of obligatory payment of maximum Rp.1.000.000.000,00 (one billion Rupiah).
 - c. value of the transaction referred to in letter b is calculated from the total amount of transaction that violates the provision on obligatory use of Rupiah. Administrative penalty will be charged violating non-cash transaction made as of July 1, 2015.
 - d. If any business player that is charged penalty of obligatory payment continues committing violation to obligatory use of Rupiah, such business player is subject to obligatory payment without first given written reminder.

- e. Penalty on obligatory payment will be charged in Rupiah and calculated using the middle rate of Bank Indonesia prevailing in one (1) working day prior to the date of transaction.
- f. Penalty on obligatory payment will be charged by:
 - 1) debiting the account existing at Bank Indonesia, if the party that is subject to penalty possesses an account at Bank Indonesia; or
 - 2) payment to the account at Bank Indonesia as appointed, if the party that is subject to penalty has no account at Bank Indonesia.
- 3. Bank Indonesia may charge penalty in the form of prohibition to participate in payment transaction as referred to in point 1.c on the party committing violation to obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia.
- D. Violation to obligation for stating the price of goods and/or services in Rupiah and obligation to submit report, information, and/or data is subject to administrative penalty in the form of written reminder.
- E. The party that subject to penalty for violating the obligation to state the price of goods and/or services in Rupiah as referred to in letter D is obliged to take follow-up action in carrying out the obligation to state the price of goods and/or services in Rupiah.
- F. The party that is subject to penalty for violating the obligatory submission of report, information, and/or data as referred to in letter D survives to be obliged to submit report, information, and/or data as requested by Bank Indonesia.
- G. Other than imposing administrative penalty as referred to in letter C and letter D, Bank Indonesia may issue recommendation to the competent authority to take action, such as in the form of revocation of business license or termination of business activity.
- H. If business player submits application as referred to in Chapter III dan Chapter IV but such application obtains no approval from Bank Indonesia, then Bank Indonesia shall charge administrative penalty for

violation committed by the business player effective as of July 1, 2015.

- I. The administrative penalty on the business player referred to in letter H will be charged by referring to the provisions in letter C and/or letter D.

X. TRANSITIONAL PROVISION

For written agreement concerning payment or settlement of obligation in foreign exchange entered into before July 1, 2015 the provisions below apply:

1. Written agreement shall cover master agreement, derivative agreement or other agreements containing transaction to be made by the parties such as, purchase order and delivery order.
2. Written agreement constituting derivative or implementation of the master agreement entered into dated July 1 2015 and that constitutes as independant agreement is subject to the provision that governs obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia.

3. Extension of term and/or amendment to written agreement taking effect as of July 1, 2015 is subject to provision that governs obligatory use of Rupiah within the territory of the Unitary State of the Republic of Indonesia.

4. The amendment referred to in figure 3 among other things, amendment concerning the parties in the agreement, the price of goods and/or services, and/or object of agreement.

XI. CLOSING PROVISION

This Circular Letter of Bank Indonesia takes effect on June 1, 2015.

For public cognizance, this Circular Letter of Bank Indonesia shall be announced by placing it in the State Gazette of the Republic of Indonesia.

BANK INDONESIA,

sgd.

ENI V. PANGGABEAN

HEAD OF DEPARTMENT OF POLICY AND PAYMENT
SYSTEM SUPERVISION

(MA)

DETERMINATION OF RESIDENTIAL PLACE FOR PRIVATE PERSON AND DOMICILE OF ENTITY (Regulation of Director General of Taxes Number PER-12/PJ/2015, dated March 10, 2015)

WITH THE BLESSING OF THE ONE AND ONLY GOD

DIRECTOR GENERAL OF TAXES

Considering:

