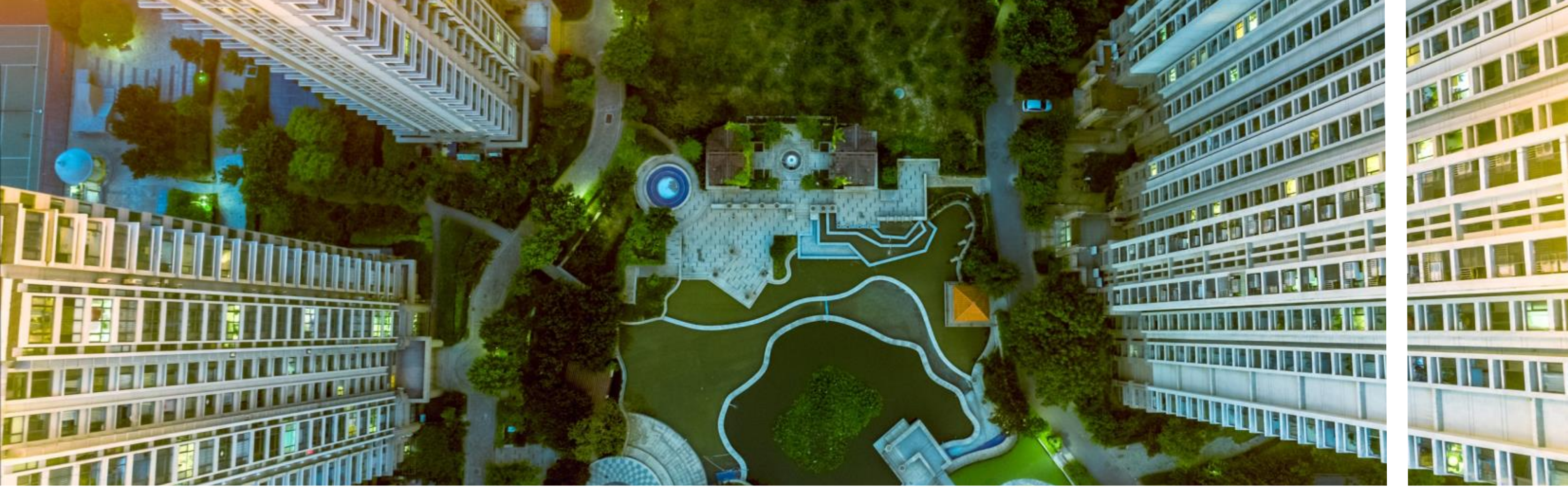

TaxFlash

Tax Indonesia / February 2024 / No. 05

In February 2024, the Government issues several Minister of Finance ("MoF") Regulations in continuation of the incentive programmes in relation to landed houses and residential units as well as for battery-powered electric vehicles ("EVs").

The highlights of these regulations are as follows:

A. VAT incentives for landed houses and residential units

The Value Added Tax ("VAT") incentive for landed houses and residential units which was previously given for VAT due in November to December 2023 has now been extended to VAT due in **January to December 2024** through the issuance of PMK-7[1]. The policy given under PMK-7 is similar to the previous PMK-120[2] (Please refer to our TaxFlash No.12/2023 for a discussion on PMK-120).

The requirements for landed houses and residential units that are eligible for this VAT facility remains the same, namely:

a. the highest selling price is IDR 5 billion; and

b. new landed houses and residential units:

- have obtained a house identity code from the application system provided by the Ministry of Public Works and Housing and this code must also be included in the minutes of the handover (*Berita Acara Serah Terima*) and on the VAT Invoice;
- are delivered first-hand by a developer in a ready-to-use condition and have never been handed over previously.

The facility under PMK-120 and PMK-7 can only be used once on one eligible property per individual, meaning that individuals that have already used the facility under PMK-120 can no longer use the facility under PMK-7. Such individuals can only use the facility on the remaining payments that are payable in 2024. However, an individual who has utilised other VAT incentive facilities prior to the enactment of PMK-120 can utilise this incentive.

[1] MoF Regulation No.7 Year 2024 (PMK-7) dated and effective from 13 February 2024
[2] MoF Regulation No.120 Year 2023 (PMK-120) dated and effective from 21 November 2023

The VAT borne by the Government facility also remains the same, i.e. 100% for properties handed over from 1 January 2024 to 30 June 2024 and 50% for properties handed over from 1 July 2024 to 31 December 2024.

The handover and payment period requirements, as well as the administrative requirements for the seller also remain the same.

B. Tax and customs incentives for battery-powered electric vehicles

On 15 February 2024, the MoF provide several incentives in relation to EVs through the issuance of the following regulations:

1. PMK-8[3] – to extend the VAT incentives for the delivery of certain EVs;
2. PMK-9[4] – to introduce Luxury-goods Sales Tax ("LST") incentives for the import/delivery of certain luxury EVs;
3. PMK-10[5] – to introduce Import Duty incentives for the import of EVs.

Prior to the issuance of PMK-8, the MoF had already issued PMK-38[6] for the incentives given in April to December 2023, whereas PMK-9 and PMK-10 serve as implementing regulations of PR-55[7].

Under PMK-8 and PMK-9, the VAT/LST on the import/delivery of certain EVs will be "borne by the Government" from January to December 2024, whilst under PMK-10, the 0% Import Duty rate on the import of EVs will apply until 31 December 2025. These regulations are aimed at accelerating the transition away from the use of fossil fuels to electric energy and increasing the public interest in buying EVs.

