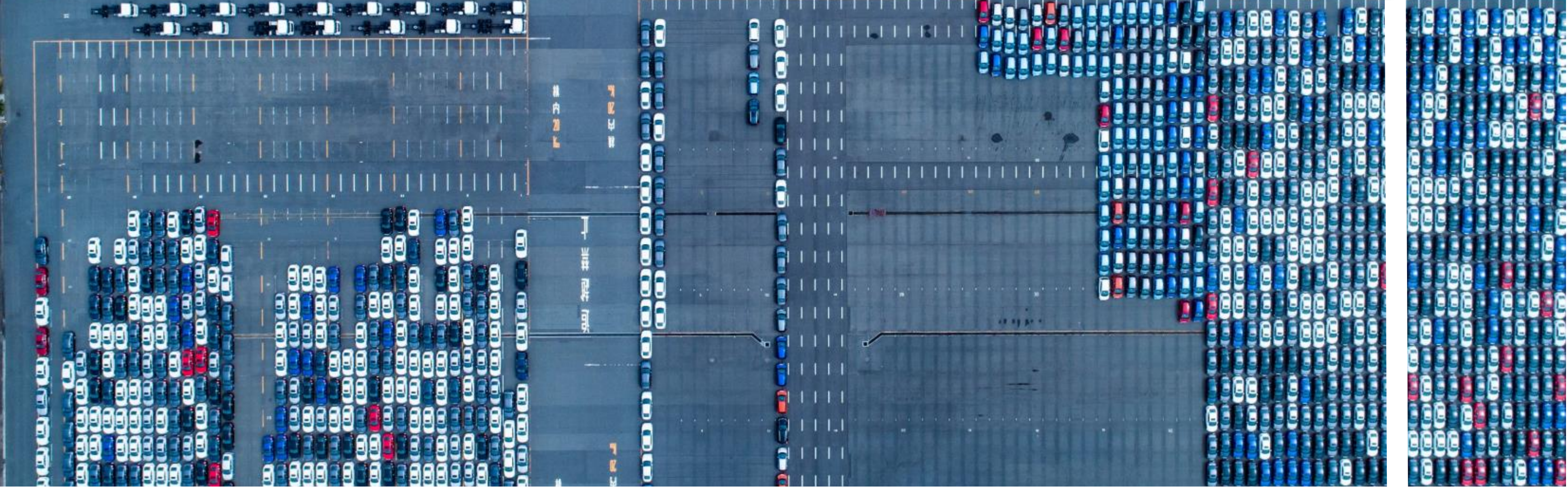

TaxFlash

Tax Indonesia / April 2021 / No. 09

Expansion of COVID-19 related LST incentive on cars

The Minister of Finance (MoF) has recently issued Regulation No.PMK-31[1] which expanded the types of vehicles eligible for the Luxury-goods Sales Tax (LST) incentives previously introduced under PMK-20[2]. Please refer to [TaxFlash No.06/2021] for discussion on PMK-20.

Expanded eligibility

PMK-31 adds two additional types of motor vehicles that are eligible for the LST incentive. The types of eligible vehicles are now 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;
b. Motor vehicle 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;
c. Motor vehicle for the transportation of less than 10 people other than sedan or station wagon (diesel or semi-diesel) with one axle drive system, with a cylinder capacity of more than 1,500 CC up to 2,500 CC; and *– new*
d. Motor vehicle for the transportation of less than 10 people other than sedan or station wagon (diesel or semi-diesel) with two axle drive system, with a cylinder capacity of more than 1,500 CC up to 2,500 CC. *– new*

The local content requirement was also reduced. To be eligible, the motor vehicles mentioned above now must meet 60% (previously 70%) local purchase requirements (i.e. the use of component from domestic production). The motor vehicles that currently fulfil this requirement are listed in the Ministry of Industry Decree No.839 Year 2021, which currently has 29 items in the list.

---

[1] MoF Regulation No.31/PMK.010/2021 (PMK-31) dated and effective from 1 April 2021
[2] MoF Regulation No.20/PMK.010/2021 (PMK-20) dated and effective from 26 February 2021

The current LST rate under GR-22[3] for the above motor vehicles are 30%, 10%, 20%, and 40%, respectively for point (a), (b), (c), and (d). This may change upon the entry into force of GR-73[4] on 15 October 2021 to replace GR-22.

Facility

The facility in the form of LST borne by the Government are as follows:
a. for vehicle type point (a) and (b) above:
   - 100% of the LST payable for April 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.
b. for vehicle type point (c) above:
   - 50% of the LST payable for April to August 2021 tax period; and
   - 25% of the LST payable for September to December 2021 tax period.
c. for vehicle type point (d) above:
   - 25% of the LST payable for April to August 2021 tax period; and
   - 12.5% of the LST payable for September to December 2021 tax period.

Other requirements

The administrative requirements mainly remain the same as under PMK-20, but an additional item was added as part of the realisation report, i.e. a detailed list of certain motor vehicles submitted twice for each tax period with a format stipulated in the regulation.

