



## Indonesia Tax Alert January 2025

### VAT rate increases to 12% as from 1 January 2025

On 31 December 2024, Indonesia’s Minister of Finance (MoF) issued Regulation Number 131 (PMK-131) to address concerns regarding an increased financial burden on consumers, following the VAT rate increase from 11% to 12% mandated under the Law on Harmonization of Tax Regulations (*Undang-Undang Harmonisasi Peraturan Perpajakan* (UU HPP)) (please refer to [Tax Info October 2021](#) and [Tax Alert November 2021](#)). This is followed by the issuance of Regulation Number 1/PJ/2025 (PER-1) by the Directorate General of Taxes (DGT) on 3 January 2025 as the implementing regulation of PMK-131. Neither regulation revokes any existing regulations; hence, those related to VAT invoices, such as DGT Regulation Number PER-03/PJ/2022 as amended by PER-11/PJ/2022, remain valid (please refer to [Tax Alert April 2022](#) and [Tax Info August 2022](#)).

PMK-131, which came into effect as from 1 January 2025, confirms that the VAT rate is 12% as from this date. However, to ease the financial burden on end consumers, the VAT imposition base is subject to an adjustment that may result in a different effective VAT rate, as provided in the following table:

Type of VAT-able entrepreneur ( <i>pengusaha kena pajak (PKP)</i> ) or taxable transaction	VAT calculation	Effective VAT rate	Treatment of input VAT	VAT invoice transaction code
<ul style="list-style-type: none"> <li>Imports of taxable tangible luxury goods; and</li> <li>Deliveries of taxable tangible luxury goods within the Indonesian customs area</li> </ul>	12% of the VAT imposition base  The VAT imposition base is: <ul style="list-style-type: none"> <li>The selling price; or</li> <li>The import value</li> </ul>	12%	Creditable	01
<ul style="list-style-type: none"> <li>Imports of taxable tangible nonluxury goods;</li> <li>Deliveries of taxable tangible nonluxury goods within the Indonesian customs area;</li> <li>Deliveries of taxable services; and</li> <li>Use of offshore taxable intangible goods and/or offshore taxable services within the Indonesian customs area</li> </ul>	12% of the special VAT imposition base ( <i>dasar pengenaan pajak berupa nilai lain</i> )  The special VAT imposition base is eleven-twelfths (11/12) of the import value, selling price, or compensation value	11%	Creditable	04
PKP that, under the existing tax regulations, deliver taxable goods and/or taxable services and calculate the VAT payable: <ul style="list-style-type: none"> <li>By using the special VAT imposition base; or</li> <li>Under the final VAT mechanism (<i>menggunakan besaran tertentu untuk memungut dan menyetorkan PPN</i>)</li> </ul>	No change			

Following the examples provided in PER-1, if a transaction qualifies for another VAT transaction code, it should use that other transaction code rather than the code specified in the table above.

PMK-131 does not refer to specific regulations to define the list of taxable tangible luxury goods; however, on 2 January 2025, the DGT issued a media briefing on PMK-131 confirming that the list of luxury goods is as provided in MoF Regulation Number 141/PMK.010/2021, as amended by Regulation Number 42/PMK.010/2022 (please refer to [Tax Info November 2021](#)) and in MoF Regulation Number 96/PMK.03/2021, as amended by Regulation Number 15/PMK.03/2023 (please refer to [Tax Info September 2021](#)). The DGT has also issued a frequently asked questions (FAQs) document regarding PMK-131.

PMK-131 provides transitional measures for deliveries of taxable luxury goods to recipients with end-consumer characteristics, as follows:

- For deliveries as from 1 January 2025 through 31 January 2025, the VAT is calculated as 12% of the special VAT imposition base (11/12 of the selling price) with certain exceptions; and
- For deliveries as from 1 February 2025, the VAT is calculated as 12% of the selling price.

Additionally, PER-1 provides a three-month grace period for VAT invoice system adjustments from 1 January 2025 through 31 March 2025, during which VAT invoices that show the full import value, selling price, or compensation value, and a VAT rate of 11% would still be considered to meet the requirements for a valid VAT invoice, as long as other requirements are met. For any excess VAT collected during the grace period due to issues with the VAT calculation base, the VAT invoice recipient may request a refund from the VAT invoice issuer, which is obliged to amend the VAT invoice accordingly. The same concept also applies to documents treated as being equivalent to VAT invoices.

### **Deloitte Indonesia comments**

The beginning of 2025 has brought significant developments for stakeholders in Indonesia's tax system, with the launch of Coretax implementation and the increase in the VAT rate. As PMK-131 and PER-1 affect all PKP, it is advisable for stakeholders to familiarize themselves with the regulation, stay updated on any developments, and consider making adjustments to their VAT system to align with these updates.

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