

## THE ENFORCEMENT OF THE 2009 MINING LAW IN INDONESIA

The Indonesian Government is implementing a ban on the export of unprocessed ore as mandated by the 2009 Mining Law starting from 12 January 2014.

The ban is aimed to force Miners to process ore domestically, thus creating added value for the country's huge mineral reserves along with more jobs and tax revenue.

The implementation of the ban is stipulated in the Government Regulation (PP) which was signed by President Susilo Bambang Yudhoyono on 11 January 2014, the key issues of which are as follows:

1. Commodities required to be fully refined before export: Bauxite, nickel, tin, chromium, gold and silver.
2. Commodities allowed for export only with purification or semi-processed: Copper, iron ore, lead and zinc concentrates.
3. Government to impose export taxes as disincentives for mining companies shipping semi-processed mineral overseas.
4. By 2017 producers of copper, iron ore, lead and zinc concentrates to comply with the requirement to fully process their minerals prior to export.
5. More than 60 companies will be allowed to continue to export processed minerals as they have provided assurances to the government that they would build the necessary smelters.
6. The Finance Ministry is tasked with issuing the mining tax regulation, the Trade Ministry with the export mechanism and the Energy and Mineral Resources Ministry with the Technical details.

As a follow up of the Government regulation the Finance Ministry has introduced a Tax program called the Progressive Tax which would make it economically unfeasible for Mining Firms to continue exporting raw ore and consequently it would force them to process the ore domestically. The details of the Progressive Tax are as follows:

No	Commodity	Export Tax (% total sales one-time export)					
		2014		2015		2016	
		H1	H2	H1	H2	H1	H2
1	Copper concentrate ( $\geq 15\%$ Cu)	25%	25%	35%	40%	50%	60%
2	Iron concentrate ( $\geq 62\%$ Fe)	20%	20%	30%	40%	50%	60%
	Iron concentrate ( $\geq 51\%$ Fe & $\geq 10\%$ Al <sub>2</sub> O <sub>3</sub> +SiO <sub>2</sub> )	20%	20%	30%	40%	50%	60%
3	Manganese concentrate ( $\geq 49\%$ Mn)	20%	20%	30%	40%	50%	60%
4	Lead concentrate ( $\geq 52\%$ Pb)	20%	20%	30%	40%	50%	60%
5	Zinc concentrate ( $\geq 52\%$ Zn)	20%	20%	30%	40%	50%	60%
6	Ilmenite concentrate ( $\geq 58\%$ sand iron & $\geq 56\%$ pellet)	20%	20%	30%	40%	50%	60%
	Titanium concentrate ( $\geq 58\%$ sand iron & $\geq 56\%$ pellet)	20%	20%	30%	40%	50%	60%

The Ministry of Energy and Mineral Resources has issued regulations on the technical details of the Government regulation that Mining Companies could only export purified minerals by 2017.

The Ministry stated that 66 Mining Permit Holders had committed to finishing the constructions of their smelters on time, while for the time being exporting their processed ore. Of the 66 companies, 25 had almost finished constructing their smelters, 10 were still building their smelters, 15 had just started and 16 were awaiting Government approval of the environmental impact analysis.

Companies that cannot afford to build smelters must sell their ore to be purified at companies that operate smelters.

Meanwhile the Trade Ministry details mechanism for Mineral Exports which requires exporters of processed Mineral to obtain export permits from the Ministry to be able to ship their products overseas. The export permit policy which the Trade Ministry has recently issued, acknowledges that exporter have already made the processing level set by Ministry of Energy and Mineral Resources. As the Firms are still at the processing stage instead of purification, they should get recommendations on the value and type of products to be exported from the Ministry of Energy and Mineral Resources.

To carry out the Mandatory pre-shipment verifications, the Government had appointed 2 Surveyors, PT.SUCOFINDO and PT.SURVEYOR INDONESIA.

We will keep you updated on further developments.

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