1. VAT incentives for the delivery of certain EVs

Other than the applicable period which has now been extended to **January to December 2024**, the eligibility, facility, and other administrative requirements under PMK-8 remain the same as in PMK-38, which are summarised below.

VAT payable on the delivery of an EV 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 four-wheeled cars and/or buses with at least a 40% Domestic Component Level (*Tingkat Komponen Dalam Negeri/ TKDN,* i.e. components arising from domestic production); and
b) 5% of the selling price for buses with a minimum TKDN of between 20% and below 40%.

The eligible EVs 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.

The reporting and amendment of the Monthly VAT Return for the January to December 2024 period can be treated as a realisation report as long as it is submitted by 31 January 2025 at the latest.

[3] MoF Regulation No.8 Year 2024 (PMK-8) dated and effective from 15 February 2024
[4] MoF Regulation No.9 Year 2024 (PMK-9) dated and effective from 15 February 2024
[5] MoF Regulation No.10 Year 2024 (PMK-10) dated and effective from 15 February 2024
[6] MoF Regulation No.38 Year 2023 as lastly amended by MoF Regulation No.116 Year 2023 (PMK-38). Please refer to TaxFlash No.03/2023 and TaxFlash No.12/2023 for more details.
[7] Presidential Regulation No.55 Year 2019 as lastly amended by Presidential Regulation No.79 Year 2023 (PR-55)

2. LST incentives for the import/delivery of certain luxury EVs

a. Eligibility

PMK-9 stipulates that a VATable Entrepreneur (*Pengusaha Kena Pajak/PKP*) can be given LST incentives on:

- the import of certain Completely Built-Up ("CBU") four-wheeled EV; and/or
- the delivery of certain four-wheeled EVs produced on a Completely Knock Down ("CKD") basis in Indonesia with a minimum TKDN of between 20% and below 40%,

in a certain quantity as stipulated further in PMI-6[8].

Under PMI-6, the PKP must fulfil the following investment criteria:

- The company will build a four-wheeled EV manufacturing facility in Indonesia;
- The company must have invested in a manufacturing facility for four-wheeled internal combustion engine vehicles in Indonesia whose production will transition to four-wheeled EV, either wholly or partially; and/or
- The company must have invested in a four-wheeled EV manufacturing facility in Indonesia in order to introduce new products by increasing the production plan/capacity, not including diversification without increasing the production plan/capacity.

Fulfilment of the requirements is proven by a letter of approval for the use of the import/delivery of four-wheeled EV incentive issued by the Minister of Investment.

b. Facility

100% of the LST payable from **January – to December 2024** on import/delivery of certain luxury EV will be borne by the Government.

c. Other requirements

PMK-9 stipulates that fulfilment of the incentive period is proven by:

a) the date of registration of the import declaration (*Pemberitahuan Impor Barang/PIB*) documents, for imports of certain four-wheeled CBU EVs; or
b) the LST Invoice date, for the delivery of certain four-wheeled EVs.

The tax administrative requirements stipulated in PMK-9 are similar to those of the VAT incentives for the delivery of certain EVs. Other administrative requirements are also stipulated in PMI-6.

A PKP who imports/delivers such EVs is required to prepare a monthly realisation report and PIB documents/LST Invoices. Reporting and amendment of the Monthly LST Return on the import/delivery of certain luxury EVs for the January to December 2024 period can be treated as a realisation report as long as it is submitted by 31 January 2025 at the latest.

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

[8] Minister of Investment Regulation No.6 Year 2023 (PMI-6) dated 29 December 2023 and effective from 13 January 2024

3. Import Duty incentives for the import of EVs

a. Eligibility

PMK-10 stipulates that Import Duty incentives can be given on the import of EVs which fall under the classification of:

- Tariff post of 8703.80.17, 8703.80.18, and 8703.80.19; and
- Tariff post of 8703.80.97, 8703.80.98, and 8703.80.99.

On top of the above requirement, business players must also refer to the criteria and requirements stipulated in PMI-6 as elaborated in point 2 above. The Import Duty incentives will be given in a certain amount (quota) as determined by the Minister of Investment.

b. Facility

A 0% Import Duty rate will be given for the import of eligible EVs up to **31 December 2025**.

c. Other requirements

Importers must fulfil the following conditions to be able to enjoy the Import Duty incentives:

a) attach a letter of approval for the use of incentives on the import/ delivery of four-wheeled EVs issued by the Minister of Investment; and
b) include the facility code 87 on approval of the use of incentives for the import/delivery of four-wheeled EVs in the column for the fulfilment of import requirements/facilities,

in the PIB document.

This incentive can be enjoyed as long as the date of PIB registration does not exceed the expiration date of the approval letter as in letter a) above.

For the import of goods that are eligible to enjoy this incentive, the data elements in the PIB document are validated by the Indonesian National Single Window ("INSW") System, as stipulated in the Minister of Investment regulation. In the event that the validation results are:

- in accordance with provisions in PMK-10 and PMI-6, the INSW System deducts the quota for the imported goods; or
- not in accordance with provisions in PMK-10 and PMI-6, the INSW System returns the PIB document to the importer to be revised according to provisions in PMK-10 and PMI-6.

In the event that the deductions of the quota cannot be made by the INSW System, the Director General of Customs and Excise ("DGCE") officials will verify and deduct the quota manually via an integrated system. If the latter procedure also cannot be done, the DGCE officials will verify and deduct the quota manually.

The DGCE is entitled to impose Import Duty upon any failure to fulfil the above requirements.

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