



# THE IMPLEMENTATION OF BEST PRACTICES OF CROSS BORDER E-COMMERCE IN INDONESIA: EVALUATION OF THE IMPACT OF COVID-19

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# OUTLINE

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1. Digital Goods Cross Border E-Commerce
2. Consignment goods Cross Border E-Commerce
3. The Difference of Business Process Cross Border E-Commerce Clearance Between Conventional and Latest Development
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## C. Monitoring Tools of E-commerce

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2. Data Analysis
3. Profiling Of Courier Service Company
4. Application System of Cross Border E-commerce

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## A. Background

- ❖ Tsunami of cross border e-commerce (hereinafter abbreviated as CBE) in which almost 84% (more than 2 kgs and the price was less than US\$ 100). (WCO 2015)
- ❖ It has caused at least five important issues: misdeclaration, revenue, facilitation, safety and security.
- ❖ WCO issued several guidelines
  - 1). WCO Cross Border Framework of Standards on CBE (2018)
  - 2). WCO-Universal Postal Union (UPU) Best Practices, Postal Customs Guide (2018)
- ❖ UNCTAD research in 2021, CBE in ASEAN member states has grown significantly especially in 6 member states namely Indonesia, Malaysia, The Philippines, Singapore, Malaysia, and Thailand. **Indonesia** has become **the largest** country whose digital consumer CBE growth in 2020 amount to USD 44 billion, and in the year 2025 it is estimated that the growth will be amount to USD 124 billion.

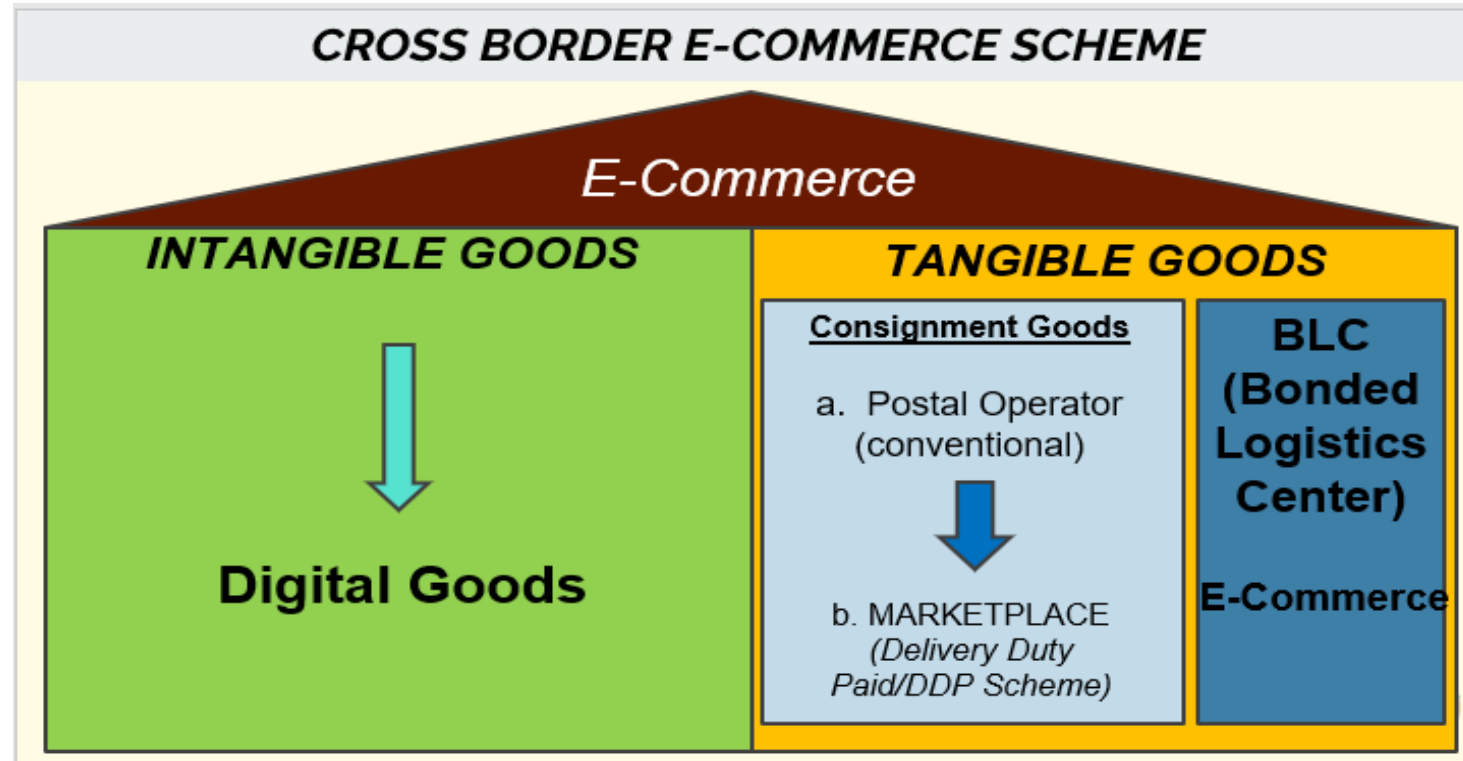
## **B. Business Process of import Cross Border E-Commerce after Covid-19 Pandemic**

Directorate General of Customs and Excise (DGCE) DGCE has implemented several best practices customs process FOR CBE

1. Digital Goods CBE
2. Consignment goods CBE
3. The E-Commerce Bonded Logistics Center (BLC)
4. DGCE has tools for monitoring of Cross Border E-Commerce (CBE)

