

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES



### ABOUT DDTC

DDTC is a research and knowledge based taxation institution and a center of a number of taxation activities units with high standards that serve as main references in the field of taxation.

Our firm consists of consultation services (DDTC Consulting), a center for review and research (DDTC Fiscal Research), taxation journals (DDTC Working Paper), a training center (DDTC Academy), a provider of tax law documents (DDTC Tax Engine), a library (DDTC Library), and taxation news portal (DDTC News).

### ABOUT DDTC Newsletter

Published every two weeks, DDTC Newsletter provides a summary of key tax law changes, both the current modifications and changes in taxation regulations, particularly those pertaining to domestic policies.

### Contents

- **Exemption from Import Duty for Book Production Activities**
- **Financing of Potential Budget Deficit**
- **Re-stipulation of Sales Tax on Luxury Goods (STLGs) Provision for Motor Vehicles**
- **Increase in Excise Rates on Tobacco Products**

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

### Exemption from Import Duty for Book Production Activities

The Indonesian government has provided fiscal incentives to encourage the growth of the national book industry. Such incentives are stipulated in Article 67 of the Government Regulation of the Republic of Indonesia No. 75 of 2019 concerning Implementing Regulation of Law Number 3 of 2017 concerning Book System ([Government Reg. No. 75/2019](#)).

The two types of products provided with the facilities in the form of import duty exemptions are printing equipment and raw materials. In addition to the import duty exemption, this industry is also entitled to tax exemptions or reductions subject to statutory provisions.

The granting of these taxation facilities is in line with the government's efforts, both central and regional, to develop a robust book production system, ranging from the supply of raw materials, the production process, distribution, and the retail price of books. In addition, the incentive scheme is also expected to guarantee the availability of high quality, inexpensive, and accessible books for the society.

The book industry were previously given several types of fiscal facilities, namely exemption from Value Added Tax (VAT), import duties, and Article 22 Income Tax on imports. However, the facilities are provided for several types of books. For example, the VAT exemption facility is limited to general textbooks, holy books, and religious textbooks.

The provision for these indirect taxes facility is outlined in the Government Regulation Number 38 of 2003 concerning the Amendment to Government Regulation No. 146 of 2000 concerning the Import and or Supply of Certain Taxable Goods and or Supply of Certain Taxable Services Exempt from Value Added Tax ([Government Reg. No. 38/2003](#)).

Moreover, exemption from import duty itself is only provided for the import of science books. The types of these books include science and technology books, general textbooks, holy books, and religious textbooks imported using the Indonesian language. This is regulated in the Minister of Finance Regulation No. 103/PMK.04/2007 concerning the Exemption from Import Duty on the Imports of Science Books ([MoF Reg. No. 103/2007](#)).

Relief on income tax is also given to science and technology books, general textbooks, holy books, religious textbooks, and other science books. For those types of books, the fiscal incentive given in the form of income tax is the exemption of Article 22 Income Tax.

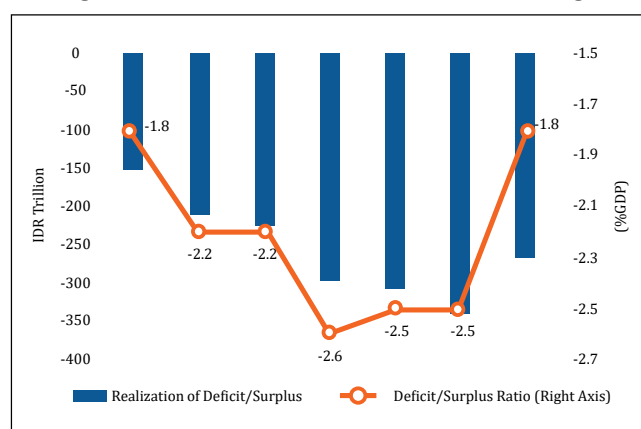
The most current regulation governing such provision is the Minister of Finance Regulation No. 34/PMK.010/2017 concerning the Withholding of Article 22 Income Tax Related to the Payments for the Supply of Goods and Activities in Import or Business Activities in Other Sectors ([MoF Reg. No. 34/2017](#)).

### Financing of Potential Budget Deficit

The Ministry of Finance has recently issued the Minister of Finance Regulation Number 144/PMK.05/2019 concerning the Deficit Forecasting and Additional Financing of the State Budget (*Anggaran Penerimaan dan Belanja Negara/APBN*) for Fiscal Year 2019 ([MoF Reg. No. 144/2019](#)). Coming into force on 17 October 2019, this regulation is intended to anticipate the budget deficit that exceeds the government's target by considering the global economic conditions that suppress the Indonesian economy.