- a. That the provision on determination of residential place for private person and domicile of entity according to the actual condition as governed in Decision of the Director General of Taxes Number KEP-701/PJ/2001, concerning Determination of Residential Place for Private person and Domicile of Entity;
- b. That based on the result of evaluation and to provide legal certainty on the implementation of determination of residential place for private person and domicile for entity according to the actual condition as governed in Article 2 paragraph (6) of Law Number 7 Year 1983, concerning Income Tax as amended several times and lately amended by Law Number 36 Year 2008, it is necessary to re-govern the provision on determination of residential place for private person and domicile of entity;
- c. That based on the consideration referred to in letter a and letter b, it is necessary to stipulate Regulation of the Director General of Taxes on Determination of Residential Place and Domicile of Entity;

In view of:

1. Law Number 6 Year 1983, concerning General Provision and Procedure on Taxes (Statute Book of the Republic of Indonesia Year 1983 Number 49, Supplement to Statute Book of the Republic Indonesia Number 3262) as amended several times and lately amended by Law Number 16 Year 2009 (Statute Book of the Republic Indonesia Year 2009 Number 62, Supplement to Statute Book of the Republic of Indonesia Number 4999);
2. Law Number 7 Year 1983, concerning Income Tax (Statute Book of the Republic Indonesia Year 1983

Number 50, Supplement to Statute Book of the Republic Indonesia Number 3263) as amended several times and lately amended by Law Number 36 Year 2008 (Statute Book of the Republic of Indonesia Year 2008 Number 133, Supplement to Statute Book of the Republic Indonesia Number 4893);

DECIDED :

To stipulate:

REGULATION OF THE DIRECTOR GENERAL OF TAXES ON DETERMINATION OF PRIVATE PERSON AND DOMICILE OF ENTITY.

Article 1

The Director General of Taxes has authority to determine residential place for private person and domicile of entity according to the actual condition.

Article 2

- (1) Private person residential place according to the actual condition as referred to in Article 1 shall be:
 - a. residential house shall be place to live by private person and his families;
 - b. permanent residence of private person shall be private person's center of personal interest and economic activity, if the private person has permanent houses as referred to in letter a located in two (2) or more working places within the working place of the Office of Tax Service;
 - c. no determination may be made on residential place for private person staying longer, if the permanent house constituting the central for private interest and for economic activity as referred to in letter b;
 - d. the place determined by the Director General of Taxes if no decision may be taken based on condition referred to in letter c.
- (2) The place determined as referred to in paragraph 1 letter d shall be implemented by:
 - a. the Head of Regional Office of the Directorate General of Taxes on behalf of the Director General of Taxes if the residential place of private person is located in two (2) or more working areas of the Office

of Tax Service in one working area of the Regional Office of the Directorate General of Taxes.;

- b. The Director General of Taxes pertaining to residences of private person existing in two (2) or more working area of Regional Office of the Directorate General of Taxes.

Article 3

(1) Domicile of entity based on the actual condition as referred to in Article 1 shall be:

- a. office space of the management, administration and finance center, and place for running business activities as specified in Deed of Establishment or document of establishment and its amendments, or statement letter of appointment issued by the Head Office for Permanent Business Entity, or business license, or statement on the place of business activity, or joint operation agreement (joint operation);
- b. office space for management, if the office space of management is separated from the space of administration and finance center and space to run business activity;
- c. space for business operation of Obligatory Taxpayer entity operating in particular sector as determined by the Director General Taxes;
- d. space as determined by the Director General of Taxes in the event that:
 - 1) the space of management office, administration and finance center, and space for operating business activity which in reality is different from that specified in the Deed of Establishment and its amendments, or statement letter of appointment issued by the Head Office for Permanent Business Entity, or business license, or statement letter on the place of business activity, or joint operation agreement; or
 - 2) such conditions referred to in letter b and letter c exists in various places.

(2) The space referred to in paragraph 1 letter d shall be determined by:

- a. The Head of Regional Office of the Directorate General of Taxes on behalf of the Director General of Taxes, pertaining to domicile of entity existing in two (2) or more working areas of the Office of Tax Service in one (1) working area of Regional Office of the Directorate General of Taxes;

- b. The Director General of Taxes in in the case of domicile of entity existing in two (2) or more working areas of Regional Office of the Directorate General of Taxes.