## B. Business Process of import Cross Border E-Commerce after Covid-19 Pandemic

### Cross Border E-Commerce Scheme



# 1. Digital Goods CBE

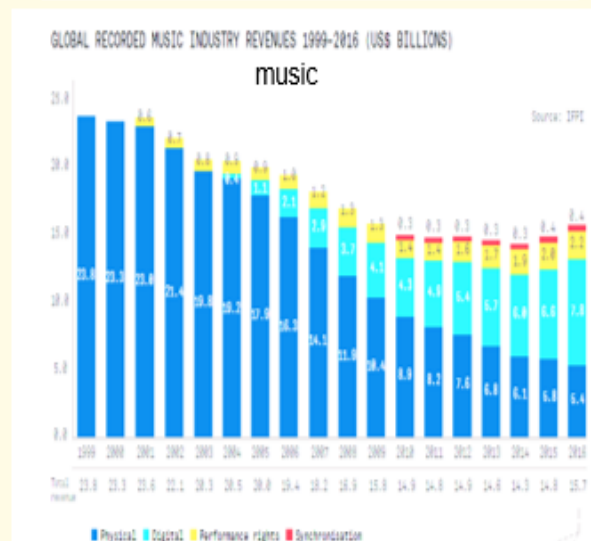
The Shifting  
Paradigm From  
Physical Goods  
to Digital Goods



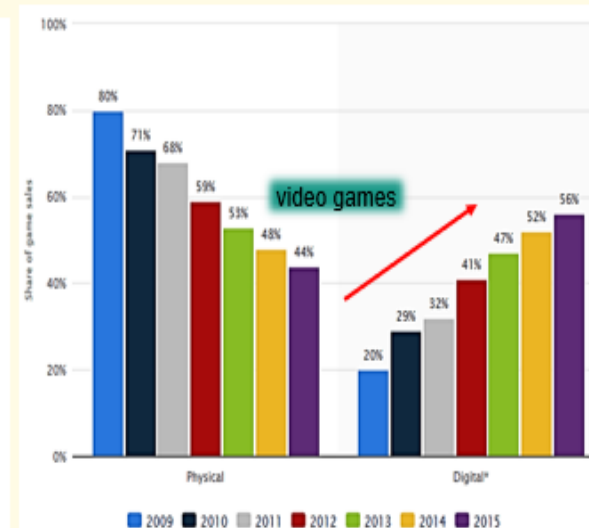
## The Shifting Paradigm From Physical Goods to Digital Goods

Books, movies, and software, which were previously traded in physical form, are now more frequently distributed in digital form via electronic transmission since it is faster and less expensive..

Global Recorded Music Industry Revenues 1999-2016 (US\$ BILLIONS)



Sales of Computer and Video Games in US 2009 – 2015



| Pos Tarif  | Description of Good  | Import Duty* |
|------------|--|--------------|
| 99.01      | Software and other digital product transmitted electronically      |              |
| 9901.10.00 | - Operating system software  | 0%           |
| 9901.20.00 | - Application software   | 0%           |
| 9901.30.00 | - Multimedia (audio, video or audio visual)                        | 0%           |
| 9901.40.00 | - Supporting or driver data, including design for machinery system | 0%           |
| 9901.90.00 | - Other software and digital product                               | 0%           |

#### Chapter 99

#### Software and Other Digital Goods

##### Notes.

Software and other digital goods transmitted electronically referred to in heading 99.01 are those that are not related to machines or devices that have been or will be imported.

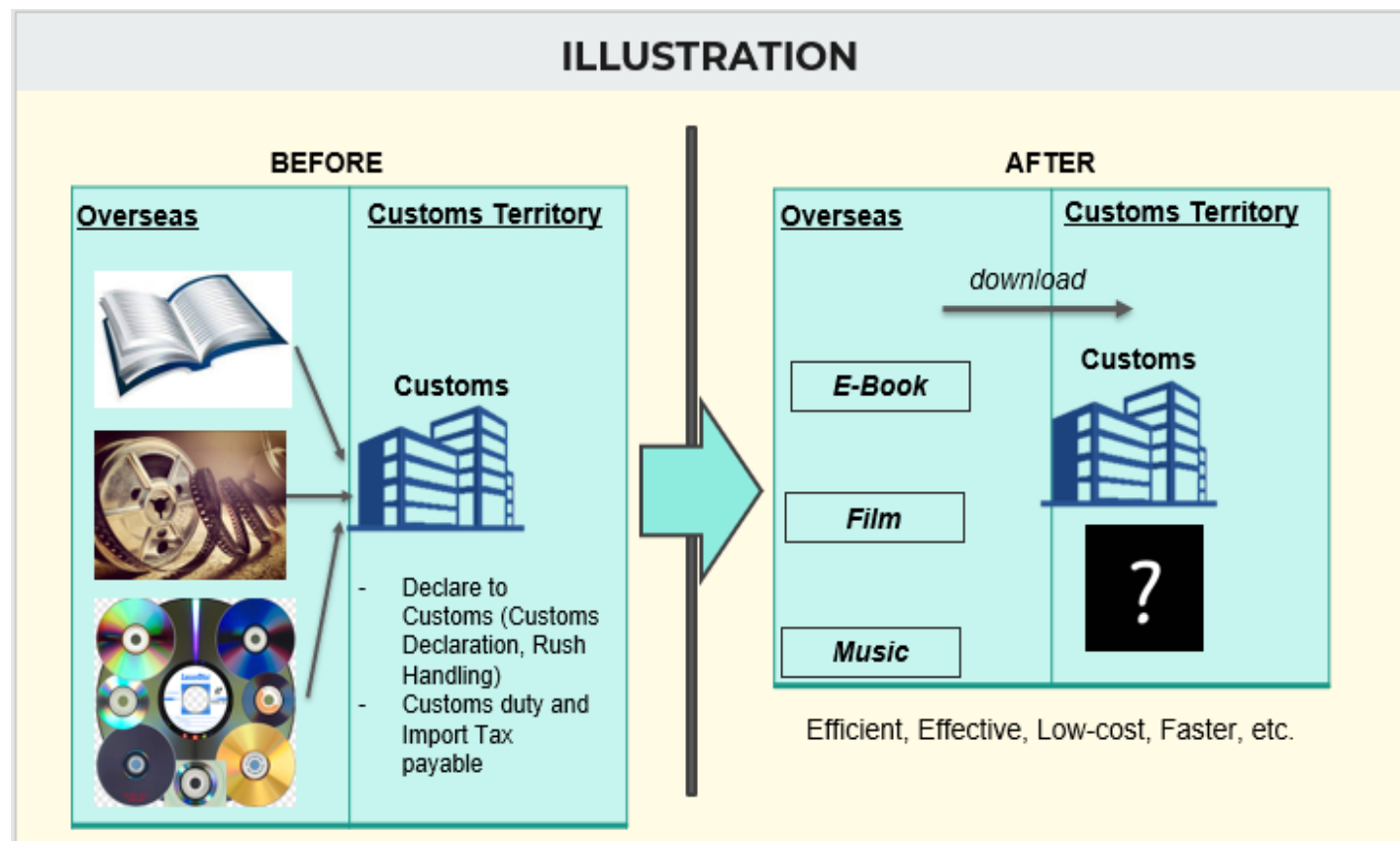
Software and other digital goods transmitted electronically related to machines or devices that have been or will be imported are classified with such machines or devices.