This regulation defines deficit as the difference between revenue and expenditure in one reporting period, namely the 2019 APBN. Accordingly, this year's deficit is targeted at 1.84% of Gross Domestic Product (GDP), in which the allowed maximum deficit outlook is 2.0% of the GDP.<sup>1</sup> This prognosis, however, is lower than the 2018 deficit forecast (2.12% of GDP) with a realization of only 1.76% of the GDP. Additionally, the budget deficit is limited to a maximum of 3% of the GDP as stated in Law Number 17 of 2003 concerning State Finances ([Law on State Finances 2003](#)). Figure 1 below shows the trend of the government budget deficit.

Figure 1 – Trend of Deficit in (Revised) State Budget



Source: Ministry of Finance (2019, processed)

<sup>1</sup> The Republic of Indonesia, *Buku II Nota Keuangan beserta Anggaran Pendapatan dan Belanja Negara Tahun Anggaran 2019* (Jakarta: 2018), II.6-1 – II.6-2.

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

The regulation stipulates that through the Ministry of Finance's Asset-Liability Management (ALM), the government calculates the estimated deficit in order to anticipate deficit exceeding the 2019 APBN target. If the deficit exceeds the target set by government, it will be financed by using external sources.

The three additional sources of financing are the Excess Budget Balance (*Saldo Anggaran Lebih/SAL*), cash loan withdrawals, and/or the issuance of Government Securities (*Surat Berharga Negara/SBN*). Accountability for their uses will subsequently be reported through the 2019 Central Government Financial Report (*Laporan Keuangan Pemerintah Pusat/LKPP*) as a document subject to the government's audit.

### Re-stipulation of Sales Tax on Luxury Goods (STLGs) Provision for Motor Vehicles

The government has re-stipulated the rates of Sales Tax on Luxury Goods (STLGs) imposed on motor vehicles. The re-stipulation is intended to encourage the use of motor vehicles that are both energy-efficient and environmentally friendly. Provisions related to the new rates are contained in the Government Regulation Number 73 of 2019 concerning Taxable Goods Classified as Luxurious in the form of Motor Vehicles that are Subject to Sales Tax on Luxury Goods ([Government Reg. No. 73/2019](#))

Promulgated on 16 October 2019, this regulation will come into force in two years and will also revoke Government Regulation No. 41 of 2013 ([Government Reg. No. 41/2013](#)) regarding Taxable Goods Classified as Luxurious in the form of Motor Vehicles Subject to Sales Tax on Luxury Goods as amended by Government Regulation Number 22 of 2014 ([Government Reg. No. 22/2014](#)).

Government Regulation No. 22/2014 formerly regulated STLGs rates on luxurious motor vehicles only based on cylinder capacity and the differential system. This regulation only classified the rates of STLGs into seven groups, as follows: 10%, 20%, 30%, 40%, 50%, 60%, and 125%.

However, Government Regulation No. 73/2019 sets STLGs rates on luxury motor vehicles in more complex systems by identifying the rates in four chapters. Every chapter contains the information regarding the type of vehicles which is further classified according to the cylinder capacity. In addition, the level of STLGs rates in the new regulation are more diverse, i.e. set based on the volume of fuel consumption or the level of carbon dioxide (CO<sub>2</sub>) produced.

The First Chapter regulates STLGs rates for motorized vehicle-transport people. The STLG rates in this chapter are classified into two groups, namely motor vehicle transport for fewer than 10 people, including the driver, and public transport for 10 to 15 people, including the driver. Furthermore, motor vehicle transports for people with a load of fewer than 10 people are divided into three types. These types are specified by the cylinder capacity and the level of rates will be set according to the fuel consumption and emission production.

Based on this chapter, vehicles with a cylinder capacity of up to 3,000 cc are imposed with 4 levels of rates, ranging from 15%, 20%, 25%, to 40%; vehicles with a cylinder capacity of more than 3,000 cc to 4,000 cc are imposed with 4 levels of rates, ranging from 40%, 50%, 60%, to 70%; and the electric motor group is imposed with a rate of 15%.

Moreover, motor vehicle transporting people with a load ranging from 10 to 15 people, including the driver, are also divided into three types, namely vehicles with a cylinder capacity of up to 3,000 cc which are imposed with two levels of rates, 15% and 20%; vehicles with a cylinder capacity of more than 3,000 cc to 4,000 cc are also imposed with two levels of rates of 25% and 30%; and the electric motor group is imposed with a rate of 15%. In this chapter, the tax base (*dasar pengenaan pajak/DPP*) is the sum of selling price, replacement value, export value, or import value as a tax basis to calculate the tax payable.