Article 4

By the time this Regulation of the Director General of Taxes takes effect, Decision of the Director General of Taxes Number KEP-701/PJ/2001, concerning Determination of Residential Place for Private person and Domicile of Entity shall revoke and declared null and void.

Article 5

This Regulation of Director General of Taxes comes to force on the date it is stipulated.

Stipulated in Jakarta

Dated March 10, 2015

DIRECTOR GENERAL OF TAXES,

sgd.

SIGIT PRIADI PRAMUDITO

ID. No.195909171987091001

(MA)

INCOME TAX FACILITIES FOR CAPITAL INVESTMENT IN SPECIFIED BUSINESS LICENSES AND/OR CERTAIN REGIONS

(Government Regulation Number 18 Year 2015,
dated April 6, 2015)

[Continued from Business News No. 8763
page 37-48]

40.	Other fat and vegetable oil-based cooking industry	10490	- <i>Cocoa Butter Substitute/CBS, Cocoa Butter Replacer, Cocoa Butter equivalent, Butter Oil Substitute.</i>	Aceh, North Sumatra, West Sumatra, Riau, Kepulauan Riau, Jambi, South Sumatra, Bangka Belitung, Bengkulu, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Maluku, Maluku Utara, Papua, West Papua, North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo.	Industry integrated with CPO-based cooking oil industry (KBLI 10432) in a province, made of CPO, CPKO and/or other vegetable oil to become solid product.
			- <i>Hydrogenated fats, hydrogenated palm olein, hydrogenated palm stearin, hydrogenated palm oil, hydrogenated palm kernel olein, hydrogenated palm kernel stearine, hydrogenated palm kernel oil).</i>		

			- Special oil or fat (<i>shortening, vana-spati, vegetable ghee, food emulsi-fier, coating fats, hydrowaxy stea-rine, hydrowaxy olein, frying fats, ice cream fats</i>).		
41.	Fresh milk and cream processing industry	10510	Fresh liquid milk, pasteurization, sterilization, and/or homogenization with the production ≥ 50 (fifty) tons per year .	West Sumatra, Bengkulu, West Java, Central Java, Daerah Istimewa Yogyakarta, East Java, Bali, West Nusa Tenggara, South Sulawesi.	
42.	Powder milk and blended milk processing industry	10520	Powder milk, blended milk with the production ≥ 50 (fifty) tons per year .	West Sumatra, Bengkulu, West Java, Central Java, Daerah Istimewa Yogyakarta, East Java, Bali, West Nusa Tenggara, South Sulawesi	
43.	Industry of various flour and kernels, seeds, legumes tubers and the like	10618	Cassava, soybean and wheat flour	Lampung, Jawa, West Nusa Tenggara, East Nusa Tenggara, North Sulawesi, South Sulawesi, Sulawesi Tengah, Southeast Sulawesi, West Sulawesi, Gorontalo, Maluku, Maluku Utara, Papua, West Papua.	Integrated with cultivation business 01135, 01113, 01112.
44.	Palm starch industry	10622	Natural sago flour.	Maluku, Papua and West Papua.	Industry integrated with the management of non-timber forest product in the form of natural sago stalk 01239.

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45.	Glucosa and similar industry	10623	Cassava-based sugar	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	Integrated with cultivation business KBLI 01135.
46.	Rice and corn flour industry	10633	Rice and maize flour	North Sulawesi, South Sulawesi, Sulawesi Tengah, Southeast Sulawesi, West Sulawesi, Gorontalo, East Nusa Tenggara, West Nusa Tenggara.	Integrated/partnership with cultivation business KBL 01111, 01120.
47.	Granuled sugar industry	10721	Cane-base granuled sugar	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	Integrated with cultivation business KBLI 01140.
48.	Cacao industry	10731	Cacao powder, cacao butter, cacao fat and/or cacao oil.	North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo.	
49.	Coffee and tea processing industry	10761	Powder coffee, extract coffee and/or coffee starch	Aceh, North Sulawesi, Bengkulu, South Sumatra, Lampung, Bali, South Sulawesi, East Nusa Tenggara, Papua and West Papua, West Sulawesi.	
50.	Other cooking product industry	10779	Seaweed processing: seaweed powder, <i>jelly</i> , <i>alginat</i> , <i>alkali treated cottonii/alkali treated cottonii chips</i> , <i>semi refined carrageenan</i> , <i>refined carrageenan</i>), and/or <i>chip</i> .	The whole provinces in Indonesia, excluding DKI Jakarta.	