##### Subheading Notes.

Tariff Line 9901.40.00 covers only software that is a renewal or update of said software for machines or devices that have already been imported.

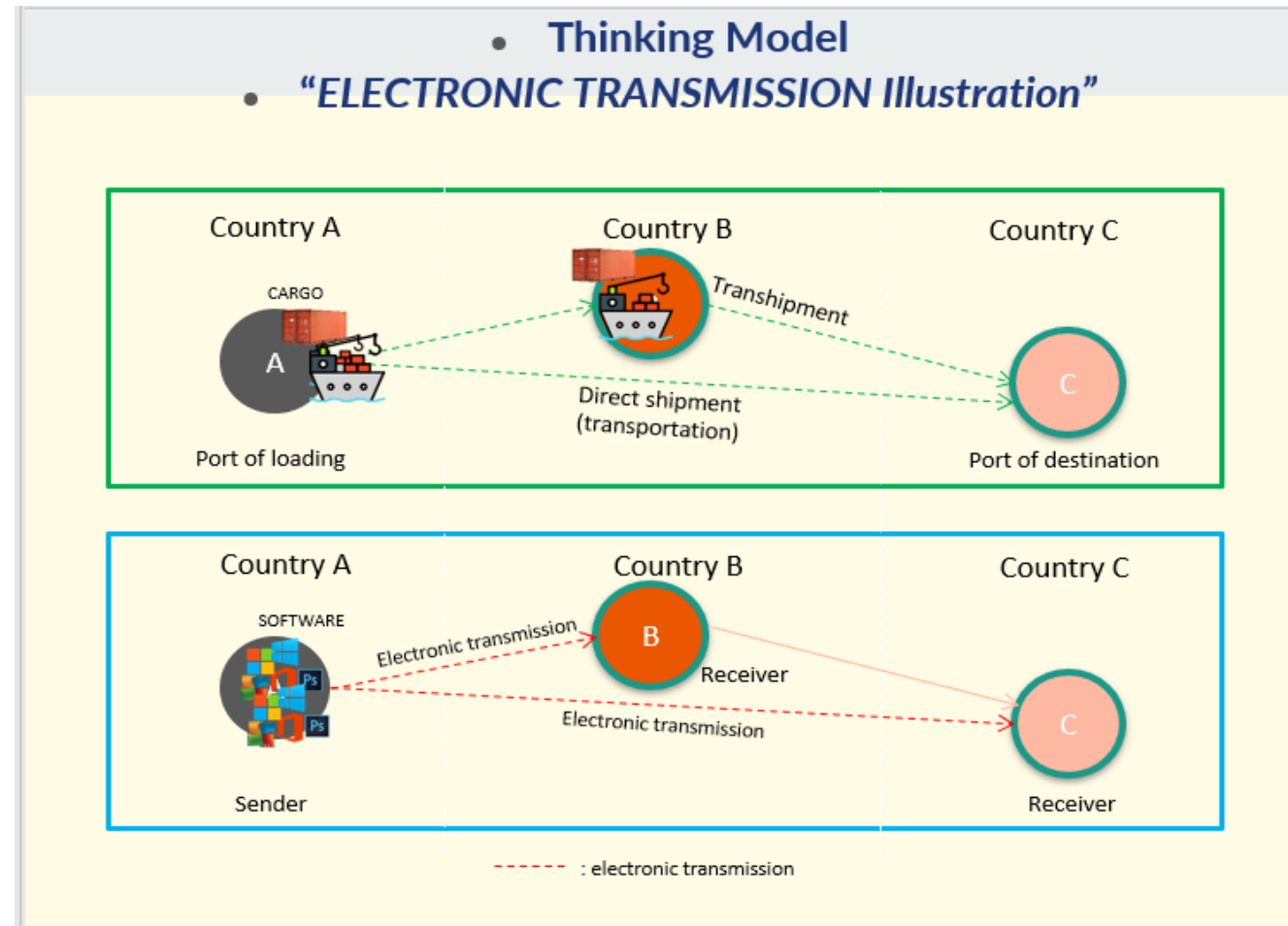
According to Minister of Law regulation number 26 Year 2022, the classification of digital products is divided into 5 (five) subheadings, namely: operating system software, application software, multimedia, supporting or driver data, and other software and digital product. The current tariff for all of those HS codes are 0%.

## ❖ Illustration of Changes In The Import Process of Tangible Goods to Digital Goods





## ❖ Thinking Model Electronic Transmission Illustration



## There are several rationales regarding the importance of administering digital goods importation, which can be explained as follows:

1. To record trade statistics, by applying further arrangement or regulation on digital goods importation will provide us with statistics data in order to record trade balance on digital goods, the importer and exporter of digital goods, and the types of digital goods in example Operating System, Application Software, Multimedia and so on.
2. To create a level playing field by providing equal treatment for all businesses such as Conventional and online traders; domestic and foreign companies; small and big companies; fair trade between developed and developing or less developing country; and also, IT-established and non-IT established country.
3. To encourage small medium enterprises and to increase the competitiveness of local Small Medium Enterprises (SMEs) by supporting domestic creative industry e.g. software industry (software developer); video game industry etc.
4. To provide certainty in customs procedures not only for government agencies but also for businesses in terms of customs duty and import tax collection, digital goods classification, as well as the import declaration procedure.
5. To assess digital goods risks in the form of the possibility of Tax Avoidance, Intellectual Property Rights Infringement, and Trans National Organized Crime such as Weapon creation by using 3D printer, illegal material smuggling, and Money Laundering

# The Legal Basis of Digital Goods

1. Customs Law Number 17 Year 2006 regarding the Amendment of Customs Law Number 10 Year 1995, article 8b paragraph 2 *Law and its shipment can be conducted through electronic transmission.*
2. Trade Law Number 7 Year 2014 article 1 paragraph 5.
3. Government Regulation Number 80 Year 2019 article 1 paragraph 19.
4. Minister of Finance Regulation Number 26 Year 2022 regarding Imposition of Goods Classification System and Import Duty, in chapter 99 governs the HS Code for the software and other digital products transmitted electronically.

