

TaxFlash

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Extension of VAT incentives for landed houses and residential units for 2026

On 31 December 2025, the Minister of Finance (MoF) issued PMK-90¹ regarding Value Added Tax (VAT) incentives for landed houses and residential units. The Government has implemented this incentive since 2023 to maintain the sustainability of Indonesia's economic growth by stimulating people's purchasing power in the housing sector. PMK-90 extends the VAT incentive for landed houses and residential units to apply for VAT due in **January to December 2026**. The policy given under PMK-90 is similar to the previous PMK-13² and PMK-60³. Please refer to our [TaxFlash No. 05/2025](#) for a discussion on PMK-13 and [TaxFlash No. 13/2025](#) for a discussion on PMK-60.

Type of facility and facility period

The VAT due for eligible property will be 100% borne by the Government for all payments and properties handed over from 1 January 2026 to 31 December 2026.

Eligibility and requirements

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

- a. The highest selling price is IDR5 billion
- 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*/BAST) and on the VAT Invoice

¹ MoF Regulation No. 90 Year 2025 (PMK-90) dated on 31 December 2025 and effective from 1 January 2026

² MoF Regulation No. 13 Year 2025 (PMK-13) dated and effective from 4 February 2025

³ MoF Regulation No. 60 Year 2025 (PMK-60) dated and effective from 25 August 2025

- Are delivered first-hand by a developer in a ready-to-use condition and have never been handed over previously

PMK-90 stipulates that BAST must also contain the selling price of landed houses and residential units, on top of other information as stipulated in the previous regulations. As with previous regulations, the incentive can only be used once on one eligible property per individual. An individual who has utilised similar VAT incentives for property prior to this regulation can still also utilise this incentive under PMK-90 for a different eligible property.

This PMK also stipulates that if an individual buys landed houses/residential units prior to 1 January 2026 but cancels the transaction, the individual will not be able to enjoy the VAT incentives according to the provisions in PMK-90 for the same landed houses/residential units. If the individual utilises this incentive on the cancelled transaction, the Tax Office can collect the VAT payable, although the mechanism is not specified in the regulation.

Administration

The VAT Invoice for the portion that is not eligible for the VAT borne by the government facility will use the transaction code of 04 instead of 01 following the new VAT rule.

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

Extension of Article 21 Income Tax borne by the government facility for 2026

On 31 December 2025, the MoF issued MoF Regulation No. PMK-105⁴ regarding Article 21 Income Tax on Certain Income Borne by the Government as Part of the 2026 Economic Stimulus to extend the same programme implemented in 2025 under PMK-10⁵ and PMK-72⁶. For more details, please refer to [Tax Flash No.05/2025](#) for PMK-10 and [Tax Flash No. 15/2025](#) for PMK-72.

Under PMK-105, the facility of Article 21 Income Tax borne by the Government will be valid for the period of **January to December 2026**.

The facility applies only to certain employees of specific employers engaged in designated business activities and holding a main Business Field Classification Code (*Klasifikasi Lapangan Usaha/KLU*) as listed in Appendix A of PMK-105.

Additionally, PMK-105 specifies that the KLU must be registered in the Directorate General of Taxes (DGT) database as of:

- 1 January 2026 – for taxpayers registered before this date
- The employer's registration date – for taxpayers newly registered

The eligibility criteria, requirements, and administration procedures for industries stipulated in PMK-105 remain unchanged from the previous regulations.

⁴ MoF Regulation No.105 Year 2025 (PMK-105) dated and effective from 31 December 2025.

⁵ MoF Regulation No.10 Year 2025 (PMK-10) dated and effective from 4 February 2025.

⁶ MoF Regulation No.72 Year 2025 (PMK-72) dated and effective from 28 October 2025.

Update on Income Tax treatment of aid, donations, and grants

On 31 December 2025, the MoF issued Regulation No. PMK-114⁷ regarding the Income Tax treatment of aid, donations, including *zakat* or other religious donations and grants.

