TaxFlash

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Alignment on VAT rules for transactions using Other Value as VAT imposition base and VAT rate using a Certain Percentage

At the end of 2024, the government decided to implement the 12% Value-Added Tax ("VAT") rate so that most taxable goods and services would still be subject to an "effective" VAT rate of 11% for 2025 onwards, whilst certain luxurious goods would remain subject to VAT at 12%. However, this new rule is not applicable to goods and services that were already using Other Value as the VAT imposition base (*Dasar Pengenaan Pajak/"DPP Nilai Lain"*) or a VAT rate using a Certain Amount. Therefore, the goods and services under this category are still exposed to the increase of VAT rate to 12%.

On 4 February 2025, the Minister of Finance ("MoF") issued PMK-11[1] to align the VAT treatment for the goods and services under this category so that they would also enjoy the "effective" VAT rate of 11% even though the formal VAT rate used in the VAT Invoice is 12%. This regulation applies to relevant transactions occurring from 1 January 2025.

We have set out below the details of the goods and services under this category as well as the VAT outcome under this regulation.

1. Goods and services using DPP Nilai Lain

Under the DPP Nilai Lain regime, the VAT imposition base is not the usual tax base, i.e. retail selling price, but a certain other value.

PMK-11 generally adjusts the value of DPP Nilai Lain by multiplying the original DPP Nilai Lain under the previous regulations by 11/12 and thus when multiplied by the prevailing VAT rate of 12%, the outcome of the VAT amount is as if the original DPP Nilai Lain were multiplied by an 11% VAT rate. Below is the list of the current DPP Nilai Lain under this regulation that serve as a VAT base imposed at the 12% prevailing VAT rate.

[1] MoF Regulation No.11 Year 2025 ("PMK-11") dated and effective from 4 February 2025

Goods and services	DPP Nilai Lain
For own-use or free gifts	11/12 of the cost of sales (selling price minus gross margin)
Movies	11/12 of the average result per film
Remaining inventories or assets originally not for sale upon a company's dissolution	11/12 of the market value
Deliveries of taxable goods through an intermediary trader	11/12 of the agreed price between the intermediary and the buyer
Deliveries of taxable goods through an auction officer	11/12 of the auction price
Free gifts in the form of assets originally not for sale	11/12 of the market value
VATable outsourcing services for which the outsourced workers' salary portion is separated in the VAT invoice	11/12 of the outsourcing service fee only (not including the salary portion)
Advertising services related to non-advertisement broadcasting services delivered to the customer, for which the broadcasting portion is separated in the invoice	11/12 of the advertising service fee only (not including the non-advertisement broadcasting service)
Imported movies	11/12 of IDR 12 million per copy
Delivery of prepaid phone credits and SIM card starter packs:	
✓ By the telecommunication service provider or the first-tier distributor	11/12 of the amount billed
✓ By the second-tier distributor to the customer through a subsequent distributor	11/12 of the amount billed to the subsequent distributor
✓ By the second-tier distributor directly to the customer	11/12 of the selling price
Transaction payment services in relation to electricity token distribution by distributors	11/12 of: • commissions or administration income; or • margin (excluding regional tax and stamp duty)
• Marketing services using vouchers; • Transaction payment services in relation to voucher distribution; • Services in relation to customer loyalty/reward programmes	11/12 of: • Commissions/fees – if it is a commission-based delivery • Margin – if it is not a commission-based delivery
Delivery of non-luxurious goods or raw material originating from outside the Custom Area by a Free Trade Zone ("FTZ") entrepreneur to a buyer in Other Places in the Custom Area (*Tempat Lain di Dalam Daerah Pabean/"TLDDP"*) without being processed in the FTZ	11/12 of the monetary value used as a basis to calculate import duty and other levies, excluding VAT and Luxury-goods Sales Tax ("LST")
Non-luxurious goods released temporarily from the FTZ that are not re-entered within the set timeline	11/12 of the fair market value
Non-luxurious goods entered temporarily into FTZ from TLDDP that are not released within the set timeline	11/12 of the fair market value