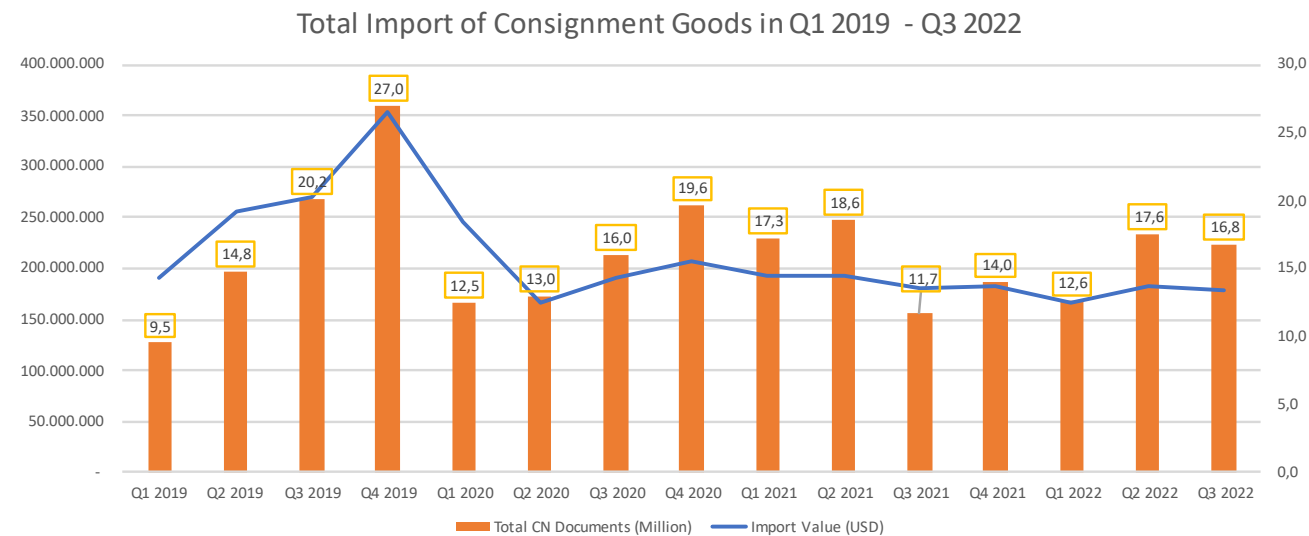
- Although Indonesia has not implemented the specific import procedures for digital products, but Indonesia has several aforementioned regulations as legal basis. In addition, the several steps are now being prepared by the related directorate in order to implement the import procedure for digital products, namely:

- ❖ Phase I: Self-assessment, implemented to companies or legal firm; simplified document and as subject to audit.
- ❖ Phase II: Partnership, with cellular provider (direct carrier billing), payment consolidator (bank & credit card provider), or overseas platform.
- ❖ Phase III: Payment Gateway & Redirect Method: by utilizing payment gateway and SSL descriptor to follow the money, follow the data and follow the address.

- At the initial stage, the importation of digital goods is declared voluntarily to Customs using self-assessment by companies or legal entities. The companies submit the importation of digital products by using simplified document with lesser data to fulfill compared with general import, for instance without fulfilling the data of shipper and manifest, unloading, storing and clearance from warehouse.

## ❖ Cross Border E-Commerce of Consignment Good

### Total Import of Consignment Goods



| Period  | Import Value (USD) | Total CN Documents (Million) |
|---------|--------------------|------------------------------|
| Q1 2019 | 190.499.868        | 9,5                          |
| Q2 2019 | 255.893.614        | 14,8                         |
| Q3 2019 | 269.543.588        | 20,2                         |
| Q4 2019 | 353.236.328        | 27,0                         |
| Q1 2020 | 246.690.872        | 12,5                         |
| Q2 2020 | 165.506.137        | 13,0                         |
| Q3 2020 | 191.754.289        | 16,0                         |
| Q4 2020 | 207.095.201        | 19,6                         |

| Period  | Import Value (USD) | Total CN Documents (Million) |
|---------|--------------------|------------------------------|
| Q1 2021 | 192.962.855        | 17,3                         |
| Q2 2021 | 193.050.841        | 18,6                         |
| Q3 2021 | 180.514.454        | 11,7                         |
| Q4 2021 | 182.689.682        | 14,0                         |
| Q1 2022 | 166.733.148        | 12,6                         |
| Q2 2022 | 183.356.415        | 17,6                         |
| Q3 2022 | 179.459.732        | 16,8                         |

**Table 1**

**Number of Import Foreign Exchange and Number of Consignment Note (CN)  
2019 – 2022**

| <b>No.</b> | <b>YEAR</b> | <b>IMPORT FOREIGN EXCHANGE<br/>/YEAR (USD)</b> | <b>NUMBER OF CN<br/>/YEAR<br/>(Million/Year)</b> |
|------------|-------------|--|--|
| 1          | 2019        | 1.069.173.398                                  | 71,7   |
| 2          | 2020        | 811.046.499                                    | 61,1   |
| 3          | 2021        | 749.217.832                                    | 61,6   |
| 4          | 2022 (Q3)   | 529.549.295                                    | 47   |

