

Tax incentives for the sale of battery-powered electric vehicles <sup>P1</sup>

## Tax incentives for the sale of battery-powered electric vehicles

On 29 March 2023, the Minister of Finance (MoF) issued PMK-38<sup>1</sup> to introduce Value Added Tax (VAT) incentives for the sale of certain battery-powered electric vehicles (*Kendaraan Bermotor Listrik Berbasis Baterai/KBLBB*). Under PMK-38, the VAT on the purchase of certain KBLBBs will be partially “borne by the Government” from April to December 2023. This regulation is aimed at accelerating the transition away from the use of fossil fuels to electric energy and increasing the public interest in buying KBLBBs.

The highlights of PMK-38 are as follows:

### A. Eligibility

To be eligible the vehicles must meet the following criteria:

- a) be four-wheeled cars and/or buses with at least 40% local content (i.e. with components arising from domestic production); and
- b) be buses with a minimum local content of between 20% and below 40%.

The eligible KBLBBs will be based on a list of vehicles to be issued via a Ministry of Industry Decree. The facility is only applicable for newly registered vehicles.

### B. Facility

VAT payable on the delivery of a KBLBB will follow the normal VAT rate of 11% of the selling price. However, a portion of the VAT payable will be borne by the Government in the following percentages:

- a) 10% of the selling price for vehicles falling into eligibility category a) above; and
- b) 5% of the selling price for vehicles falling into eligibility category b) above.

### C. Other requirements

PMK-38 stipulates that the VATable Entrepreneur (*Pengusaha Kena Pajak/ PKP*) who delivers such KBLBB is required to:

- a) prepare VAT Invoices split for each component as follows:
  - i. one VAT Invoice with transaction code 01 for the portion of the selling price upon which VAT is borne by the buyer; and

<sup>1</sup> MoF Regulation No.38 Year 2023 (PMK-38) dated on 29 March 2023 and effective from 1 April 2023

- ii. a separate VAT Invoice with transaction code 07 for the portion of the selling price upon which VAT is borne by the Government;
- b) prepare a monthly realisation report via reporting the VAT invoices in the regular Monthly VAT Return including any amendment made there to by 31 January 2024.

The Director General of Taxes is entitled to collect the VAT “borne by the Government” upon any failure to fulfil the above requirements.

A PKP buyer who enjoys this facility cannot treat the VAT borne by the Government as creditable Input VAT.