Goods and services	DPP Nilai Lain
Certain non-subsidised Liquefied Petroleum Gas ("LPG") delivered by a government-appointed entity	0.825 multiplied by the retail price
Tobacco products	9.9% of the retail price
Certain fertiliser for the agricultural sector:	
✓ The subsidised portion	0.825 multiplied by the subsidy amount including VAT
✓ The non-subsidised portion	0.825 multiplied by the highest retail price
Delivery from a Joint Operation ("JO") member to the JO	11/12 of the agreed contribution by each JO member as listed in the JO agreement

2. **Goods and services using VAT rate using a Certain Amount**

Under this regime, the prevailing VAT rate is multiplied by a designated percentage or formula resulting in a Certain Amount or an "effective" VAT rate. This rate is imposed on the VAT imposition base to determine the VAT amount. The previous regulations generally stipulate two effective VAT rates based on the periods of use, whereby the prevailing VAT rate used to calculate the effective VAT rate is 11% for the period starting 1 April 2022 and 12% for the period starting 1 January 2025 at the latest.

For this regime, PMK-11 adjusts the original designated percentage or formula under the previous regulations by multiplying it by 11/12 and thus when multiplied by the current prevailing VAT rate of 12%, the outcome of the effective VAT rate is as if this rate were still calculated using an 11% VAT rate. Below is the list of the relevant effective VAT rate under this regulation.

Type of goods and services	Effective VAT rate
Certain non-subsidised LPG delivered by a distribution agent or a sub-distribution agent	1.1/101.1
Certain agricultural products	1.1%
Used motor vehicles	1.1%
Packaged delivery services	1.1%
Travel agency, or the provision of travel packages which are not commission-based	1.1%
Freight forwarding services which include freight charges	1.1%
Religious travel services which include travel service to non-religious places:	
✓ where the religious travel portion can be separated	1.1% on the non-religious travel portion
✓ where the religious travel portion cannot be separated	0.55% on the total selling price
• Marketing services using vouchers; • Transaction payment services in relation to voucher distribution; • Services related to customer loyalty/reward programmes, which are not based on commissions and have no margin	1.1%
Delivery of foreclosed assets by a creditor to a buyer	1.1%
Delivery of self-produced gold jewellery by a Manufacturer to:	
✓ another Manufacturer or to a Trader	1.1%

Type of goods and services	Effective VAT rate
✓ end consumers	1.65%
Delivery of gold jewellery from a Trader to another Trader or to an end consumer:	
✓ if the Trader has a VAT Invoice when acquiring the gold jewellery	1.1%
✓ if the Trader does not have a VAT Invoice when acquiring the gold jewellery	1.65%
Delivery of gold jewellery from a Trader to a Manufacturer	0%
Delivery of other jewellery by a Gold Jewellery Manufacturer or Trader	1.1%
Related services provided by a Gold Jewellery Manufacturer or Trader	1.1%
Delivery of:	
✓ insurance agent services	1.1%
✓ insurance/reinsurance brokerage services	2.2%
Self-construction activity	2.2%
Crypto Asset ("CA") transaction value if e-commerce VAT Collectors (*Pelaku Perdagangan Melalui Sistem Elektronik*):	
✓ is a CA Physical Trader	0.11%
✓ is not a CA Physical Trader	0.22%
Crypto Assets value received by Crypto Asset Miners	1.1%

Article 21 Income Tax borne by the government facility

On 4 February 2025, the MoF issued PMK-10[2] regarding the Article 21 Income Tax on certain income borne by the government facility as part of the economic stimulus for 2025.

The highlights of PMK-10 are as follows:

Type of facility and facility period

The facility is in the form of the Article 21 Income Tax borne by the government for the period from January – December 2025.

