



## Client Alert March 2024

### Update Regulation on Battery Electric Vehicle

#### **Presidential Regulation Number 79 of 2023 on the Amendments to Presidential Regulation Number 55 of 2019 pertaining to Acceleration of The Battery-Based Electric Motorized Vehicle Program for Road Transportation (“PR 79/2023”)**

##### **Background**

In principle, PR 79/2023 was issued to promote Domestic Component Levels (*Tingkat Komponen Dalam Negeri* – “TKDN”) and provide incentives for the import of Battery-Based Electric Motorized Vehicles (“**Battery-Based EMVs**”) for Completely Built-Up (“**CBU**”) vehicles. Regulations regarding Battery-Based EMVs have previously been regulated in Presidential Regulation Number 55 of 2019 on the Acceleration of the Battery-Based Electric Motorized Vehicle Program for Road Transportation (“**PR 55/2019**”). PR 79/2023 is an amendment or alteration to PR 55/2019 which has been in effect as of 8 December 2023.

Several crucial points regarding the amendment to PR 55/2019 which are regulated in PR 79/2023 include, among others, regulations regarding new Battery-Based EMVs and/or Battery-Based EMVs that are converted from fuel-powered vehicles into Battery-Based EMVs by certified conversion workshops (“**Converted Battery-Based EMV**”).

Please note that PR 55/2019 previously only regulated two types of EMV, namely (i) two-wheeled and/or three-wheeled EMV; and (ii) EMV with four or more wheels.

The salient points covered under this Client Alert in connection with PR 79/2023, will include the following:



**Overview**

**I. Adjustment of TKDN Fulfillment Period**

The TKDN Fulfillment Period has been regulated earlier under PR 55/2019, however PR 79/2023 has adjusted the period of the TKDN fulfillment on Battery-Based EMV to accelerate the development of domestic Battery-Based EMV, as follows:

| Type of Battery-Based EMV                 | Minimum Value of TKDN    | Applicable Period Under PR 55/2019                            | Applicable Period Under PR 79/2023                            |
|---|--------------------------|---|---|
| Battery-Based EMV for four or more wheels | 35%<br>40%<br>60%<br>80% | 2019-2021<br>2022-2023<br>2024-2029<br>2030 and going forward | 2019-2021<br>2022-2026<br>2027-2029<br>2030 and going forward |
| Battery-Based EMV for two or three wheels | 40%<br>60%<br>80%        | 2019-2023<br>2024-2025<br>2026 and going forward              | 2019-2026<br>2027-2029<br>2030 and going forward              |

PR 79/2023 emphasizes that the compliance upon TKDN as outlined in the table above will exclude converted Battery-Based EMV.<sup>1</sup>

**II. Importation of CBU Battery-Based EMV**

Importation of CBU Battery-Based EMV can only be carried out in limited quantities until the end of 2025 by prioritizing the following aspects after obtaining approval for the Battery-Based EMV facility which has been issued beforehand by the Minister of Industry.<sup>2</sup>

<sup>1</sup> Article 8 paragraph (2) of PR 79/2023  
<sup>2</sup> Article 12 paragraph (2) of PR 79/2023



There are expansions in the Importation Criteria for CBU Battery-Based EMV, namely as follows:

| <b>No.</b> | <b>Importation Criteria for CBU-Battery Based EMV Under PR 55/2019<sup>3</sup></b> | <b>Importation Criteria for CBU-Battery Based EMV Under PR 79/2023<sup>4</sup></b>                             |
|------------|--|--|
| 1.         | Process of building a Battery-Based EMV manufacturing facility.                    | Process of building a Battery-Based EMV manufacturing facility.  |
| 2.         |  | Investing in domestic Battery-Based EMV manufacturing facilities in the context of introducing new products.   |
| 3.         |  | Process of increasing the production capacity of Battery-Based EMV in the context of introducing new products. |