DGT issues guidance on VAT on land transactions

The Directorate General of Taxes (DGT) issued Circular Letter No.SE-28[5] regarding Value Added Tax (VAT) on land and crediting Input VAT on land acquisition. For the most part, the content of SE-28 elaborates the VAT treatment on land under existing and former regulations. However, it is worth mentioning that SE-28 provides affirmation on several points as set out below.

VAT imposition on land procurement by Government agency

The delivery of land by VATable Entrepreneur (*Pengusaha Kena Pajak/PKP*) to Government agencies in the context of land procurement is subject to VAT. The VAT payable is collected by the PKP who delivers the land to the Government agency. Therefore, the PKP has the obligation to prepare the VAT invoice, pay to the State Treasury and report the VAT payable in Monthly VAT Return.

Crediting of Input VAT on land acquisition during pre-production stage

a. Prior to the enactment of the Job Creation Law (Omnibus Law)

Prior to the enactment of the Omnibus Law, the creditability of Input VAT on land acquisition during pre-production stage may vary depending on whether the land serves as a capital good or a non-capital good.

If the land serves as a capital good, the Input VAT can be credited as long as it relates to the VATable delivery of goods or services. This is the case despite the fact that land cannot be depreciated under the Income Tax Law.

[3] Government Regulation No.22 Year 2014 (GR-22) dated on 19 March 2014 and effective from 18 April 2015 as an amendment of Government Regulation No.41 Year 2013
[4] Government Regulation No.73 Year 2019 (GR-73) dated on 16 October 2019 and effective from 15 October 2021
[5] Circular Letter No.SE-28/PJ/2021 (SE-28) dated and effective from 19 March 2021

On the other hand, if the land serves as a non-capital good, such as in the case of land for trading purposes in the real estate industry, the Input VAT cannot be credited during pre-production stage.

b. After the entry into force of the Omnibus Law

Under the Omnibus Law, Input VAT on land acquisition during pre-production stage can be credited, regardless of whether the land is a capital good or non-capital good, as long as it is related to a VATable delivery.

Your PwC Indonesia Contacts:

Abdullah Azis
abdullah.azis@pwc.com

Adi Poernomo
adi.poernomo@pwc.com

Adi Pratikto
adi.pratikto@pwc.com

Alexander Lukito
alexander.lukito@pwc.com

Ali Widodo
ali.widodo@pwc.com

Amit Sharma
amit.xz.sharma@pwc.com

Andrias Hendrik
andrias.hendrik@pwc.com

Anton Manik
anton.a.manik@pwc.com

Antonius Sanyojaya
antonius.sanyojaya@pwc.com

Ay Tjhing Phan
ay.tjhing.phan@pwc.com

Brian Arnold
brian.arnold@pwc.com

Dexter Pagayonan
dexter.pagayonan@pwc.com

Enna Budiman
enna.budiman@pwc.com

Gadis Nurhidayah
gadis.nurhidayah@pwc.com

Gerardus Mahendra
gerardus.mahendra@pwc.com

Hasan Chandra
hasan.chandra@pwc.com

Hendra Lie
hendra.lie@pwc.com

Hisni Jesica
hisni.jesica@pwc.com

Hyang Augustiana
hyang.augustiana@pwc.com

Kianwei Chong
kianwei.chong@pwc.com

Lukman Budiman
lukman.budiman@pwc.com

Mardianto
mardianto.mardianto@pwc.com

Margie Margaret
margie.margaret@pwc.com

Oki Octabiyanto
oki.octabiyanto@pwc.com

Omar Abdulkadir
omar.abdulkadir@pwc.com

Otto Sumaryoto
otto.sumaryoto@pwc.com

Parluhutan Simbolon
parluhutan.simbolon@pwc.com

Peter Hohtoulas
peter.hohtoulas@pwc.com

Raemon Utama
raemon.utama@pwc.com

Runi Tusita
runi.tusita@pwc.com

Ryuji Sugawara
ryuji.sugawara@pwc.com

Soeryo Adjie
soeryo.adjie@pwc.com

Sujadi Lee
sujadi.lee@pwc.com

Susetiyo Putranto
susetiyo.putranto@pwc.com

Sutrisno Ali
sutrisno.ali@pwc.com

Suyanti Halim
suyanti.halim@pwc.com

Tim Watson
tim.robert.watson@pwc.com

Tjen She Siung
tjen.she.siung@pwc.com

Turino Suyatman
turino.suyatman@pwc.com

Yessy Anggraini
yessy.anggraini@pwc.com

Yuliana Kurniadjaja
yuliana.kurniadjaja@pwc.com

Yunita Wahadaniah
yunita.wahadaniah@pwc.com

www.pwc.com/id

PwC Indonesia

@PwC_Indonesia

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to **id_contactus@pwc.com**.

DISCLAIMER: This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.