Source: Customs CEISA

## ❖ Legal Basis of Cross Border E-Commerce of Consignment Good in Indonesia

- There are several regulations as the legal basis of the CBE in Indonesia, namely:

1. Customs Law Number 17 Year 2006 regarding the Amendment of Customs Law Number 10 Year 1995, article 10B paragraph 4 and 5
2. Minister of Finance Regulation number 199 Year 2019 regarding the Import Provisions for Consignment Good



## ❖ Customs Clearance Process for CBE Import through Courier Service Company

- The flow of customs clearance process for CBE Import through Courier Service Company can be briefly explained as follows:
  - a. Shipper submits manifest to Customs
  - b. Domestic Courier service company inputs the manifest and submits consignment note (CN) to Customs CEISA system;
  - c. Customs clearance process, Courier service abroad sends details of data CN/HAWB to domestic courier service;
  - d. Shipper/airline submits information of detailed manifest to domestic courier service;
  - e. Completion of restriction requirements (if any) and payment of customs duty and tax;
  - f. Goods received by consignee



As mentioned above, principally the consignment goods in Indonesia consists of:

- a. Consignment goods imported by Postal company and courier service company
- b. Consignment goods from E-Commerce Bonded Logistic Center (BLC)

## ❖ The categorization of consignment goods in Indonesia is divided as follows:

1. For consignment good with value maximum is USD3, the document used for customs clearance is Consignment Note (CN)/House Air way Bill (HAWB), no customs duty, no official assessment applied;
2. For consignment goods which value between USD 3 to USD 1,500 imported by business entity on non-business entity, document used is CN/HAWB, with flat tariff 7,5% with official assessment;
3. For consignment good between USD3 to USD 1,500 imported by non-business entity (i.e. passenger goods, personal effect) or good with exemption with consignee is non-business entity such as embassy, international agency, foundation, and other non-business entity, the document used is specific import declaration (PIBK) with MFN tariff and self-assessment applied;
4. For consignment good above USD 1,500 imported by non-business entity (i.e. passenger goods, personal effect) or or good with exemption with consignee is non-business entity such as embassy, international agency, foundation, and other non-business entity, the document used is specific import declaration (PIBK) with MFN tariff and self-assessment applied
5. For consignment note with value is more than USD 1,500 imported by business entity, the document used is import declaration (PIB) with MFN tariff and self-assessment applied.


## ❖ The Changing of De Minimus Value

In 2010, de minimus value of consignment good in Indonesia is USD 50 and applied as discounted factor. It means that every consignment good would be deducted USD 50 from the value declared to Customs. Then in 2016, the de minimus value was increasing to USD 100 but it was not as discount factor. In 2018, the de minimus value lowered to USD 75, and now since 2019, the de minimus value is stated USD 3.

## ❖ The Customs Duty and Taxes Imposition

The customs duty and taxes imposition can be divided as follows:

1. Consignment good with de minimus USD 3, the document used is CN/House Air Way Bill (HAWB), not imposed on customs duty but subject to VAT 10%;
2. Consignment goods with value between FOB USD 3 to USD 1,500, the document used is CN/HAWB with flat tariff 7,5% and VAT 10% with official assessment by Customs;
3. Consignment goods with value more than FOB USD1,500, the document used is general import declaration (PIB) or specific import declaration (PIBK) with MFN tariff and subject to VAT and income tax.



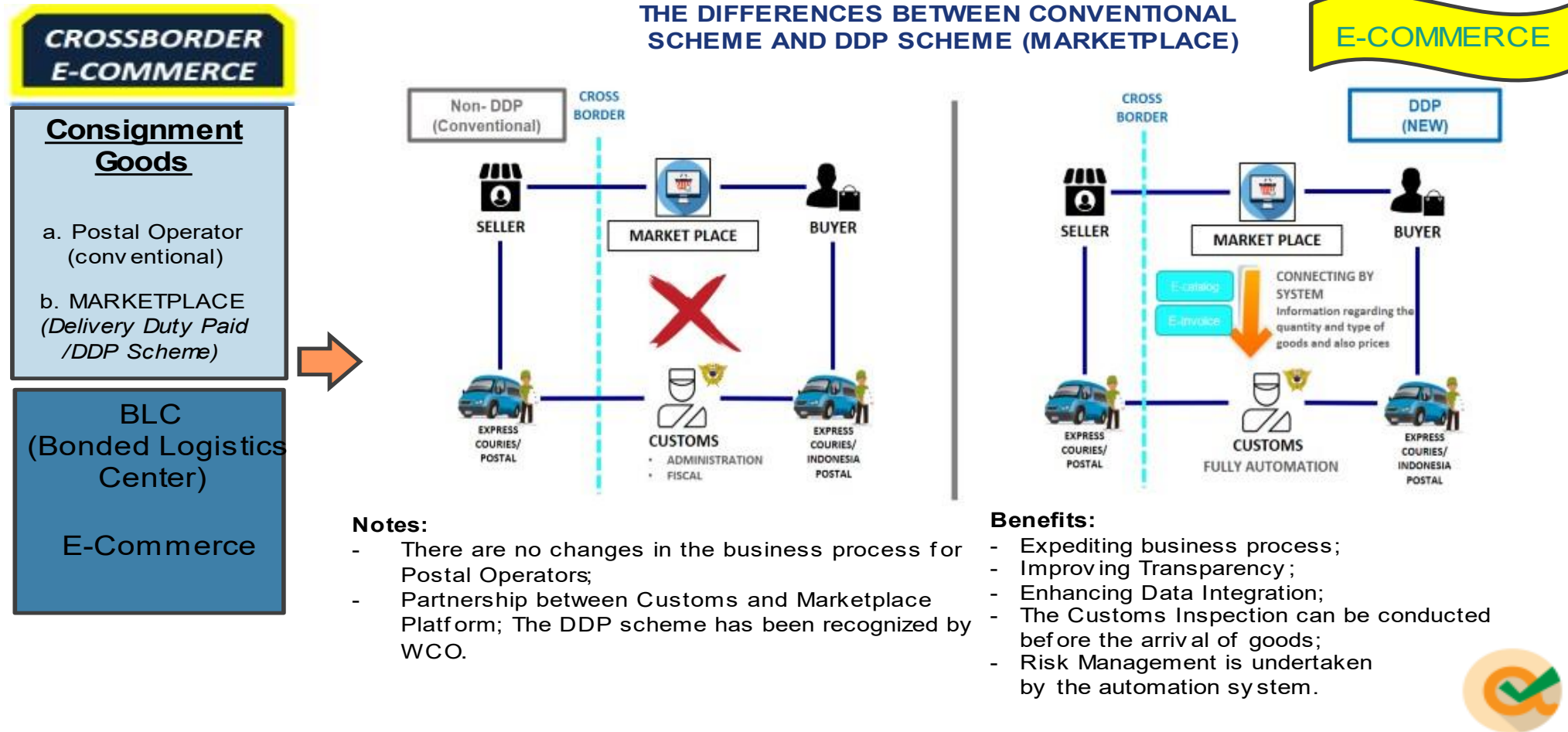
Although there is a flat tariff rate 7,5% of consignment good between FOB USD 3 to USD 1,500, but the flat tariff rate does not apply to the certain products namely bag or handbag, shoes and other footwear, and textile products. Those items have the MFN tariff although imported under consignment good scheme. In addition, another special tariff is applied for knowledge books imported under consignment good scheme which apply tariff of customs duty 0%, VAT 0% and income tax 0%.