In general, PMK-114 revokes and consolidates several MoF regulations (namely PMK-245⁸, PMK-254⁹, PMK-76¹⁰, and PMK-90¹¹) as well as incorporates the provisions regulated under existing relevant government regulations, into a single regulation, to ensure consistency and alignment. Whilst most of the content is adopting the rules under the previous regulations, there are some noteworthy elaborations or changes as set out below.

1. Donation in the form of development costs of social infrastructure

Donation in the form of social infrastructure development costs are deductible from gross income. This cost refers to construction costs incurred to build facilities and infrastructure intended for public benefit and operated on a non-profit basis. PMK-114 further specifies that this construction costs also include renovation, restoration, and rehabilitation activities.

2. *Zakat* or other religious donations

- a. *Zakat* or other religious donations made by corporate taxpayers
Zakat or other religious donations with certain requirements are deductible. As it relates to religion, this is generally carried out by individuals. This PMK confirms that *zakat* or other religious donations paid by domestic corporate taxpayers is also deductible as long as the corporation are wholly or partially owned, either directly or indirectly, by adherents of religions recognized in Indonesia.
- b. *Zakat* or religious donations cannot cause fiscal loss
The payment of *zakat* or religious donations cannot cause fiscal loss in the tax year in which the *zakat* or religious donation is paid. If such payment causes a fiscal loss, the deductible amount is limited to the portion that does not create a loss in the relevant tax year.
- c. Value determination of *zakat* or religious donations in-kinds
Zakat or religious donations deductible from gross income may be paid or given in the form of money or in-kinds. PMK-114 stipulates that the value of such in-kinds originating from self-produced goods is determined based on the Cost of Goods Sold. This is consistent with the treatment of other types of donations.

7 MoF Regulation No. 114 Year 2025 (PMK-114) dated and effective from 31 December 2025.

8 MoF Regulation No. 245 /PMK.03/2008 (PMK-245) dated 31 December 2008 and effective from 1 January 2009.

9 MoF Regulation No. 254/PMK.03/2010 (PMK-254) dated and effective from 28 December 2010.

10 MoF Regulation No. 76/PMK.03/2011 (PMK-76) dated 5 April 2011 and effective starting from the 2010 Fiscal Year.

11 MoF Regulation No. 90/PMK.03/2020 (PMK-90) dated and effective from 21 July 2020.

d. *Zakat* or religious donations with employment relationship

This PMK clarifies that if there is an employment relationship between the payor and the recipient, *zakat* or other religious donations remain exempt from Income Tax as long as the recipient is a *zakat* or other religious donation collection and management agency that is established or authorised by the Government.

3. Acquisition value for recipient under a qualifying condition where the donor/grantor is not required to conduct bookkeeping

Under the Income Tax Law, assets received from aid, donation, or grants that qualify for Income Tax exemption must be recorded by the recipient using the remaining fiscal book value. However, if the donor/grantor is not required to maintain bookkeeping, the value is determined by the DGT.

PMK-114 stipulates that in the latter situation where the donor/grantor is not required to maintain bookkeeping, the acquisition value for the recipient is the acquisition cost of the asset by the donor/grantor.

This has changed from provisions under the revoked PMK-90 stipulating that in the case where the donor/grantor is not required to maintain bookkeeping, the acquisition value for the recipient is official value for Land and Building (L&B) asset or the market value of non-L&B asset, at the time of transfer.

However, the provision under PMK-114 is partially similar to the provisions of KEP-11¹² stipulating that in the case where the donor/grantor is not required to maintain bookkeeping, the acquisition value for the recipient is:

- If the acquisition cost is known - the acquisition cost of the asset by the donor/grantor
- If the acquisition cost is unknown:
 - Oldest official value available for L&B asset
 - 60% of the market value at the time of transfer for non-L&B asset

4. Assets received through aid, donations, or grants can no longer be depreciated/amortised for tax purposes

Under PMK-114, depreciation or amortisation expenses on assets received through aid, donations, or grants are no longer tax deductible. This marks a change from the provisions under PMK-90, which allowed such expenses to be recognised through depreciation or amortisation for assets with a useful life of more than one year. Under the transitional provisions, the depreciation/amortisation of assets received prior to the effective date of this PMK, is no longer deductible starting 31 December 2025.

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