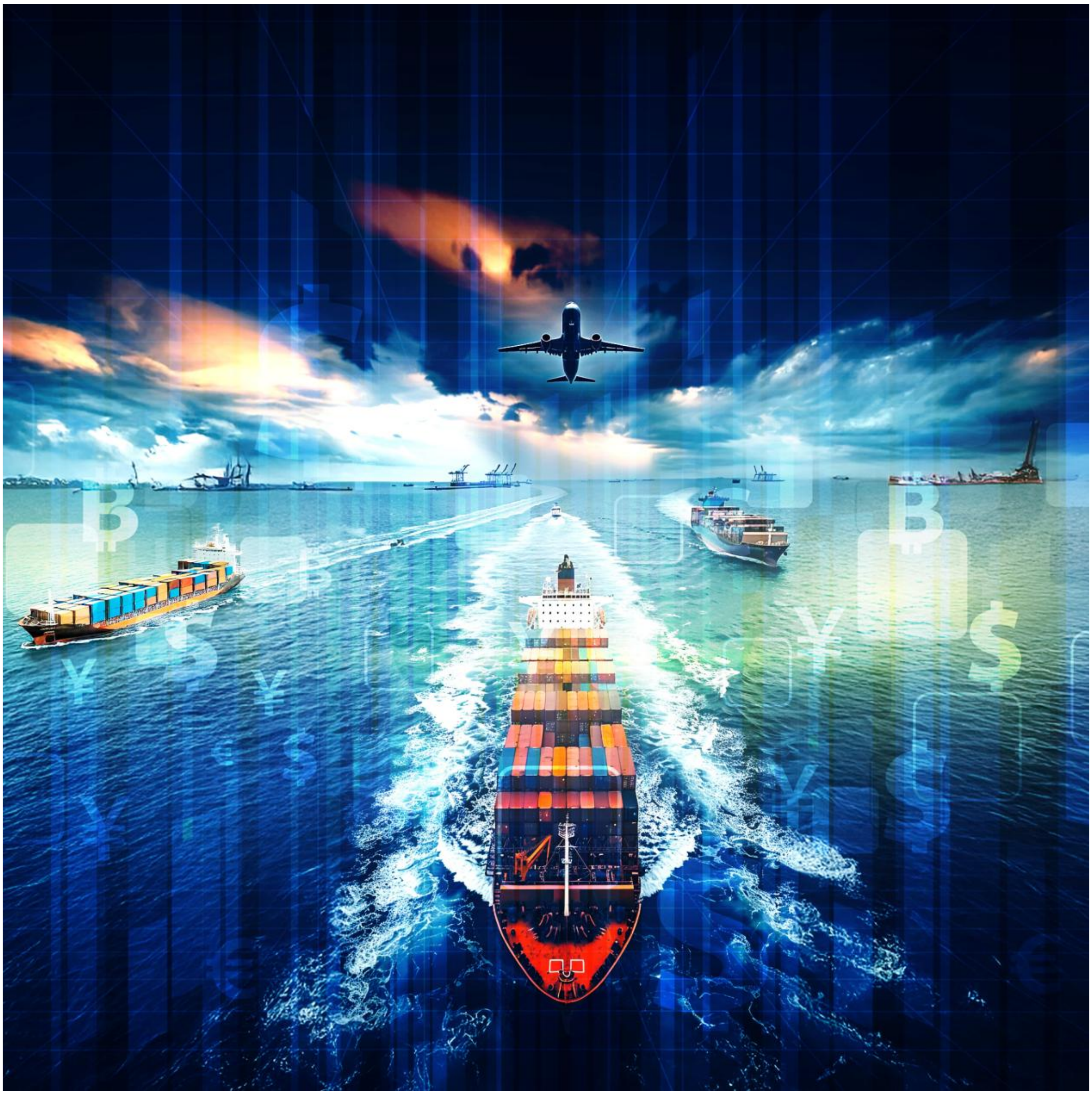
GENERAL CORPORATE/M&A; BANKING, FINANCE & PROJECT; TAX & CUSTOMS

Indonesia Updates Rules for Foreign Currency from Natural Resources Exports with New Regulation



Starting 1 March 2025, a new regulation, Government Regulation No. 8 of 2025 ("**New Regulation**"), changes the rules for how natural resources exporters must manage their foreign currency earnings, known as DHE SDA (*devisa hasil ekspor sumber daya alam*, or foreign exchange proceeds from natural resources). This new rule updates Government Regulation No. 36 of 2023 ("**2023 Regulation**"), which we discussed in our previous client alert (click here to read). The goal of the New Regulation is to increase Indonesia's foreign exchange reserves and ensure that profits from export contribute more significantly to the country's economic growth.

