



Indonesia Tax Info

Updates on Taxable Luxury Goods in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods ("LST")

Government Regulation Number 73 Year 2019 ("GR-73") on Taxable Luxury Goods in the Form of Motor Vehicles Subject to Sales Tax on Luxury Goods shall come into force two years after its enactment. GR-73 revokes the previous regulations, i.e. GR Number 41 Year 2013 ("GR-41") and GR Number 22 Year 2014 ("GR-22").

Through GR-73, the Government has changed the basis of LST rate on motor vehicles. Previously, the Government set LST rates solely based on the vehicle types and cylinder filling capacity. The Government is also adding the indicators for determining LST rates in the form of fuel consumption and emission level. This means that less environmental-friendly vehicles, i.e., higher level of fuel consumption and emissions released by the vehicles, the LST rates shall be higher.

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GR-73 also provides further LST incentive mechanism for motor vehicles included in the program of Low Cost Green Car (LCGC) vehicles, four-wheeled motor vehicle that uses Full and/or Mild Hybrid Technology, four-wheeled motor vehicle that uses Flexy Engine Technology (Biofuel 100), and four-wheeled motor vehicle that uses Plug-In Hybrid Electric, Electric Battery, or Fuel Cell Electric Vehicle Technology. Such incentive has been already in accordance with Presidential Regulation No. 55 Year 2019, whereas fiscal incentives are provided by the Government to accelerate the implementation of Electric Motor Vehicle program. This incentives are valid for 10 (ten) years from the enactment of this GR-73.

In summary, the key changes of LST rates under GR-73 are as follows:

Motor Vehicle Category	LST Rates
Motor vehicle for carrying less than 10 (ten) persons	<ul style="list-style-type: none"> • 15%-40% LST (depending on fuel efficiency and emission level) applied to motor vehicle with engine capacity up to 3,000 cc • 40%-70% LST (depending on fuel efficiency and emission level) applied to motor vehicle with engine capacity of 3,000 cc – 4000 cc • 15% LST applied to motor vehicle running only on electric motor system
Motor vehicle for carrying 10 (ten) up to 15 (fifteen) persons	<ul style="list-style-type: none"> • 15%-20% LST (depending on fuel efficiency and emission level) applied to motor vehicle with engine capacity up to 3,000 cc • 25%-30% LST (depending on fuel efficiency and emission level) applied to motor vehicle with engine capacity of 3,000 cc – 4,000 cc • 15% LST applied to motor vehicle running only on electric motor system
Four-wheeled motor vehicle with double cabin	<ul style="list-style-type: none"> • 10%-15% LST (depending on fuel efficiency and emission level) applied to motor vehicle with double cabin with engine capacity up to 3,000 cc • 20%-30% LST (depending on fuel efficiency and emission level) applied to motor cycle with double cabin with engine capacity of 3,000-4,000 cc • 10% LST applied to motor vehicle with double cabin running only on electric motor system
Four-wheeled motor vehicles with low carbon emission	<ul style="list-style-type: none"> • 15% LST on Tax Base of 20% of selling price applied to motor vehicles included under the program of Low Cost Green Car (LCGC) vehicles • 15% LST on Tax Base of 13,33%-80% of selling price (depending on the type of fuel, fuel efficiency and emission level) applied to four-wheeled motor vehicle using Full Hybrid and/or Mild Hybrid technology with engine capacity up to 3,000 cc • 20%-30% LST (depending on the type of fuel, fuel efficiency and emission level) applied to four-wheeled motor vehicle using Full Hybrid and/or Mild Hybrid technology with engine capacity of 3,000 cc up to 4,000 cc • 15% LST on Tax Base of 53,33% of selling price applied to four-wheeled motor vehicle using Flexy Engine technology (<i>Biofuel 100</i>) • 15% LST on Tax Base of 0% of selling price applied to four-wheeled motor vehicle using Plug-In Hybrid Electric, Electric Battery, or Fuel Cell Electric Vehicle technology
Others	<ul style="list-style-type: none"> • 95% LST applied to: <ol style="list-style-type: none"> a. motor vehicle with engine capacity exceeding 4,000 cc; b. two or three-wheeled motor vehicle with engine capacity exceeding 500 cc; or c. trailer and semi-trailer of caravan type for housing or camping.
Validity of LST exemption on certain motor vehicles	reduced from five years to four years, as long as it meets requirements in accordance with the applicable provisions

With the issuance of GR-73, the Government intends to prioritize the use of environmental-friendly vehicles that will entice investment in the associated industries, such as the electric motor vehicle industry and other industries related to electric motor vehicles.

Updates on Requirement to Report Information on Foreign Customers

Financial Services Authority (“**OJK**”) has issued Regulation Number 25/POJK.03/2019 concerning Reporting of Information on Foreign Customers related to Taxation to Country Partners or Jurisdictions Partner to revoke the previous regulations, which are:

1. POJK No. 25/POJK.03/2015 concerning Reporting of Information on Foreign Customers related to Taxation to Partner States or Partner Jurisdictions; and
2. SEOJK No. 16/seojk.03/2017 concerning Reporting of Information on Foreign Customers related to Taxation for International Automatic Information Exchange with Common Reporting Standard.

This regulation supports the implementation of automatic exchange of financial information (“**AEOI**”) by Financial Services Institutions (“**LJK**”) in banking, capital market, and insurance sector. LJK submits information on foreign customers to the Directorate General of Taxation (“**DGT**”) through the OJK.