Eligibility and requirements

The Article 21 Income Tax borne by the government facility is only applicable to certain employees of certain employers with the following criteria:

a. Certain Employers:
   - conducting business activities in the footwear, textiles and apparel, furniture, or leather and leather goods industry sectors; and
   - having a main business field classification code (*Klasifikasi Lapangan Usaha*) as listed in Appendix A of PMK-10.

b. Certain Employees:
   - Certain Permanent Employees:
     - ✓ Having a Tax Identification Numbers (*Nomor Pokok Wajib Pajak/"NPWP"*) and Residential Identity Number (*Nomor Induk Kependudukan/"NIK"*) integrated into the Directorate General of Taxes ("DGT") system;

[2] MoF Regulation No.10 Year 2025 ("PMK-10") dated and effective from 4 February 2025

- ✓ Receiving or earning gross regular income, including Benefit-in-Kind (based on company regulations or employment contract agreements) not exceeding IDR 10 million in January 2025 or in the first month of employment for employees who start working in 2025; and
  - ✓ Not receiving any other Article 21 Income Tax borne by the government facility.
- Certain Non-Permanent Employees:
  - ✓ Having an NPWP and/or NIK integrated into the DGT system;
  - ✓ Receiving or earning wages amounting to:
    - An average of one day not exceeding IDR 500,000 – for daily/weekly/unit/piece rate basis; or
    - Not exceeding IDR 10 million – for a monthly basis.
  - ✓ Not receiving any other Article 21 Income Tax borne by the government facility.

Administration

PMK-10 stipulates that the Article 21 Income Tax borne by the government must be paid to the employee, including when the tax is usually borne by the employer or given as a tax allowance. This additional take home pay resulting from this facility will not be considered as a taxable income.

In cases where the Article 21 Income Tax borne by the government facility results in an overpayment, the excess cannot be refunded (for the employee) or compensated (for the employer).

Additionally, the employers are obliged to prepare the withholding tax slip. The reporting and amendment of the Monthly Article 21 Income Tax Return for the January to December 2025 period can be treated as a realisation report as long as it is submitted by 31 January 2026 at the latest. PMK-10 stipulates that if the employer fails to do so in a timely manner, the facility cannot be utilised, and the employer must pay the due Article 21 Income Tax.

Extension of VAT incentives for landed houses and residential units

As part of the 2025 tax incentive package, the government also extends the VAT incentive for landed houses and residential units to apply for VAT due in **January to December 2025** through the issuance of PMK-13[3]. The policy given under PMK-13 is similar to the previous PMK-7[4] and PMK-61[5]. Please refer to our TaxFlash No.05/2024 for a discussion on PMK-7 and TaxFlash No.11/2024 for a discussion on PMK-61.

Type of facility and facility period

The VAT due for eligible property will be borne by the government 100% for properties handed over from 1 January 2025 to 30 June 2025 and 50% for properties handed over from 1 July 2025 to 31 December 2025.

Eligibility and requirements

The requirements for landed houses and residential units that are eligible for this VAT facility remain the same, namely:
a. the highest selling price is IDR 5 billion; and

[3] MoF Regulation No.13 Year 2025 ("PMK-13") dated and effective from 4 February 2025
[4] MoF Regulation No.7 Year 2024 ("PMK-7") dated and effective from 13 February 2024
[5] MoF Regulation No.61 Year 2024 ("PMK-61") dated and effective from 19 September 2024

b. new landed houses and residential units:
   - have obtained a house identity code from the application system provided by the Ministry of Public Works and Housing and this code must also be included in the minutes of the handover (*Berita Acara Serah Terima*) and on the VAT Invoice;
   - are delivered first-hand by a developer in a ready-to-use condition and have never been handed over previously.

As with previous regulations, the incentive can only be used once on one eligible property per individual. An individual who has utilised similar VAT incentives for property prior to this regulation can still also utilise this incentive under PMK-13 for a different eligible property.