51.	TEXTILE INDUSTRY Textile fiber preparation industry I	13111	Cotton fiber	North Sulawesi, South Sulawesi, Sulawesi Tengah, Southeast Sulawesi, West Sulawesi, Gorontalo, West Nusa Tenggara, East Nusa Tenggara.	Integrated with cultivation business 01160.
52.	Carpet and rug industry	13930	The group covers the production of carpet and rug and the like, worked by <i>woven, tufting, braiding, flocking and needle punching</i> . Including floor covering industry and tufted fur made by weaning needle.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Pulau Madura).	Executing the transfer of technology
53.	<i>Non Woven industry</i>	13993	Covering tufted fabric <i>felted fabric and laken fabric</i>	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (tidak termasuk Kabupaten di Pulau Madura).	Executing the transfer of technology
54.	LEATHER AND ARTICLES OF LEATHER AND FOOTWEAR Industri Leather tanning	15112	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura), Bali.	Especially for reptile skin from Indonesia and breeding.
55.	Footwear for daily need	15201	The whole scope of products coming into this KBLI	The whole provinces in Indonesia excluding DKI Jakarta, West Java, and Banten.	
56.	Sports shoe industry	15202	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, and Banten.	

GOVERNMENT REGULATIONS

57.	Site technical/industrial shoe industry	15203	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia excluding DKI Jakarta, West Java, dan Banten.	
58.	PAPER AND ARTICLES OF PAPER Pulp industry	17011	The whole scope of products coming into this KBLI	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	Integrated with HTI.
59.	Cultural paper industry	17012	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	<ul style="list-style-type: none"> - Integrated with virgin pulp industry KBLI 17011; dan - The same location as the location of pulp industry.
60.	Commercial paper industry	17013	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	<ul style="list-style-type: none"> - Integrated with <i>Virgin Pulp industry</i> KBLI 17011; and - The same location as the location of pulp industry.
61.	Special paper industry	17014	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	<ul style="list-style-type: none"> - Integrated with <i>Virgin Pulp industry</i> KBLI 17011; and - The same location as the location of pulp industry

GOVERNMENT REGULATIONS

62.	Glazed paper and paper-board industry	17021	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	- Integrated with <i>Virgin Pulp industry</i> KBLI 17011; and - The same location as the location of pulp industry
63.	Paper and carton package and box industry	17022	The whole scope of products coming into this KBLI.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).I	
64.	<i>Tissue paper industry</i>	17091	The whole scope of products coming into this KBLI	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura).	-- Integrated with <i>Virgin Pulp industry</i> KBLI 17011; and - The same location as the location of pulp industry
65.	CHEMICAL SUBSTANCES AND CHEMICAL SUBSTANCE-BASED PRODUCTS Chlor and alkali inorganic base industry <i>i</i>	20111	Industrial salt.	East Nusa Tenggara	
66.	Organic base chemical resulting from agricultural products	20115	- <i>Oleochemicals (fatty acids, fatty esters, fatty alcohol, fatty nitrogen compound, glycerine, and/or methyl ester).</i> - <i>Bioenergy (Biodiesel, Biooil, Bioetanol Anhidrat, and/or Bioavtur).</i> - <i>Biolube, Bioplastic, and/or Biosurfactant.</i>	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (tidak termasuk Kabupaten di Pulau Madura); North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo, Bali, West Nusa Tenggara, dan East Nusa Tenggara.	Industry integrated with CPO, CPKO, and/or other vegetable oil-based product industry in one province

