

PMK 38/2023

Government-borne VAT for battery-powered EV

Government-borne VAT applies to deliveries of certain brand new battery-powered electric vehicles (BPEV) manufactured in Indonesia. These include four-wheel passenger vehicles and more-than-four-wheel buses of ten-or-more-person capacity which meet a minimum local content (TKDN) requirement. Finance Minister Regulation No. 38/2023 (PMK 38) released on 28 March 2023 states the facility is to take effect for April up to December 2023 deliveries.

VAT remains due at 11% for each delivery. The Government bears 10% if the TKDN is 40% or more or, for buses, 5% if it falls below 40% but not less than 20%. This means, depending on the TKDN but not less than 20%, buyers are to pay only either 1% or 6% of the VAT due.

Taxable enterprises making the qualifying deliveries need to observe the following administrative requirements missing of which risks cancellation of the facility.

1. A separate set of tax invoices (*Faktur Pajak*) should be prepared for a delivery of qualifying BPEVs. The tax invoices should contain only a delivery of qualifying BPEV.
2. The tax invoices set for the qualifying deliveries should bear a distinctive feature. It consists of two corresponding tax invoices: one, to be transaction-coded “01”, for the portion of the Selling Price not bearing the VAT facility; the other, to be coded “07” for the other portion bearing the VAT facility.
3. Each tax invoice should contain a minimum information regarding the trademark, the type, the variant, and the chassis number of the BPEV delivered with a statement “VAT is borne by the Government in accordance with Finance Minister Regulation No.....for the amount of IDR.....” stamped on it.
4. The VAT facility entails realization reporting. In this regard, getting the tax invoices in No. 2 duly reported in the relevant VAT return submitted to the Tax Office is considered the realization report, ruling out the need to prepare separate reports.
5. In case of a mistake, the realization report should be rectified by revising the VAT return concerned no later than 31 January 2024.

It goes without saying that that the coded-0 7 tax invoices are not claimable as input VAT.

Please contact us to get further insight.

PT PreciousNine Consulting

Cyber 2 Tower, 18th Floor
Jl. HR Rasuna Said Blok X-5 Kav. 13,
Jakarta Indonesia
Phone: +62 21 5799 8778, +62 21 2935 2500

Your PreciousNine Contacts

Anindita Hayuningtyas anindita.hayuningtyas@preciousnine.com	Dian Kusuma dian.kusuma@preciousnine.com
Fillyanto Sembiring fillyanto.sembiring@preciousnine.com	Henny Nurhendrati henny.nurhendrati@preciousnine.com
Inge Jahja inge.jahja@preciousnine.com	Lili Tjitadewi lili.tjitadewi@preciousnine.com
Lina Rosmiana lina.rosmiana@preciousnine.com	Martias martias@preciousnine.com
Michael Husni michael.husni@Preciousnine.com	Nandha nandha@preciousnine.com
Noviana Tan noviana.tan@preciousnine.com	Randy Adirosa m.adirosa@preciousnine.com
Robertus Winarto robertus.winarto@preciousnine.com	

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