This PMK also stipulates that if an individual buys landed houses/residential units prior to 1 January 2025 but cancels the transaction, the individual will not be able to enjoy the VAT incentives according to the provisions in PMK-13 for the same landed houses/residential units. If the individual utilises this incentive on the cancelled transaction, the Tax Office can collect the VAT payable, although the mechanism is not specified in the regulation.

Administration

The VAT Invoice for the portion that is not eligible for the VAT borne by the government facility will use the transaction code of 04 instead of 01 following the new VAT rule.

The handover and payment period requirements, as well as other administrative requirements for the seller, also remain the same.

Extension of VAT incentives for battery-powered electric vehicles and introduction of LST incentives for low carbon emission vehicles

On 4 February 2025, the MoF provided two incentives in relation to vehicles through the issuance of PMK-12[6]. The key points of PMK-12 are set out below.

1. **Extension of VAT borne by the government for the delivery of certain Battery-Powered Electric Vehicles ("EVs")**

   Type of facility and facility period

   The VAT incentive on certain EVs in the form of VAT borne by the government as previously given under PMK-8[7] is extended to **January to December 2025**. The facility remains the same, and the VAT payable on the delivery of the eligible EV will also follow the normal VAT rate.

   Eligibility and requirements

   The portion of VAT payable that will be borne by the government depends on the Domestic Component Level (*Tingkat Komponen Dalam Negeri/TKDN,* i.e. components arising from domestic production) of the vehicle, as follows:
   a) 10% of the selling price for four-wheeled cars and/or buses with at least 40% TKDN; and
   b) 5% of the selling price for buses with a minimum TKDN of between 20% and below 40%.

[6] MoF Regulation No.12 Year 2025 ("PMK-12") dated and effective from 4 February 2025
[7] MoF Regulation No.8 Year 2024 ("PMK-8") dated and effective from 15 February 2024

The eligible EVs will be based on a list of vehicles to be issued via a Ministry of Industry Decree. The facility is only applicable for newly registered vehicles.

Administration

The reporting and amendment of the Monthly VAT Return for the January to December 2025 period can be treated as a realisation report as long as it is submitted by 31 January 2026 at the latest. Other administrative requirements under PMK-12 remain the same as in PMK-8.

2. LST incentives for the delivery of certain Low Carbon Emission Vehicles ("LCEVs")

Type of facility and facility period

LST payable on the delivery of certain LCEVs according to the group of LCEVs as stipulated in GR-73 as amended by GR-74 will follow the applicable LST rate for the relevant vehicle. However, a portion of the LST payable will be borne by the government for 3% of the selling price. This incentive is given from **January to December 2025**.

Eligibility and requirements

PMK-12 stipulates that a VATable Entrepreneur (*Pengusaha Kena Pajak/"PKP"*) can be given LST incentives on the delivery of a four-wheeled car which is:

- Full Hybrid;
- Mild Hybrid; and/or
- Plug in Hybrid,

and meets the requirements as stipulated further in GR-73[8] as amended by GR-74[9]. Please refer to our TaxFlash No.17/2019 for a discussion on PMK-73 and TaxFlash No.12/2021 for a discussion on PMK-74.

Fulfilment of the requirements is proven by a decision letter for the company and vehicle delivering the four-wheeled LCEVs issued by the Minister of Industry ("MoI"). The MoI will then give the decision letter to the MoF.

Administration

PMK-12 stipulates that the PKP who delivers such LCEVs is required to:

a) prepare a VAT Invoice with transaction code 01; and
b) prepare a monthly realisation report by reporting the VAT invoices in the regular Monthly VAT Return including any amendments made thereto by 31 January 2026 at the latest.

The DGT is entitled to collect the LST "borne by the Government" upon any failure to fulfil the above requirements.

[8] Government Regulation No.73 Year 2019 ("GR-73") dated 16 October 2019 and effective from 16 October 2021
[9] Government Regulation No.74 Year 2021 ("GR-74") dated 2 July 2021 and effective from 16 October 2021

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