GOVERNMENT REGULATIONS

67.	Explosive material industry	20292	Rocket boosting substance (<i>propellant</i>), <i>nitrogliserin/NG</i> , <i>nitroselulosa/NC</i> , <i>trinitrotoluen/TNT</i> , <i>pentanitritol tetranitrat/PETN</i> .	West Java, East Kalimantan, North Kalimantan.	
68.	RUBBER, RUBBER AND PLASTIC PRODUCT INDUSTRY Rubber glove industry	22199	Synthetic rubber and/or natural rubber glove	Aceh, North Sumatra, West Sumatra, Riau, Kepulauan Riau, Jambi, South Sumatra, Bangka Belitung, Bengkulu, Lampung, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Papua, West Papua.	
69.	NON-METAL MINERAL INDUSTRY Cement industry	23941	Cement (hydraulic cement or iron charcoal), such as <i>portland</i> , <i>natural</i> , cement containing aluminium, cement slag and super phosphate cement and other kinds of cement	Seluruh Provinsi di Indonesia kecuali Provinsi DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding regencies in Madura), and South Sulawesi.	Using environmentally friendly technology
70.	BASE METAL INDUSTRY <i>Iron and Steel Making industry</i>	24101	Pig iron and rough steel (<i>ingot</i> , <i>billet</i> , <i>round billet</i> , <i>bloom</i> , and/or <i>slab</i>)	West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, dan Banten.	

71.	Steel Rolling	24102	Steel integrated to continuous process : 1. <i>Steel making up to plate/sheet.</i> 2. <i>Steel making up to steel bar/wirerod/green pipe</i> 3. <i>Hot Rolled Coil/Sheet Steel made of slab, and/or</i> 4. <i>Cold Roled Coil/Sheet steel laminated or not by metal or non metal made of Hot Rolled Coil Steel or slab</i>	West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Banten, West Java dan East Java.	
72.	Precious base metal making industry	24201	Gold and/or silver (precious metalin base form - <i>ingot, billet, slab,bar, pellet block, sheet, pig, alloy and/or powder</i>	West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo, Maluku, Maluku Utara, Papua, West Papua.	
73.	Non-ferrous base metal making industry I	24202	Aluminium ingot, copper ingot, tin ingot, aluminium billet, aluminium slab, aluminium rod, aluminium <i>pellet, bronze alloy, hydroxyl nickel carbonat-HNC), cobalt sulfida, copper cathoda, nickel matte (nickel sulfida), chemical grade alumina (CGA), smalter grade alumina (SGA).</i>	North Sumatra, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Papua, West Papua, North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo, Maluku, Maluku Utara.	

GOVERNMENT REGULATIONS

74.	Non-ferrous metal milling industry	24203	Copper plate, aluminium plate, copper sheet, aluminium sheet, silver strip, zinc strip, aluminium strip, copper sheet, magnesium <i>sheet, tin foil</i> , and/or platinum strip, including the production of metal wire.	West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, Papua, West Papua, North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo, Maluku, Maluku Utara, Papua, West Papua.	
75.	FURNITURE INDUSTRY Rattan and/or bambo-based Furniture industry	31002	Furnitur with the main raw material rattan and/or bamboo	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (excluding REGENCIES IN MADURA) and Bali.	
76.	MACHINE AND EQUIPMENT REPAIRING AND INSTALLING INDUSTRY Ship, boat and floating structure repairing industry	33151	The group covers repairing and maintenance service for transport in category 301, such as repairing and maintenance service for ship, boat, cruise, ship or boat for recreational purpose and sports and the like, including floating-structure repairing, maintenance and modification	West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan, North Sulawesi, West Sulawesi, Sulawesi Tengah, Southeast Sulawesi, South Sulawesi, Gorontalo, Maluku, Papua, West Papua, West Nusa Tenggara dan East Nusa Tenggara.	