**III. Replenishment Infrastructure**

While PR 55/2019 mentions only the ease of Public Electric Vehicle Charging Stations (*Stasiun Pengisian Kendaraan Listrik Umum – "SPKLU"*) development, PR 79/2023 also includes Exchange Stations for Public Electric Vehicle Batteries (*Stasiun Penukaran Baterai Kendaraan Listrik Umum – "SPBKLU"*) in the classification of available Battery-Based EMV recharging infrastructure. Therefore, SPBKLU is entitled to installation and construction facilities.<sup>5</sup>

**IV. Incentive Adjustment**

The type of incentive(s) being granted as stipulated under PR 79/2023 are sets out in the following:<sup>6</sup>

- a. Companies that import CBU Battery-Based EMV**
  - Import duty incentives for the importation of CBU Battery-Based EMV **or** import duty incentives borne by the government for the importation of CBU Battery-Based EMV;
  - Luxury goods sales tax incentives for CBU Battery-Based EMV **or** government-borne luxury goods sales tax incentives for CBU Battery-Based EMV; **and/or**
  - Regional tax exemption or deduction incentives for CBU Battery-Based EMV.
  
- b. Companies that carry-out assembly of Domestic Battery-Based EMV up to the end of 2025**
  - Import duty incentives for the importation of domestically produced Battery-Based EMV **or** government-borne import duty incentives for the importation of domestically produced Battery-Based EMV;
  - Luxury goods sales tax incentives for domestically produced Battery-Based EMV **or** sales tax incentives **or** government-borne luxury goods sales tax incentives for domestically produced Battery-Based EMV;

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<sup>3</sup> Article 12 of PR 55/2019  
<sup>4</sup> Article 12 of PR 79/2023  
<sup>5</sup> Article 26 paragraph (1) and paragraph (3) of PR 79/2023  
<sup>6</sup> Article 19A of PR 79/2023

- Regional tax exemption **or** deduction incentives for Completely Knocked Down (CKD) Battery-Based EMV which are produced domestically;
- Import duty incentives for the importation of machinery, goods, and materials for investment; **and/or**
- Import duty incentives for the importation of used raw materials **and/or** auxiliary materials for the production process.

Following requirements need to be met by the companies before the incentives could be granted:<sup>7</sup>

1. Committed to producing Battery-Based EMV domestically in certain quantities and within the period determined in accordance with the applicable TKDN; and
2. Oblige to deposit an amount of collateral equivalent to the amount of the incentive being granted.

Failure to meet the commitment outlined in point (1) above will be financially sanctioned equal to the incentives provided as well as the unfulfilled production level.<sup>8</sup>

## Key Takeaways

1. Importation of CBU Battery-Based EMV can only be carried out in limited quantities until the end of 2025 by prioritizing the following aspects after obtaining approval for the Battery-Based EMV facility which has been issued beforehand by the Minister of Industry.
  - (i) Realization of Battery-Based EMV Development;
  - (ii) Battery-Based EMV Investment; and
  - (iii) Increased Production Levels of Battery-Based EMV.

There are expansions in the Importation Criteria for CBU Battery-Based EMV (Under PR 79/2023), namely as follows: (i) process of building a Battery-Based EMV manufacturing facility; (ii) investing in domestic Battery-Based EMV manufacturing facilities in the context of introducing new products; (iii) process of increasing the production capacity of Battery-Based EMV in the context of introducing new products.

2. Incentives adjustment on import duties and related matters are granted to (i) Companies that import CBU Battery-Based EMV; and (ii) Companies that carry-out assembly of Domestic Battery-Based EMV up to the end of 2025, subject to the following requirements:
  - (i) Committed to producing Battery-Based EMV domestically in certain quantities and within the period determined in accordance with the applicable TKDN; and
  - (ii) Oblige to deposit an amount of collateral equivalent to the amount of the incentive being granted.

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<sup>7</sup> Article 19A paragraph (3) of PR 79/2023

<sup>8</sup> Article 19A paragraph (4) of PR 79/2023

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