The detailed changes from previous regulation are described in the table below:

No.	Description	POJK No. 25/POJK.03/2015	POJK No. 25/POJK.03/2019
1	Reporting detail	Detailed explanation in SEOJK No. 16/seojk.03/2017	Detail is available in the POJK
2	LJK category	Not particularly described	Consist of: a. LJK in banking sector: 1. Commercial Bank; 2. Rural Bank; and 3. Sharia-based Bank; b. LJK in capital market sector: 1. Stock Company; and 2. Custodian Bank; c. LJK in insurance sector: 1. Life Insurance Company and Sharia-based Life Insurance Company; and 2. General Insurance Company and Sharia-based General Insurance Company.
3	Reporting mechanism	- Through OJK - Directly to Tax Office	Through online channel by registering in order to obtain access rights to Foreign Customer Information Reporting System (SiPINA) from OJK
4	LJK obligations	Required to submit information concerning account having minimum balance or amount in accordance with AEOI agreement.	To submit the report containing financial information prepared under the provisions of international agreement for all financial accounts identified as required to be reported to Indonesian taxation authority
5	Person-in-charge	Not particularly described	1. 1 (one) person-in-charge for reporting; and 2. Person-in-charge may appoint 1 (one) officer with obligation only to submit the report as needed.

Reporting LJK shall include:

- a. LJK in banking sector:
 - 1) Commercial Bank (including Sharia-based Bank);
 - 2) Rural Bank; and
 - 3) Sharia-based Rural Bank;
- b. LJK in capital market sector:
 - 1) Stock Company; and
 - 2) Custodian Bank;
- c. LJK in insurance sector:
 - 1) Life Insurance Company and Sharia-based Life Insurance Company; and
 - 2) General Insurance Company and Sharia-based General Insurance Company.

The reported financial information shall include the identity of financial account holder, number of financial account, identity of Reporting LJK, balance or amount in financial account, and income related to financial account of LJK's individual or corporate customers with certain criteria as governed in the AEOI Agreement.

The reported financial information shall be submitted through online channel using Foreign Customer Information Reporting System (SiPINA) no later than 60 (sixty) days AEOI Agreement deadline to exchange financial information between the Indonesian Government and government of Country Partners/Jurisdictions Partner. For example the deadline is 30 September annually, for financial information ended 31 December 2019, the latest submission date is 1 August 2020.

This regulation came into force on 16 October 2019.

Customs Focus

Updates on Provisions of Completely Produced Excisable Goods Declaration

Minister of Finance ("MoF") has issued PMK No. 134/PMK.04/2019 ("**PMK-134**") as amendment to PMK No. 94/PMK.04/2016 ("**PMK-94**") concerning Completely Produced Excisable Goods. "Completely Produced Excisable Goods" is defined as the time when the goods are completely produced with the intention for consumption. This is essential because imposition of excise shall apply for excisable goods produced in Indonesia when they are completely produced.

The amendment has an objective to provide leniency for entrepreneurs who produce Sliced Tobacco. *By changing the prerequisite of excisable Sliced Tobacco into when the products is completely produced and packaged, the Sliced Tobacco that is sold before packaging (finished sliced tobacco that could be rolled individually by its buyer) will not be excisable. By this regulation, the Sliced Tobacco is expected to be an alternative for ready-made cigarette.*

The detailed changes from previous regulation is described in the table below:

Description of Changes	PMK No. 94/PMK.04/2016 (Previous Regulation)	PMK No. 134/PMK.04/2019 (New Regulation)
Determination of time when Sliced Tobacco products are completely produced with intention for consumption	When the tobacco leaves are already chopped during manufacturing process, regardless of substitute or auxiliary products used for the manufacturing process.	When the tobacco leaves are already chopped during manufacturing process and packaged for retail sales, regardless of substitute or auxiliary products used for the manufacturing process.
Obligation to declare excisable goods in form of Sliced Tobacco products that are completely produced	Applied for tobacco products in form of Sliced Tobacco used as raw material by other entrepreneurs for manufacturing of finished goods that constitute excisable goods, in the event the tobacco products in form of Sliced Tobacco has been packaged.	Deleted

PMK-134 effectively came into force on 19 September 2019.

Exemption or Facility of Import Duty and/or Exemption of Value Added Tax on Goods Import by Coal Mining Entrepreneur

MoF revokes PMK No. 259/PMK.04/2016 by issuance of PMK No. 116/PMK.04/2019 concerning Exemption or Facility of Import Duty (BM) and/or Exemption of Value Added Tax (VAT) on Goods Import in the context of Contract of Work (CoW) or Coal Mining Business Agreement (*Perjanjian Karya Pengusahaan Pertambangan Batubara*/"**PKP2B**").

The Contractor shall be exempted or provided with BM facility and/or exempted from VAT if they meet the following requirements:

- PKP2B contractors with contract signed before 1990;
- Stipulating the provisions on grant of BM exemption or facility;
- Stipulating or not stipulating the provisions on period of BM exemption or facility; and
- The imported goods are owned by the State.

Transfer and removal of imported goods shall be valid for 2 (two) years since the date of Import Declaration, subject to approval from Head of Customs Office. The transfer of imported goods shall incur BM payable, which is different with removal or re-export activity that are exempted from BM and/or VAT payable. However, the imported goods that retain their economic value after removal shall remain having BM and VAT payable. Contractors who performed the transfer or removal shall be required to submit Realization Report for the transfer or removal to the authorized Head of Customs Office for the location where the goods are transferred or removed. This regulation shall apply 60 (sixty) days since it is stipulated on 13 August 2019.

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