



## ELECTRIC VEHICLES: 2024 FISCAL AND IMPORT DUTY INCENTIVES

May 2024

Battery-based Electric Vehicles (“EV”) have been playing a key role in the adoption of eco-friendly transportation to address air pollution and climate change. Anticipating the raising demand of EVs, the Government of Indonesia (“GoI”) has been proactively setting numerous incentives to attract global EV manufacturers to domestically produce EVs.

As continuation of the goals set out under PR 79/2023<sup>1</sup>, the GoI has issued supplementary implementing regulations for fiscal and import duty incentives on the following:

1. Luxury Good Sale Tax (*Pajak Penjualan atas Barang Mewah*, “PPnBM”);
2. Value-Added Tax (*Pajak Pertambahan Nilai*, “VAT”); and
3. Import Duty (*Bea Masuk*),

as recently documented in (i) MOFR 9/2024<sup>2</sup>, (ii) MOFR 8/2024<sup>3</sup> and (iii) MOFR 10/2024<sup>4</sup> respectively, which collectively came into force as of 15 February 2024. These fiscal and import duty incentives are in conjunction with those regulations under PR 79/2023 and MOIR 6/2023, which prescribe that such incentives will end on 31 December 2025. The application for such incentives shall be submitted via Online Single Submission (OSS) system at the latest 1 March 2025.

### **KEY HIGHLIGHTS**

**PPnBM Incentive** –100% of the PPnBM payable (owed) by the taxpayer will be borne by the GoI for (i) importation of certain Completely Built-Up (CBU) four-wheeled EVs and (ii) delivery of certain Completely Knocked-Down (CKD) four-wheeled EVs. This incentive is applicable for the 2024 fiscal year (January until December 2024).

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<sup>1</sup> Please refer to MKK Client Alert of January 2024 for PR 79/2023 and MOIR 6/2023 ([https://bit.ly/MKK\\_PR-79\\_2023-EV](https://bit.ly/MKK_PR-79_2023-EV)).

<sup>2</sup> Minister of Finance Regulation No. 9 of 2024 concerning the Luxury Good Sale Tax on Import and/or Delivery of Taxable Good Classified as Luxury Good in the Form of Certain Four-Wheeled Battery-based Electric Vehicle Borne by the Government for the 2024 Fiscal Year (“**MOFR 9/2024**”).

<sup>3</sup> Minister of Finance Regulation No. 8 of 2024 concerning the Value-Added Tax on the Delivery of Certain Four-Wheeled Battery-based Electric Vehicle and Certain Bus Battery-based Electric Vehicle Borne by the Government for the 2024 Fiscal Year (“**MOFR 8/2024**”).

<sup>4</sup> Minister of Finance Regulation No. 10 of 2024 concerning Determination of the Goods Classification System and Charging Import Duty Tariff on Imported Goods (“**MOFR 10/2024**”), as amendment to Minister of Finance Regulation No. 26/PMK.010/2022.



To enjoy this incentive, certain mandatory requirements must be met including:

- (i) meeting designated local content level requirements, especially for CKD four-wheeled EVs; and
- (ii) submission of various documentation and reports, to get a prior approval.

**VAT Incentive** – similar to the previous regulation, a certain percentage of VAT relief will be granted for the 2024 fiscal year (January until December 2024), being:

- (i) 10% of the 11% VAT tariff for four-wheeled EVs; and
- (ii) 5% of the 11% VAT tariff for EV buses, owed by the taxpayer will be borne by the GoI.

To enjoy the incentive, similar rules under the previous regulation apply *e.g.*, compliance with the local content requirement of a minimum of 20%–40%.

**Import Duty Incentive** – the new regulation adds to the Harmonized System codes for certain EVs making them eligible for a 0% import duty tariff.

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