TaxFlash

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VAT incentive for domestic flight tickets during the upcoming Christmas and New Year holidays

On 15 October 2025, the Minister of Finance (MoF) issued PMK-71[1] , providing a Value Added Tax (VAT) incentive in the form of partial VAT borne by the government on domestic flight services for the upcoming Christmas and New Year holidays.

This incentive applies only to economy class tickets for scheduled domestic flight services, for the following periods:

- ticket purchase period from 22 October 2025 to 10 January 2026; and
- travel period from 22 December 2025 to 10 January 2026.

Under normal circumstances, these tickets are subject to VAT at an effective rate of 11%, in accordance with the provisions set forth in PMK-131[2] . The VAT base includes all services provided by airline companies (e.g., base fare, fuel surcharge, and other costs paid by the passenger), excluding airport taxes.

1. MoF Regulation No.71 Year 2025 (PMK-71) dated and effective on 15 October 2025
2. MoF Regulation No.131 Year 2024 (PMK-131) dated 31 December 2024 and effective from 1 January 2025

The incentive under PMK-71 stipulates that the total 11% VAT will be:

- 5% borne by the service recipient (i.e., the passenger); and
- 6% borne by the government.

Airline companies utilising this facility are required to:

- issue VAT invoices for the 5% VAT portion; and
- submit a detailed list of VAT borne by the government electronically, no later than 30 April 2026.

The above VAT invoices and detailed list must be reported cumulatively in the relevant Monthly VAT Return.

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