

COVID-19 related tax incentives on cars and residential real estate <sup>P1</sup>

## COVID-19 related tax incentives on cars and residential real estate

In an effort to support the relevant business sectors, the Government has introduced incentives on Luxury-goods Sales Tax (LST) and Value Added Tax (VAT) for certain purchases of cars and residential property.

### Luxury-goods Sales Tax incentive for motor vehicles

The Minister of Finance (MoF) has recently issued Regulation No.PMK-20<sup>1</sup> regarding the LST on certain motor vehicle purchases. Under PMK-20, the LST is to be borne by the Government for eligible purchases during fiscal year 2021. This regulation is aimed to provide Government support for the motor vehicle industry sector affected by the COVID-19 pandemic as well as to increase people's purchasing power in this sector.

The highlights of PMK-20 are as follows:

#### A. Eligibility

Type of motor vehicles that are eligible for the LST incentive are as follows:

- a. Motor vehicle in the category of sedan or station wagon (diesel or semi-diesel) with a cylinder capacity of up to 1,500 CC; and
- b. Motor vehicles for the transportation of less than 10 people other than sedan or station wagon (diesel or semi-diesel) with a cylinder capacity of up to 1,500 CC.

To be eligible, the motor vehicles mentioned above must also meet 70% local purchase requirements (i.e. the use of components from domestic production). The motor vehicles that currently fulfil this requirement are listed in the Ministry of Industry Decree No.169 Year 2021, which currently has 21 items in the list.

<sup>1</sup> MoF Regulation No.20/PMK.010/2021 (PMK-20) dated and effective from 26 February 2021

The current LST rate for the motor vehicles in point (a) and (b) above are 30% and 10%, respectively under GR-22<sup>2</sup>. This may change upon the entry into force of GR-73<sup>3</sup> on 15 October 2021 to replace GR-22.

## **B. Facility**

The facility in the form of LST borne by the Government are as follows:

- 100% of the LST payable for March to May 2021 tax period;
- 50% of the LST payable for June to August 2021 tax period; and
- 25% of the LST payable for September to December 2021 tax period.

## **C. Other requirements**

PMK-20 stipulated that the VATable Entrepreneurs who produce and deliver the motor vehicle as referred above are required to prepare VAT Invoices with a format as stipulated in this regulation. The reporting of this VAT invoice in Monthly VAT Return serves as the fulfilment of realisation report which must be prepared by the VATable Entrepreneur.

The Directorate General of Taxation (DGT) can collect the LST payable if it is found out that there are irregularities in the implementation of the regulation, for example if the motor vehicles do not meet the eligibility requirements or if the VATable Entrepreneur does not carry out its obligation to prepare and report the VAT Invoice.

## **Value Added Tax incentive for landed houses and residential units**

The MoF also issued Regulation No.PMK-21<sup>4</sup> regarding VAT borne by the Government on the delivery of landed houses and residential units (*unit hunian rumah susun*) in 2021.

The highlights of PMK-21 are as follows:

### **A. Eligibility**

Landed houses and residential units must meet the following requirements:

- a. the highest selling price is IDR5 billion; and
- b. new landed houses and residential units are being first-hand delivered by a developer in a ready-to-use condition and have never been handed over previously.

The facility can only be used on one eligible property per individual.

### **B. Facility**

VAT on the eligible property will be borne by the Government for deliveries conducted between March 2021 and August 2021 tax periods, in the amount of:

- a. 100% of the VAT payable for property with a selling price of IDR2 billion or less; and

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<sup>2</sup> Government Regulation No.22 Year 2014 (GR-22) as an amendment of Government Regulation No.41 Year 2013 dated on 19 March 2014 and effective from 18 April 2015

<sup>3</sup> Government Regulation No.73 Year 2019 (GR-73) dated on 16 October 2019 and effective from 15 October 2021

<sup>4</sup> MoF Regulation No.21/PMK.010/2021 (PMK-21) dated and effective from 1 March 2021

- b. 50% of the VAT payable for property with a selling price of more than IDR2 billion up to IDR5 billion.

The facility is applicable upon the delivery that occurs at the time of:

- a. the signing of the sale and purchase deed; or
- b. the issuance of receipt of full payment by the seller,

where there is an actual transfer of rights to use or control the eligible property (which is proven by minutes of handover).

If an advance payment or instalment has been made to a seller prior to 1 March 2021, the VAT borne by the Government incentive can still be given provided that:

- a. Commencement of first advance payment or instalment to the seller was not earlier than 1 January 2021;
- b. The signing of the sale and purchase deed or the issuance of receipt of full payment by the seller occurs during the incentive period; and
- c. The facility is applicable on the remaining instalments and settlements paid during the incentive period.

The facility will not be available on the deliveries which:

- a. are carried out outside the incentive period;
- b. are transferred within one year from the delivery;
- c. do not use the stipulated format of VAT Invoice as stipulated in PMK-21; and/or
- d. the realisation report is not submitted.

Landed houses and/or residential units which have already been given other VAT exemption facilities cannot enjoy this incentive.

### **C. Others**

Similar with the motor vehicle incentive, the VATable Entrepreneur who deliver the eligible property is required to prepare VAT Invoice with a format as stipulated in this regulation. The reporting of this VAT invoice in Monthly VAT Return serves as the fulfilment of realisation report which must be prepared by the VATable Entrepreneur.

The DGT can collect the VAT payable if it is found out that there are irregularities in the implementation of the regulation, such as the object delivered is not an eligible property, or the incentive is applied on the acquisition of more than one unit per individual.

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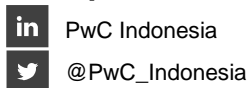
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