## ❖ Top 10 commodity of Consignment Good

| No | 2019               | 2020               | 2021               |
|----|--------------------|--------------------|--------------------|
| 1  | Leather Goods      | Leather Goods      | Machinery Parts    |
| 2  | Shoes and Footwear | Printed materials  | Plastic products   |
| 3  | Paper              | Plastic product    | Rubber product     |
| 4  | Watch              | Machinery Parts    | Food product       |
| 5  | Plastic product    | Telephone          | Machinery          |
| 6  | Machinery parts    | Cosmetics          | Hand tools         |
| 7  | Man apparel        | Rubber product     | Telephone          |
| 8  | Cosmetics          | Domestic household | Iron Steel         |
| 9  | Domestic household | Shoes and Footwear | Domestic household |
| 10 | Machinery          | Machinery          | Cosmetics          |

Source: Customs CEISA

## ❖ The Difference of Business Process Cross Border E-Commerce Clearance Between Conventional and Latest Development





**Tabel 3**  
**The difference between Consignment Goods Scheme and DDP Scheme**

| No | Item of Service                   | Consignment Goods                    | DDP Scheme  |
|----|-----------------------------------|--------------------------------------|---|
| 1  | Payment of Customs duty and taxes | Postal courier service               | Marketplace (initial payment)   |
| 2  | Speed of service                  | Using CN document                    | Using CN 3 document; lower risk management; decision making by system |
| 3  | Accuracy of customs value         | Accurate with customs value database | Much more accurate by e-catalogue & e-invoice sharing                 |
| 4  | Legislation                       | In every customs office              | In one single customs office but applied nationally                   |

# WCO RECOGNITION OF INDONESIA CUSTOMS PROCEDURE ON CONSIGNMENT GOODS



## GUIDELINES FOR THE IMMEDIATE RELEASE OF CONSIGNMENTS BY CUSTOMS



WORLD CUSTOMS ORGANIZATION

Version II  
(June 2018)

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## DATA SHARING BETWEEN MARKETPLACE AND CUSTOMS (INDONESIA PROPOSAL)

*This proposal aligned with Guidelines for the Immediate Release of Consignments by Customs as follows:*

### 14. Co-operation with E-Commerce operators on data exchange

- 14.1. E-Commerce operators hold, or have access to, electronic data such as information related to the producer, the buyer (including address and contact information), the seller, origin of items, description of items, payment, and price etc., which enable Customs administrations to conduct risk management of consignments, effectively and efficiently.
- 14.2. Customs administrations may therefore seek co-operation with the E-Commerce operators that have access to such data, to facilitate the immediate release of huge amounts of cross border E-Commerce consignments by conducting risk management electronically and well in advance of the arrival of consignments.

## ❖ The E-Commerce Bonded Logistics Center (BLC)

Besides the improvement of business process CBE of consignment goods, DGCE ha also implemented the Bonded Logistic Center (BLC) specific for e-commerce.

- ❖ The BLC is a form of bonded storage facility to store goods which are sold through e-commerce platform.
- ❖ There are several service procedures of BLC, namely: connecting e-commerce Asia Pacific, selling place for SME's, storage in BLC in bigger quantity, faster delivery time, specific customs documents, customs formalities are conducted by BLC company, and no excisable goods stored in e-commerce BLC.
- ❖ There are also several fiscal facilities provided to e-commerce BLC, namely: deferred payment of customs duty and taxes upon arrival of goods, storage time maximum 3 years, customs tariff refers to the consignment good scheme, no de minimus applied, deferred restriction as storage period, as transshipment storage for e-commerce goods.

