



Indonesia Tax Info April 2023

New VAT facility introduced for battery-based electric vehicles

On 29 March 2023, the Indonesian Minister of Finance (MoF) issued Regulation Number 38 of 2023 (PMK-38) which provides a VAT incentive program for battery-based electric vehicles (*Kendaraan Bermotor Listrik Berbasis Baterai* or BEVs). Under this incentive, a portion of VAT due on the sale of certain qualifying electric four-wheeled vehicles and electric buses will be borne by the government between April and December 2023. PMK-38 is intended to encourage the transition from fossil fuel to electric energy usage and increase public interest in buying BEVs.

In this issue:

1. [New VAT facility introduced for battery-based electric vehicles](#)
2. [Further guidance issued on VAT treatment of delivery of foreclosed collateral](#)

Customs Focus:

3. [Procedures for submitting certificates of origin and/or origin declarations in relation to import duty tariffs imposed on international treaties-based imported goods](#)

In general, deliveries of vehicles are subject to VAT at a rate of 11% (to be increased to 12% by 2025). Under PMK-38, deliveries of BEVs may be eligible for the VAT borne by the government facility if the BEVs are newly registered and meet the domestic content requirement (i.e., a certain percentage of components used to build the vehicle are produced domestically), as summarized in the table below:

Type of BEVs	Domestic content	Portion of VAT borne by the government
Four-wheeled vehicles	Minimum 40%	10% of the selling price
Buses	Minimum 40%	10% of the selling price
	Minimum 20% but less than 40%	5% of the selling price

For deliveries of BEVs on which part of the VAT payable is borne by the government, the seller must issue two VAT invoices: one using the transaction code "01" for the portion of VAT that is not borne by the government and the other using the transaction code "07" for the portion of VAT that is borne by the government. To qualify for the facility, the VAT invoices must contain certain information required by PMK-38.

All VAT invoices issued for delivery of BEVs that are subject to this VAT facility must be reported in a facility realization report. Reports and amendments to the monthly VAT returns for the deliveries of BEVs for the fiscal periods of April up to December 2023 will be treated as the facility realization reports provided they are submitted by 31 January 2024.

VAT that has been borne by the government must be repaid if the tax authorities discover that the BEVs sold should not have qualified for the facility, the VAT period is not between April and December 2023, and/or the requirements related to VAT invoices or VAT returns are not met.

Further guidance issued on VAT treatment of delivery of foreclosed collateral

In Indonesia, VAT treatment of the delivery of taxable goods that are used as collateral was not clearly regulated until the issuance of Government Regulation Number 44 (PP-44) on 2 December 2022 (please refer to [Tax Info January 2023](#)). Under PP-44, when a taxable good held as a collateral is sold by the creditor, the transaction is subject to VAT. MoF Regulation Number 41 of 2023 (PMK-41) issued on 13 April 2023 provides further guidance on the imposition, settlement, and reporting of the VAT arising from these transactions. PMK-41 comes into effect as from 1 May 2023.

Relevant parties

Relevant parties, include:

- Debtor: A party that obtains a loan or financing under the financial sector's prevailing regulations;
- Creditor: A financial institution that provides a loan or financing under the financial sector's prevailing regulations; and
- Buyer: An individual or entity (other than the creditor) that purchases a foreclosed collateral from a creditor, either through an auction or other means.

Overview of the provisions of PMK-41

In line with the relevant provision in PP-44, when a taxable good is used as loan collateral (including under certain sharia financing schemes), it is not subject to VAT. However, if the debtor defaults on the loan and the taxable good held as collateral is sold by the creditor, the transaction will be subject to VAT using the final VAT mechanism (*menggunakan besaran tertentu untuk memungut dan menyetor PPN*). The applicable final VAT rate is 10% x the standard VAT rate (or an effective VAT rate of 1.1% by using the current standard VAT rate of 11%). The VAT imposition base will be the selling price of the foreclosed collateral.

The creditor must collect the VAT through issuance of a VAT invoice when the buyer pays for the foreclosed collateral. An invoice or other similar document will be treated as equivalent to a VAT invoice if it contains, at the minimum, the following information:

- Document number and date;
- Creditor's name and tax identification number (*Nomor Pokok Wajib Pajak (NPWP)*);
- Debtor's name and NPWP or national identification number (*Nomor Induk Kependudukan (NIK)*);
- Buyer's name and NPWP or NIK;
- Description of the foreclosed collateral (including certain prescribed information if the collateral is in the form of land and/or buildings);
- VAT imposition base; and
- Amount of VAT being collected.

The creditor must settle the VAT collected to the State Treasury by the end of the following month but prior to the submission of VAT return, and report the VAT collected in its VAT return.

Any input VAT related to the delivery of foreclosed collateral is not creditable by the creditor. However, the VAT invoice issued by the creditor in relation to the delivery of foreclosed collateral is creditable by the buyer.

Customs Focus

Procedures for submitting certificates of origin and/or origin declarations in relation to import duty tariffs imposed on international treaties-based imported goods

In March 2023, MoF issued Regulation Number 35 of 2023 (PMK-35) in relation to the procedures for submission of certificate of origin (COO) and/or origin declaration (*Deklarasi Asal Barang* (DAB)). PMK-35 of 2023 refines the previous Regulation of Minister of Finance Number 45 of 2020 (PMK-45).