Both the 2023 Regulation and New Regulation apply to foreign exchange proceeds earned from exports in sectors like mining, plantation, forestry, and fisheries. If these exports are worth USD250,000 or more, the earnings must be deposited into specific accounts within Indonesia's financial system. These accounts are with:

- The Indonesian Export Financing Institution (*Lembaga Pembiayaan Ekspor Indonesia* or "**LPEI**"); or

- Banks approved by the Financial Services Authority (*Otoritas Jasa Keuangan* or "**OJK**") to handle foreign currency (referred to as foreign exchange banks), excluding branches of foreign banks operating in Indonesia. These are banks specifically authorised to manage foreign currency proceeds related to exports of *sumber daya alam* (SDA), or natural resources.

The deposited foreign currency must be kept in these accounts for a certain period. It can be held in accounts at LPEI or any foreign exchange banks, various banking instruments, financial instruments issued by the LPEI, or instruments issued by Bank Indonesia.

The Ministry of Finance, Bank Indonesia, and the OJK will jointly oversee the implementation of these obligations. In line with this mandate, Bank Indonesia issued Bank Indonesia Regulation No. 3 of 2025 on 28 February 2025, which updates the previous regulation on export and import payments under Bank Indonesia Regulation No. 7 of 2023. This new Bank Indonesia regulation also takes effect on 1 March 2025.

While the fundamental requirement to deposit foreign currency earnings remains, the New Regulation introduces several important adjustments. In the following section, we will explore these key changes in more detail.

How the New Regulation Affects Natural Resources Exporters

The New Regulation introduces key changes that natural resource exporters must understand, primarily concerning the retention of foreign currency earnings and their permitted uses. Specifically, the New Regulation significantly increases the mandatory retention period and amount, while also outlining precise limitations on how these retained funds can be utilised.

- **Increased retention requirement for foreign currency earnings**

  Under the New Regulation, exporters must now retain **100% of their foreign currency earnings for at least 12 months**. This is a significant increase from the previous requirement of 30% for a minimum of three months. It is important to remember that this 100% retention rule applies to exporters in the non-oil and gas mining, plantation, forestry, and fisheries sectors. Oil and gas mining exporters will continue to follow the previous 30% for three months requirement.

- **Limited use of retained DHE SDA**

  The retained foreign currency can only be used for:

  - Converting to Indonesian Rupiah (IDR) at the same foreign exchange bank;

- Payments in foreign currency for tax and non-tax state revenue;
- Dividend distribution in foreign currency;
- Importing raw materials, auxiliary materials, or capital goods and services that are not available or do not meet domestic specifications in Indonesia; and
- Repayment of foreign currency loans for capital goods procurement.

Despite the increased retention requirements, exporters can still use these funds for essential business activities. This, in our view, is designed to both increase Indonesia's foreign currency reserves and allow for continued business operations and investment.

Key Takeaways

Compliance with the New Regulation is crucial. The Indonesian authorities are committed to enforcing these new rules, and non-compliance could lead to penalties, including the loss of export privileges. Exporters must proactively review their financial arrangements and take necessary steps to ensure they meet the new requirements.

To ensure a smooth transition and continued compliance, exporters are advised to review existing cash flow and financial planning strategies in light of the new requirements. They should also assess current financing arrangements to ensure compliance. Consultation with legal and tax advisors is also crucial to ensure that they can navigate these regulatory changes effectively.

Finally, proactive engagement with financial institutions is essential. Exporters should work closely with their banks to explore strategies that align with the new requirements. This proactive approach will help maintain operational continuity and ensure compliance.

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