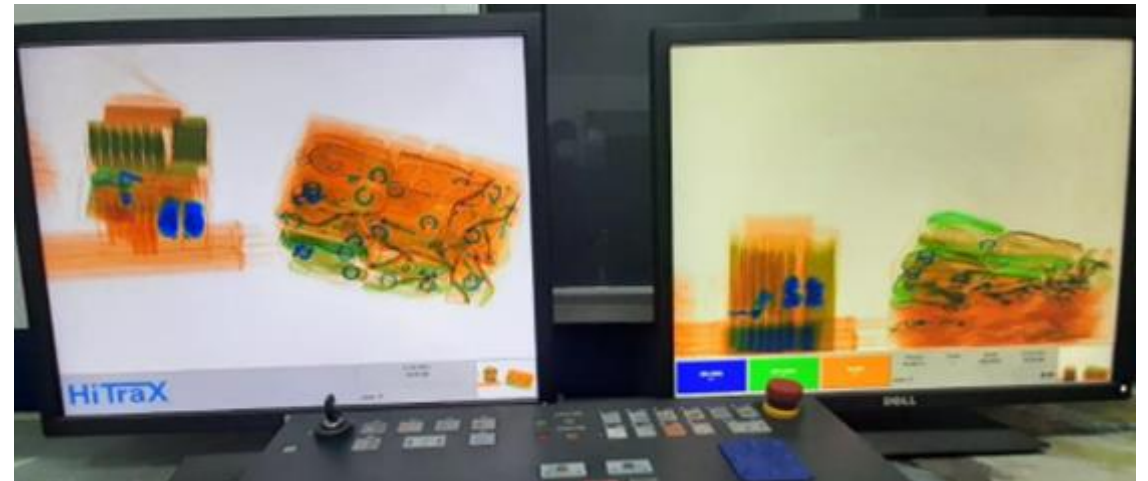


## **C. Monitoring Tools Of E-commerce**



# 1. X-ray Machine

- X-Ray machines are installed in several major airports handling the CBE clearance processes
- Things to consider:
  - homogenous goods packing in the big package
  - high value goods (such as hand bag, wrist watch, shoes and jewelry)
  - electronic goods
  - narcotic, psychotropic and precursor
  - Other targeted goods



## 2. Data Analysis

- Data of CBE is analyzed to prepare the rule set
- Information to be analyzed:
  - Indication of false declaration
  - Indication of false customs value
  - Uncomplete importation of high value goods, such as: empty box only (i.e wrist watch)
  - Uncomplete description of the goods
  - Validity of consignee ((name, address, mobile phone number, goods ordered)
  - Consignee's profile
  - Other related false information

# The Examples of the result of Data Analysis:

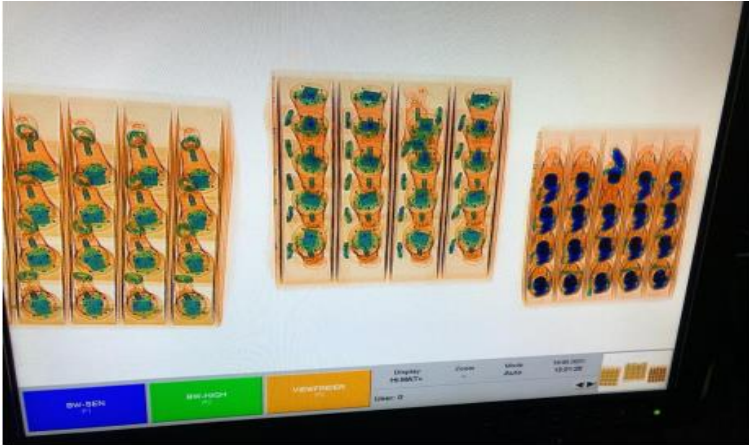
- i. Homogeneous commodity is if the big package is stuffed with non-e-commerce or non-low value goods are mixed with e-commerce goods from certain marketplace.
- ii. Misdeclaration of HS Code: declaring the goods which are excluded from flat tariff namely: footwear, bag and handbag, and textile products.
- iii. Comparison between Consignment Note (CN) price with marketplace platform
- iv. Uncommon description of good declared. Several CN's contained in one Master AWB description of goods which are not describing the exact commodity, for example declaring only by number, code, etc.
- v. Validity test of consignee: by random/sampling checking





## 2. Example Of Data Analysis

### i. Homogenous Commodity:



Non e-commerce goods are mixed with e-commerce from certain marketplace

Consignee, tel no and address are different although the goods are the same

Declaration: eyeglasses

Physical: bags



## 2. Example Of Data Analysis

### ii. Misdeclaration of HS Code:

| Commodity | HS Code in CN | Description of goods               | Customs Duty of LVS (%) | HS Code Applied | Customs Duty Applied (%) |
|-----------|---------------|------------------------------------|-------------------------|-----------------|--------------------------|
| Shoes     | 64069091      | Part of footwear                   | 7.5                     | 6401 - 6405     | 15-30                    |
|           | 95067000      | Sport accessories                  | 7,5                     | 6401 - 6405     | 15-30                    |
| Garment   | 42032990      | Leather goods                      | 7.5                     | 6101 - 6308     | 15-25                    |
|           | 65020000      | Apparel Accessories                | 7.5                     | 6101 - 6308     | 15-25                    |
| Handbag   | 39249020      | Semi-manufactured, made of plastic | 7.5                     | 4202            | 15-20                    |