PMK-45 was previously issued to tackle the issues on submission of COO and/or DAB, due to the delay in their issuance and delivery process by partner countries due to the COVID-19 pandemic. Through PMK-35, the MoF establishes a more flexible COO and/or DAB submission mechanism that can also apply in non-COVID-19 pandemic situation. The comparison of PMK-45 and PMK-35 is provided as follows:

Under PMK-35, the timeline for submission of COO and/or DAB is shortened from 30 days to 1-5 days.

PMK-45 of 2020 (International Agreement during COVID-19)	PMK-35 of 2023
<ul style="list-style-type: none"> • Mechanism for submission of COO and/or DAB: <ul style="list-style-type: none"> - The color scan of or downloaded COO and/or DAB document shall be submitted first, followed by the mandatory submission of the original COO and/or DAB document. • When the COO and/or DAB should be submitted to the Customs Office: <ul style="list-style-type: none"> - The COO and/or DAB shall be submitted no later than 30 days after the import declaration (<i>Pemberitahuan Impor Barang</i> (PIB)) obtains the registration number; or - The original COO and/or DAB shall be submitted no later than 90 days after the PIB obtains the registration number and no later than one year since the issuance of COO and/or DAB. 	<ul style="list-style-type: none"> • Mechanism for submission of COO and/or DAB: <ul style="list-style-type: none"> - The original and color scan of COO and/or DAB document shall be submitted at the same time/simultaneously. • When the COO and/or DAB should be submitted to the Customs Office: <ul style="list-style-type: none"> - Red line: for Customs Office with 24/7 office hours, one day after obtaining the Notification on Red Lane (<i>Surat Pemberitahuan Jalur Merah</i>); - Green Line: <ul style="list-style-type: none"> ○ For Customs Office with 24/7 office hours, three days after obtaining the Notification of Goods Released (<i>Surat Pemberitahuan Pengeluaran Barang</i> (SPPB)); or ○ For non-24/7 office hours Customs Office, three working days after obtaining the SPPB; and - MITA/AEO: <ul style="list-style-type: none"> ○ For Customs Office with 24/7 office hours, five days after obtaining the SPPB; or ○ For non-24/7 office hours Customs Office, five working days after obtaining the SPPB.

Once PMK-35 takes effect, the timeline and mechanism for submitting COO and/or DAB for the following MoF regulations are revoked and substituted with the timeline and mechanism regulated in PMK-35:

- PMK-80 of 2020 (ASEAN – Hong Kong)
- PMK-82 of 2020 (Indonesia – Australia)
- PMK-131 of 2020 (ASEAN countries)
- PMK-168 of 2020 (ASEAN – Australia and New Zealand)
- PMK-169 of 2020 (ASEAN – South Korea)
- PMK-170 of 2020 (ASEAN – India)
- PMK-171 of 2020 (ASEAN – People’s Republic of China)
- PMK-70 of 2021 (Indonesia – Pakistan)
- PMK-71 of 2021 (ASEAN – Japan)
- PMK-72 of 2021 (Indonesia – Palestine)
- PMK-73 of 2021 (Indonesia – Japan)
- PMK-80 of 2021 (Indonesia – Chile)
- PMK-122 of 2021 (Indonesia – EFTA)
- PMK-203 of 2021 (D-8 countries)
- PMK-89 of 2022 (Indonesia – Mozambique)
- PMK-209 of 2022 (Regional partners)
- PMK-219 of 2022 (Indonesia – South Korea)

PMK-35 will be effective as from 28 April 2023.

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

Business Tax

Melisa Himawan

Tax & Legal Leader

mehimawan@deloitte.com

Business Tax, M&A and Tax Technology Consulting

John Lauwrenz

jlauwrenz@deloitte.com

Transfer Pricing

Roy David Kiantiong

rkiantiong@deloitte.com

Business Tax

Hermanto Suparman

hsuparman@deloitte.com

Business Tax

Muslimin Damanhuri

mdamanhuri@deloitte.com

Transfer Pricing

Balim

bbalim@deloitte.com

Business Tax

Heru Supriyanto

hsupriyanto@deloitte.com

Business Tax and Business Process Solutions

Ratna Lie

ratnalie@deloitte.com

Transfer Pricing

Sandra Suhenda

ssuhenda@deloitte.com

Business Tax and International Tax

Cindy Sukiman

csukiman@deloitte.com

Business Tax

Reggy Widodo

rwidodo@deloitte.com

Transfer Pricing

Shivaji Das

shivdas@deloitte.com

Business Tax

Budi Prasongko

bprasongko@deloitte.com

Business Tax

Roy Sidharta Tedja

roytedja@deloitte.com

Business Tax, Indirect Tax and Global Trade Advisory (Customs)

Turmanto

tturmanto@deloitte.com

Business Tax

Dionisius Damijanto

ddamijanto@deloitte.com

Global Employer Services and Business Process Solutions

Irene Atmawijaya

iatmawijaya@deloitte.com

Global Employer Services

Sri Juliarti Hariani

shariani@deloitte.com

Deloitte Touche Solutions

The Plaza Office Tower, 32nd Floor

Jl. M.H. Thamrin Kav 28-30

Jakarta 10350, Indonesia

Tel: +62 21 5081 8000

Fax: +62 21 2992 8303

Email: iddtl@deloitte.com

www.deloitte.com/id

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Indonesia

In Indonesia, services are provided by Deloitte Touche Solutions.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.