GOVERNMENT REGULATIONS

77.	WASTE TREATMENT Non-hazarduous waste treatment and disposal	38211	Electricity, steam, substitute fuel and/or biogas, resulting from the processing of organic waste (<i>Sludge dan POME (Palm Oil Mill Effluent)</i>) of palm oil factory.	The whole provinces in Indonesia, excluding DKI Jakarta, West Java, Banten, Central Java, DI Yogyakarta, East Java (tidak termasuk Kabupaten di Pulau Madura), North Sulawesi, West Sulawesi, Southeast Sulawesi, Sulawesi Tengah, South Sulawesi, Gorontalo, Bali, West Nusa Tenggara, East Nusa Tenggara.
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THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

sgd.

JOKO WIDODO

(R)

PROCEDURE OF SCRAPPING STATE-OWNED GOODS

(Regulation of the Finance Minister No. 50/PMK.06/2014 dated March 14, 2014)

BY THE GRACE OF GOD ALMIGHTY

THE FINANCE MINISTER OF THE REPUBLIC OF INDONESIA,

Considering :

- a. that to create accountable management of state-owned goods, the scrapping of state-owned goods needs to be done in an efficient, effective and accountable way;
- b. that in connection with letter a to respond to developments in the condition and practice of good governance, a special regulation on the scrapping of state-owned goods which was previously stipulated in Regulation of the Finance Minister No. 96/PMK.06/2007 on the Procedures of Using, Utilizing, Scrapping and Transferring State-Owned Goods is needed;
- c. that based on the considerations as referred to in letters a and b, it is necessary to stipulate Regulation of the Finance Minister on the Procedure of Scrapping State-Owned Goods;

In view of :

1. Law No. 1/2004 on State Treasury (Statute Book of 2004 No. 5, Supplement to Statute Book No. 4355);
2. Government Regulation No. 6/2006 on the Management of State-/Regional Government-Owned Goods (Statute Book of 2006 No 20, Supplement to Statute Book No. 4609) as already amended by Government Regulation No. 38/2008 (Statute Book of 2008 No. 78, Supplement to Statute Book No. 4855);
3. Presidential Regulation No. 24/2010 on the Position, Task and Function of State Ministry and the Organizational Structure, Task and Function of Echelon I Officials of State Ministry as already several times amended the latest by Presidential Regulation No. 56/2013 (Statute Book of 2013 No. 126);

DECIDES :

To stipulate :

REGULATION OF THE FINANCE MINISTER ON THE PROCEDURE OF SCRAPPING STATE-OWNED GOODS.

CHAPTER I
GENERAL PROVISIONS

Part One

Definition

Article 1

Hereinafter referred to as :

1. State-owned goods, hereinafter abbreviated into BMN, are all goods bought or acquired at the burden of the State Budget or originating from other legal acquisition.
2. Goods manager is an official who has the authority and responsibility to set policies and guides and to manage BMN .
3. Goods user is an official who has the authority to use BMN.
4. Proxy of goods user is a head of working unit or official appointed by goods user to use goods under his/her control as good as possible.
5. State Ministry, hereinafter called Ministry, is a government apparatus overseeing certain affairs in the government.
6. Institution is a non-state ministry organization and other agency acting as goods user set up to carry out certain duties based on the 1945 Constitution of the Republic of Indonesia or other law and regulation.
7. Use is an activity carried out by goods user to manage and administer BMN according to the task and function of the relevant agency.
8. Transfer is the act of transferring the ownership of BMN.
9. Scrapping is the act of scrapping BMN from the list of goods by issuing a decision of the authorized official to exempt goods user and/or proxy of goods user and/or goods manager from administrative responsibility and physical condition of goods under his/her control.
10. Destruction is the act of destroying the physical condition and/or use of BMN.
11. List of goods is a list carrying data of BMN.
12. List of Users' Goods, hereinafter abbreviated into DBP, is a list containing data of goods used by each goods user.
13. List of Goods of Proxies of Users, hereinafter abbreviated into DBKP, is a list containing data of goods owned by each proxy of goods user.
14. Director General is the Director General at the Finance Ministry whose tasks and responsibilities cover the management of BMN.

