



INFORMATION

Updates on Value Added Tax (VAT) Incentives in Indonesia Based on the Ministry of Finance Regulation No. 38 Year 2023, Effective to December 2023

The Ministry of Finance issued Regulation No. 38 Year 2023, which regulates the government's incentive on Value Added Tax (Pajak Pertambahan Nilai/VAT) upon the purchase of four-wheeler and bus Electric Vehicles (Kendaraan Listrik/EV) meeting the required Domestic Component Level (Tingkat Komponen Dalam Negeri/TKDN) standard on 28 March 2023. This regulation aims to raise EV purchases and therefore accelerate the country's transition towards a sustainable economy and transportation. Government's VAT incentive is valid between the tax period of **April - December 2023** and is effective from April 1, 2023.

Previously, the Indonesian government had issued Presidential Regulation No. 55 Year 2019 on Battery Electric Vehicle for Road Transportation. This regulation is set to creating incentive measures on EVs to accelerate the government's bid towards an economic transition based on clean energy. This regulation also emphasized the fulfillment of TKDN in the EV industry and future policy-making.

Currently, Regulation No. 38 Year 2023 was issued as one of many governments' attempts to accelerate the country's transition towards a sustainable economy, especially in the transportation sector. The VAT incentives are hoped to ignite Indonesians' interest to purchase EVs, resulting in the building of more EV-based infrastructures that would support the increasing demand from the domestic market. The utilization of the TKDN standard would also provide support for domestic business actors to contribute and benefit from the economic transition, as local EV products get significant boosts to expand their market and keep up with the global EV market.

VAT incentives are eligible for individuals and companies purchasing as follows:

- (1) EV four-wheelers and buses that fulfill $\geq 40\%$ TKDN, will receive a 10% incentive on VAT and are subject to 1% of VAT; and
- (2) EV buses that fulfill $20\% \leq \text{TKDN} < 40\%$, will receive a 5% incentive on VAT and are subject to 6% of VAT.

Reference:

- The Ministry of Finance Regulation No. 38 Year 2023

If you require the copy of this regulation, please do not hesitate to contact research@ibai.or.id
Thank you for your attention and we hope this information would be valuable to you.

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