### 3. Profiling Of Courier Service Company

- Contract between Courier Service Company with Shipper



- E-Commerce platform profiling



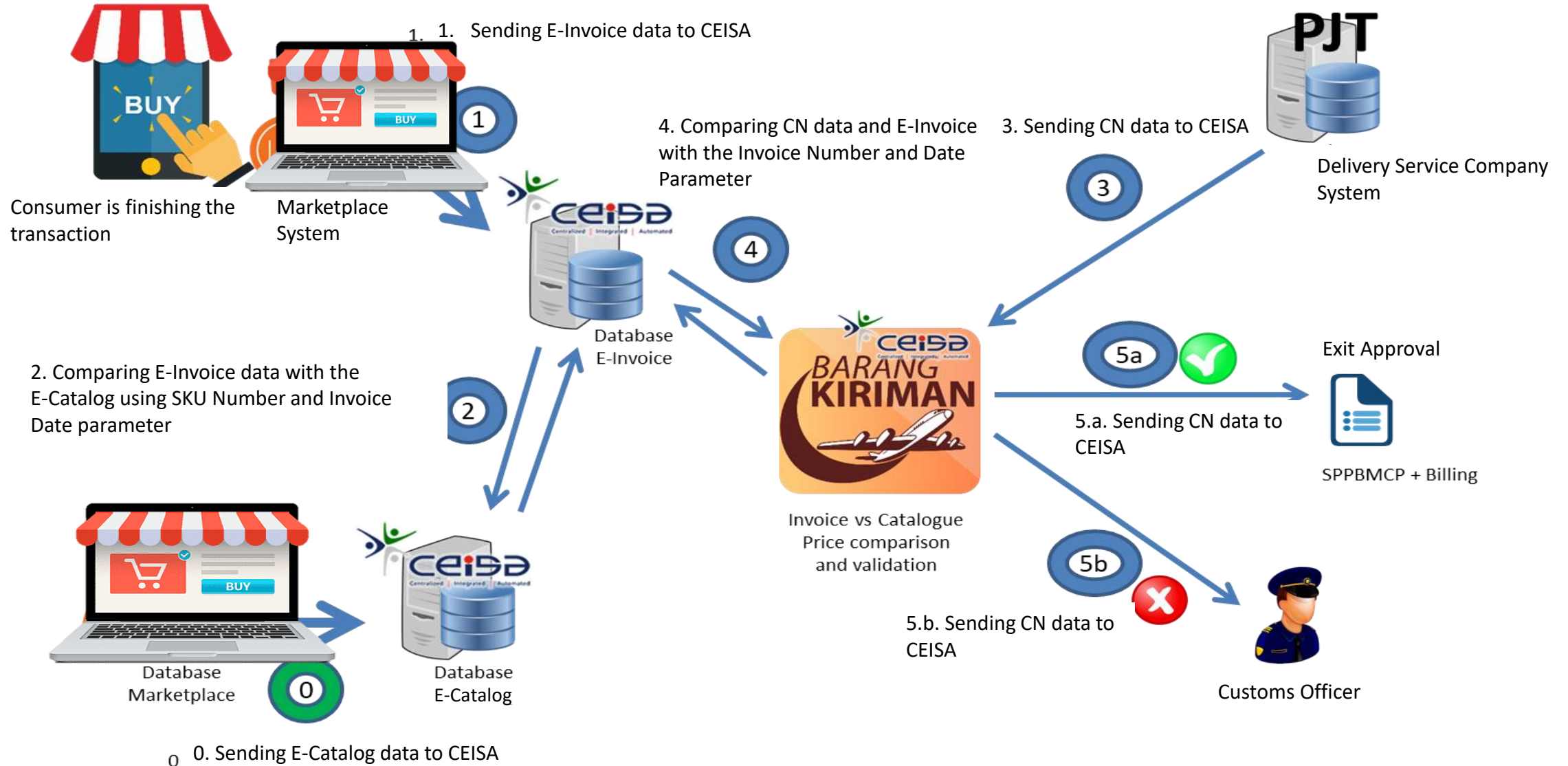
- Last Mail Courier (LMC) Profiling



- Business Process of Courier Service Company



## 4. Application System of Cross Border E-commerce



## 4. Application System of Cross Border E-commerce

- i. After consumer completed the transaction, the e-commerce marketplace then will send the data of e-invoice to CEISA.
- ii. The CEISA then will compare the data from Consignment Note (CN) and e-invoice with the number and date of invoice from e-invoice database. The marketplace database will send data to the CEISA e-catalogue database.
- iii. The courier service then submits the CN data to CEISA and the CEISA will conduct the price comparison and validation between invoice and e-catalogue. E-invoice database from CEISA will be accessed by Low Value Shipment CEISA interchangeably;
- iv. The CEISA will send CN data to CEISA and will issue the customs clearance approval with the calculation of customs duty and tax to be paid by consignee; or If the shipment needs to be checked more intensively, so the Consignment Good CEISA will send CN data to the customs officer in the cargo or temporary storage warehouse;



## D. Conclusion


DGCE has implemented several best practices customs process, as follows:


1. For CBE Digital Products, DGCE has conducted several provisions with the rationales regarding the importance of administering digital goods importation, as follows:
  - a. Record trade statistics, by applying further arrangement or regulation on digital goods importation will provide us with statistics data
  - b. To create a level playing field by providing equal treatment for all businesses such as Conventional and online traders
  - c. To encourage small medium enterprises and to increase the competitiveness of local Small Medium Enterprises (SMEs)
  - d. To provide certainty in customs procedures not only for government agencies but also for businesses in terms of customs duty and import tax collection, digital goods classification, as well as the import declaration procedure
  - e. To assess digital goods risks in the form of the possibility of Tax Avoidance, Intellectual Property Rights Infringement, and Trans National Organized Crime such as Weapon creation by using 3D printer, illegal material smuggling, and Money Laundering.



2. There are several regulations as the legal basis of digital goods, namely:
  - a. Customs Law Number 17 Year 2006 regarding the Amendment of Customs Law Number 10 Year 1995, article 8b paragraph 2 and its explanation
  - b. Trade Law Number 7 Year 2014 article 1 paragraph 5
  - c. Government Regulation Number 80 Year 2019 article 1 paragraph 19
  - d. Minister of Finance Regulation Number 26 Year 2022 regarding Imposition of Goods Classification System and Import Duty.
3. By providing roadmap of the implementation of the import of digital goods with the phasing as follows:
  - Phase I: Self-assessment, implemented to companies or legal firm; simplified document and as subject to audit;
  - Phase II: Partnership, with cellular provider (direct carrier billing), payment consolidator (bank & credit card provider), or overseas platform;
  - Phase III: Payment Gateway & Redirect Method: by utilizing payment gateway and SSL descriptor to follow the money, follow the data and follow the address.



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4. DGCE has implemented the clearance process of CBE consignment goods with DDP scheme which provides partnership scheme with marketplace since 2020. The scheme is still under voluntary basis, but it is planned to be mandatory.
  5. DGCE has also provided several changes in consignment goods provision, including the categorization of consignment good, de minimus value, customs clearance documents, customs duty and customs inspection adjustment.
  6. DGCE has issued the regulation of e-commerce Bonded Logistic Center (BLC) as a form of bonded storage facility to store goods which will be sold through e-commerce platform as regulated in Ministry of Finance regulation number 28 Year 2018.

- 
7. DGCE has tools for monitoring of Cross Border E-Commerce (CBE), as follows:
    - a. X-Ray machine
    - b. Data Analysis
    - c. Profiling of the Courier Service Company and E-Commerce Platform
    - d. The Application system of CBE or Low Value Shipment
  8. In implementation of customs clearance of CBE consignment good or low value shipment is conducted by an application called Consignment Good CEISA.





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