

Upcoming Luxury-Goods Sales Tax rules on Motor Vehicles ^{P1}

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Upcoming Luxury-Goods Sales Tax rules on Motor Vehicles

The Government issued a Government Regulation (GR) No.73/2019 (GR-73) regarding the Luxury-Goods Sales Tax (LST) on Motor Vehicles to further encourage the use of energy saving and environmentally friendly vehicles. GR-73 will then revoke GR No.41/2013 (GR-41) which was lastly amended by GR No. 22/2014. While GR-73 is dated on 16 October 2019, it will not be effective until 16 October 2021.

As with the existing GR-41, GR-73 still differentiates the LST rates based on the specification of the vehicles. High-level categories of the vehicles, namely Passenger Vehicles, Double Cabin Vehicles, Other Vehicles (e.g. golf car, caravan, high cylinder-capacity (CC) vehicles, etc.), and Exempted Vehicles (e.g. vehicles for ambulance, firetrucks, military/police purposes, etc.) remain the same.

The key changes in GR-73 are as follows:

1. The determining specifications

New determining specifications are the fossil fuel consumption level, CO₂ emission level, and electric power feature. These are added to differentiate the LST rate. Some of the existing determining specifications such as the number of passengers, CC, and machine type remain.

2. Shifting of the LST rates

The structure of the LST rates may shift for each type of vehicle. The main changes are as follows:

- Passenger Vehicles: 15% – 70% (currently 10% – 125%)
- Double Cabin Vehicles: 10% – 30% (currently 20%)
- Other Vehicles: 50% – 95% (currently 50% – 125%)

The range of CCs will also change. For example, the lowest range of CC will be 0 – 3,000 CC, while GR-41 sets the lowest range at 0 – 1,500 CC. The

threshold for high CC vehicles that fall under the Other Vehicle category will also change from >3,000 CC to >4,000 CC.

3. Incentive mechanism

The incentive under GR-41 is provided in the form of a reduction of the tax base to 75%, 50%, or 0% depending on the “green” features of the vehicle. The LST rate itself follows the normal rate. Under GR-73, there are four categories of low carbon emission four-wheeled motor vehicles where each category has its own LST rate(s) and tax base reduction facilities. The categories are as follows:

Type of vehicle	LST rate	Tax base (of selling price)
Low cost green car	15%	20%
Hybrid technology	15%, 20%, 25%, 30%	13 1/3%, 33 1/3%, 53 1/3%, 66 2/3%, 80%
Flexy Engine technology	15%	53 1/3%
Plug-In Hybrid Electric, Battery Electric, or Fuel Cell Electric technology	15%	0%

The above incentives will be available for ten years from effective date of GR-73.

4. Minimum holding period for Exempted Vehicles

Vehicles that are exempted from LST cannot be transferred to other parties nor be used for purposes other than the initial purpose for a certain period of time once the vehicles are purchased or imported. If this occur, the exempted LST must be paid. GR-73 will reduce the required holding period from five years to four years.

Further guidance on the type of vehicles subject to LST and the administrative mechanism related to LST on motor vehicles will be governed in a Ministry of Finance regulation.

Indonesia – Mexico Tax Treaty Protocol enters into force

Indonesia and Mexico signed a new protocol tax treaty in Bali, 6 October 2013. This is the first amendment to the treaty which was signed on 6 September 2002 and has been in effect since 1 January 2005.

This new protocol updates Article 26 of the tax treaty regarding Exchange of Information (EOI). The update stipulates that both countries must entertain information requests even if one country have no need for the information for its own tax purposes. The parties also cannot decline an information request solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity, or because it relates to ownership interest in a person.

This Protocol has been ratified through the issuance of Presidential Regulation No.23 Year 2019 dated 26 April 2019 and entered into force on 18 September 2019. The Director General of Tax will release a Circular Letter to announce this.

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