Part Two

Scope

Article 2

This Ministerial Regulation covers the procedure of scrapping BMN at :

- a. goods managers;**
- b. goods users/proxies of goods users.**

Part Three

Scrapping

Article 3

(1) The scrapping of BMN consists of :

- a. Goods manager, for BMN in the form of :**
 - 1. land and/or building handed over by goods user to goods manager;**
 - 2. land and/or building and land and/or building other than those originating from other legal acquisition under the control of goods manager.**
- b. Goods user/proxy of goods user, for BMN whose use status is user the goods user/proxy of goods user in the form of :**
 - 1. land and/or building;**
 - 2. part of land;**
 - 3. other than land and/or building.**

(2) BMN other than land and/or building as referred to in paragraph (1) includes but is not limited to BMN in the form of computer software, license, franchise, patent, copyright, and the result of a study/development that gives a long-term benefit.

Part Four

Authority and Responsibility

Paragraph 1

Goods Manager

Article 4

(1) The Finance Minister in the capacity as goods manager has the authority and responsibility to :

- a. approve/reject any request for the scrapping of BMN;
 - b. decide the scrapping of BMN at goods manager;
 - c. destroy BMN at goods manager; and
 - d. scrap BMN at goods manager from the List of Manager's Goods (DBPL).
- (2) The authority and responsibility of the Finance Minister in the capacity as goods manager as referred to in paragraph (1) are functionally realized by the Director General.
- (3) The Director General on behalf of the Finance Minister can appoint a structural official at the Directorate General of State Wealth to realize the authority and responsibility as referred to in paragraph (2)

Paragraph 2

Goods User

Article 5

- (1) The Minister/Head of Institution in the capacity as goods user has the authority and responsibility to:
- a. propose the scrapping of BMN to goods ,manager;
 - b. decide the scrapping of BMN whose use status is under goods user after securing approval from goods manager;
 - c. destroy BMN whose use status is under goods user after securing approval from goods manager; and
 - d. scrap BMN whose use status is under goods user from DBP/DBKP after securing approval from goods manager;
- (2) The authority and responsibility as referred to in paragraph (1) are functionally realized by structural official at the echelon I organizational unit overseeing the management of BMN.
- (3) The Minister/Head of Institution in the capacity as goods user can appoint an official of vertical agency to realize the authority and responsibility of goods user as referred to in paragraph (1).
- (4) Provisions on the authority and responsibility of goods user as referred to in paragraphs (2) and (3) are set by the Minister/Head of Institution according to their respective authority and responsibility.

CHAPTER II

THE SCRAPPING OF BMN

AT GOODS MANAGER

Part One

General Principles

Article 6

- (1) Goods manager scraps BMN by scrapping BMN from DBPL.
- (2) The scrapping of BMN from DBPL as referred to in paragraph (1) will be done if BMN is no longer under the control of goods manager because :
 - a. a change in ownership as a result of :
 1. transfer;
 2. court verdict with fixed legal force and no other legal effort;
 - b. destruction;
 - c. other causes.
- (3) Besides the reasons as referred to in paragraph (2), the scrapping of BMN from DBPL can also be done due to handover to goods user or law and regulation.
- (4) Other causes as referred to in paragraph (2) letter c are causes that can normally be predicted to be a reasonable cause of scrap, such as heavy damage, disappearance, depreciation, evaporation, melting, expiry, death/heavily handicapped/unproductive for plants/animals and as a result of force majeure.
- (5) The scrapping of BMN from DBPL is done by issuing a decision on scrapping.

Part two

Scrapping due to Transfer

Article 7

- (1) If BMN at goods manager is transferred to other party, goods manager shall scrap BMN from DBPL based on an official report of handover between the goods manager and other party.
- (2) The scrapping of BMN from DBPL as referred to in paragraph (1) is done by issuing a decision on scrapping.

Part Three

to be continued

(S)