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Upcoming revisions to mining export proceeds (*Devisa Hasil Ekspor/DHE*) regulation in the first quarter of 2025^{P1}

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I. Introduction

The Indonesian government is preparing significant revisions to the regulations governing the export proceeds (*Devisa Hasil Ekspor/DHE*) of natural resources (*Sumber Daya Alam/SDA*) to bolster the national economy. According to various reliable sources, the proposed revisions will primarily target DHE from key commodities such as coal, natural gas, Crude Palm Oil (CPO), pulp and paper, and tin. This extra effort to retain more foreign exchange within Indonesia's financial system is expected to strengthen the country's foreign exchange reserves.

However, it remains unclear which specific instruments of the DHE Reg (as defined below) will be revised. It is uncertain whether the Indonesian government is preparing amendments at the level of Government Regulation (**GR**), Minister of Finance (**MoF**) regulation, Central Bank of Indonesia Regulation (*Peraturan Bank Indonesia/PBI*), or Financial Services Authority Regulation (POJK). Alternatively, there is a possibility that an entirely new set of regulations will replace the current DHE framework.

The DHE SDA regulatory framework is as follows:

- GR No. 36 of 2023 on Foreign Exchange Export Proceeds from Business, Management and/or the Processing of Natural Resources;
- MoF Regulation No. 73 of 2023 on the Imposition and Revocation of Administrative Sanctions for Violation of Provisions on Foreign Exchange;
- MoF Decree No. 272 of 2023 on the Stipulation of Types of Natural Resource Export Goods subject to an Obligation to Deposit Foreign Exchange Export Proceeds into the Indonesian Financial System;

- PBI No. 7 of 2023 on Foreign Exchange on Exports and Foreign Exchange on Import Payments; and
- Members of the Board of Governors of the Central Bank of Indonesia Regulation No. 4 of 2023 on Foreign Exchange Proceeds from Export and Import Payments as amended by Members of the Board of Governors of the Central Bank of Indonesia Regulation No. 6 of 2024,

altogether referred to as “DHE Reg”.

II. Changes in requirements

The upcoming revisions on DHE Reg aim to enhance transparency in recording export values and increase the country's foreign exchange reserves. These changes are intended to improve transparency in the recording of export proceeds and strengthen the government's foreign exchange reserves to stabilise the exchange rate.

Key anticipated changes include:

- **New percentage of mandatory placement of DHE SDA:** It is anticipated that the Indonesian government will be implementing a full-size (100%) mandatory placement of export proceeds.
- **Extended retention period after the placement of DHE SDA:** The timeframe for exporters to retain DHE from natural resources may be extended, and the percentage of DHE required to be placed could be adjusted. Currently, the mandatory placement is set within a three-month period, and the Indonesian government is considering implementing a one-year retention period, which is significantly longer.

As of the end of 2024, compliance with DHE placement requirements reached 90%, amounting to USD14 billion. This is significantly lower than the Government's initial target for 2023, which aimed for a retention value of USD40-49 billion.

III. Additional incentives

The revised DHE Reg may not only change the requirements but also introduce additional incentives for DHE SDA. These incentives could include both fiscal and non-fiscal benefits for compliant exporters. According to the DHE Reg, fiscal incentives might involve reduced income tax on deposit interest, while non-fiscal incentives could include the Government awarding a sound reputation to compliant exporters.

At the time of writing, it remains unclear what additional incentives that the Indonesian government might offer. It is also uncertain whether significant adjustments will be made to the fiscal and/or non-fiscal benefits. However, new incentives are being prepared to address banking, cash collateral and the use of export proceeds for tax and dividend payments. Discussions and harmonisation efforts are still ongoing among the Minister of Finance, Bank Indonesia and the Financial Services Authority.

IV. Potential sanctions

The upcoming revisions to the DHE Reg do not appear to indicate any potential changes to the sanctions for non-compliance with mandatory placement requirements. Currently, administrative sanctions can be imposed or revoked by the Ministry of Finance based on reports from Bank Indonesia and the Financial Services Authority. These reports may cover instances of non-compliance, such as failure to meet the minimum DHE retention requirement or not maintaining a foreign escrow account with foreign exchange banks or *Lembaga Pembiayaan Ekspor Indonesia* (LPEI). Sanctions could involve denial of export services, in line with customs regulations.

These potential revisions are expected to be issued soon at least in the first quarter of 2025, with some indications that they will be issued around February 2025. This marks a significant shift in the regulatory landscape for DHE SDA. However, until official notice is issued, the existing DHE Reg remains applicable and valid. We will closely monitor regulatory updates from the authorities.

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