## Your PwC Indonesia Contacts:

**Abdullah Azis**  
[abdullah.azis@pwc.com](mailto:abdullah.azis@pwc.com)

**Gerardus Mahendra**  
[gerardus.mahendra@pwc.com](mailto:gerardus.mahendra@pwc.com)

**Raemon Utama**  
[raemon.utama@pwc.com](mailto:raemon.utama@pwc.com)

**Adi Poernomo**  
[adi.poernomo@pwc.com](mailto:adi.poernomo@pwc.com)

**Hasan Chandra**  
[hasan.chandra@pwc.com](mailto:hasan.chandra@pwc.com)

**Runi Tusita**  
[runi.tusita@pwc.com](mailto:runi.tusita@pwc.com)

**Adi Pratikto**  
[adi.pratikto@pwc.com](mailto:adi.pratikto@pwc.com)

**Hendra Lie**  
[hendra.lie@pwc.com](mailto:hendra.lie@pwc.com)

**Ryuji Sugawara**  
[ryuji.sugawara@pwc.com](mailto:ryuji.sugawara@pwc.com)

**Adrian Hanif**  
[adrian.hanif@pwc.com](mailto:adrian.hanif@pwc.com)

**Hyang Augustiana**  
[hyang.augustiana@pwc.com](mailto:hyang.augustiana@pwc.com)

**Soeryo Adjie**  
[soeryo.adjie-c@pwc.com](mailto:soeryo.adjie-c@pwc.com)

**Alexander Lukito**  
[alexander.lukito@pwc.com](mailto:alexander.lukito@pwc.com)

**Kianwei Chong**  
[kianwei.chong@pwc.com](mailto:kianwei.chong@pwc.com)

**Sujadi Lee**  
[sujadi.lee@pwc.com](mailto:sujadi.lee@pwc.com)

**Ali Widodo**  
[ali.widodo@pwc.com](mailto:ali.widodo@pwc.com)

**Lukman Budiman**  
[lukman.budiman@pwc.com](mailto:lukman.budiman@pwc.com)

**Sukma Alam**  
[sukma.alam-c@pwc.com](mailto:sukma.alam-c@pwc.com)

**Andrias Hendrik**  
[andrias.hendrik@pwc.com](mailto:andrias.hendrik@pwc.com)

**Made Natawidnyana**  
[made.natawidnyana@pwc.com](mailto:made.natawidnyana@pwc.com)

**Surendro Supriyadi**  
[surendro.supriyadi-c@pwc.com](mailto:surendro.supriyadi-c@pwc.com)

**Anton Manik**  
[anton.a.manik@pwc.com](mailto:anton.a.manik@pwc.com)

**Mardianto**  
[mardianto.mardianto-c@pwc.com](mailto:mardianto.mardianto-c@pwc.com)

**Susetiyo Putranto**  
[susetiyo.putranto@pwc.com](mailto:susetiyo.putranto@pwc.com)

**Antonius Sanyojaya**  
[antonius.sanyojaya@pwc.com](mailto:antonius.sanyojaya@pwc.com)

**Margie Margaret**  
[margie.margaret@pwc.com](mailto:margie.margaret@pwc.com)

**Sutrisno Ali**  
[sutrisno.ali-c@pwc.com](mailto:sutrisno.ali-c@pwc.com)

**Avinash Rao**  
[a.rao@pwc.com](mailto:a.rao@pwc.com)

**Marlina Kamal**  
[marlina.kamal@pwc.com](mailto:marlina.kamal@pwc.com)

**Suyanti Halim**  
[suyanti.halim@pwc.com](mailto:suyanti.halim@pwc.com)

**Ay Tjing Phan**  
[ay.tjing.phan@pwc.com](mailto:ay.tjing.phan@pwc.com)

**Nicholas Sugito**  
[nicholas.sugito@pwc.com](mailto:nicholas.sugito@pwc.com)

**Tjen She Siung**  
[tjen.she.siung@pwc.com](mailto:tjen.she.siung@pwc.com)

**Brian Arnold**  
[brian.arnold@pwc.com](mailto:brian.arnold@pwc.com)

**Nikolas Handradjid**  
[nikolas.handradjid@pwc.com](mailto:nikolas.handradjid@pwc.com)

**Turino Suyatman**  
[turino.suyatman@pwc.com](mailto:turino.suyatman@pwc.com)

**Dexter Pagayonan**  
[dexter.pagayonan@pwc.com](mailto:dexter.pagayonan@pwc.com)

**Oki Octabiyanto**  
[oki.octabiyanto@pwc.com](mailto:oki.octabiyanto@pwc.com)

**William Christopher**  
[william.christopher@pwc.com](mailto:william.christopher@pwc.com)

**Enna Budiman**  
[enna.budiman@pwc.com](mailto:enna.budiman@pwc.com)

**Omar Abdulkadir**  
[omar.abdulkadir@pwc.com](mailto:omar.abdulkadir@pwc.com)

**Yessy Anggraini**  
[yessy.anggraini@pwc.com](mailto:yessy.anggraini@pwc.com)

**Esa Perdana**  
[esa.perdana@pwc.com](mailto:esa.perdana@pwc.com)

**Otto Sumaryoto**  
[otto.sumaryoto@pwc.com](mailto:otto.sumaryoto@pwc.com)

**Yuliana Kurniadjaja**  
[yuliana.kurniadjaja@pwc.com](mailto:yuliana.kurniadjaja@pwc.com)

**Gadis Nurhidayah**  
[gadis.nurhidayah@pwc.com](mailto:gadis.nurhidayah@pwc.com)

**Peter Hohtoulas**  
[peter.hohtoulas@pwc.com](mailto:peter.hohtoulas@pwc.com)

**Yunita Wahadaniah**  
[yunita.wahadaniah@pwc.com](mailto:yunita.wahadaniah@pwc.com)

[www.pwc.com/id](http://www.pwc.com/id)



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