Chapter Two provides STLGs rates for dual cabin vehicles in the form of open and closed pickup vehicles. In this chapter, STLGs rates are classified into three main groups, namely vehicles with a cylinder capacity of 3,000 cc of which the rates range from 10%, 12% to 15%; vehicles with a cylinder capacity of more than 3,000 cc to 4,000 cc of which the rates range from 20%, 25%, and 30%; and electric motors is imposed with a rate of 15%. Similar to the First Chapter, the tax base in this chapter is the sum of selling price, replacement value, export value, or import value as a tax basis to calculate the tax payable.

Chapter Three details STLGs rates for four-wheel motor vehicles with low carbon emissions. Through this chapter, the government classifies STLGs rates based on the type of carbon emission technology used. The carbon emission technology group consists of energy-efficient and affordable technology, full hybrid and/or mild hybrid, flexy engine (biofuel 100), and plug-in hybrid electric vehicles, battery electric vehicles, or fuel cell electric vehicles.

The Indonesian government itself has also issued a regulation relating to battery electric vehicle incentives. The provision of this facility is outlined in the Presidential



## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

Regulation No. 55 of 2019 concerning the Acceleration of the Battery Electric Vehicle Program for Road Transportation ([Presidential Reg. No. 55/2019](#)).

In more detail, vehicles with energy-efficient technology and affordable prices are subject to a 15% rate with a tax base of 20% of the selling price. Furthermore, vehicles with full hybrid and/or mild hybrid technology with a cylinder capacity up to 3,000 cc are subject to a 15% rate, but with varying tax base percentages. In contrast, vehicles with a cylinder capacity of more than 3,000 cc to 4,000 cc are imposed with a rate starting from 20% to 30%,

In addition, vehicles with flexy engine technology (biofuel 100) are imposed with a rate of 15% with a tax base of 1/3% of the selling price. Subsequently, vehicles with plug-in hybrid electric vehicles, battery electric vehicles, or fuel cell electric vehicles are imposed with a STLGs rate of 15% with a tax base of 0%.

Chapter Four describes the STLGs rates for other types of vehicles. Special vehicles for golf are imposed with a rate of 50%; vehicles for traveling on snow, beach, or mountains are imposed with a rate of 60%; while the trailers and semi-trailers caravan for housing or camping are imposed with a rate of 95%.

The motor vehicles which are exempt from STLGs remain the same as the previous regulation. This STLGs exemption is provided for motor vehicles used as ambulances, hearses, fire engines, prisoner vehicles, public transport vehicles, vehicles used for national protocols, motor vehicle transport used as the official vehicles of the Indonesian Army (*Tentara Nasional Indonesia/TNI*) or the National Police of the Republic of Indonesia (*Kepolisian Negara Republik Indonesia/POLRI*), as well as motor vehicles used for the patrol purposes of TNI or POLRI.

If the usage or imports of motor vehicle which is exempt from the imposition of STLGs within the period of four years is found to be not in accordance with the original purpose or is transferred to another party, the exempted STLGs and/or the underpaid VAT on the import or acquisition of the vehicle must be paid. This time period is different from the previous regulation which was set at five years.

The technical rules for motor vehicles subject to STLGs are regulated by a Minister of Finance Regulation. At present, the implementation of the STLGs policy is regulated in the Minister of Finance Regulation No. 33/PMK.010/2017 concerning the Types of Motor Vehicles that are Subject to Sales Tax on Luxury Goods and Procedures for Exemption from the Imposition of Sales Tax on Luxury Goods ([MoF Reg. No. 33/2017](#)). This

regulation is an amendment to the Minister of Finance Regulation Number 64/PMK.011/2014 ([MoF Reg. No. 64/2014](#)).

### Increase in Excise Rates on Tobacco Products

The Ministry of Finance of the Republic of Indonesia has decided to increase the tobacco products excise rates (*cukai hasil tembakau/CHT*) with a weighted average of 23%. This increase will also be followed by an increase in retail sale prices (*harga jual eceran/HJE*) of tobacco products.

The provision for the CHT rate increase is contained in the Minister of Finance Regulation Number 152/PMK.010/2019 ([MoF Reg. No. 152/2019](#)) concerning the Second Amendment to the Minister of Finance Regulation Number 146/PMK.010/2017 ([MoF Reg. No. 146/2017](#)) concerning the CHT Rates. The regulation provides details of the new rates on CHT along with the threshold for HJE per single or per gram of tobacco products, including cigarettes.

The rate details are set forth in two attachments that are inseparable from this regulation. The first attachment contains the details of HJE thresholds and CHT rates per single or gram of domestically produced tobacco products. In addition, the second attachment contains details of the HJE threshold and CHT for imported tobacco products.

The threshold of HJE and CHT rates listed in these two attachments will come into effect as of 1 January 2020. Nonetheless, with the issuance of a circular letter, the Head of the Directorate General of Customs and Excise will then re-stipulate the threshold of HJE and CHT rates thus they should not be lower than the rates listed in the attachments. The re-stipulation was carried out upon the enactment of this regulation, 21 October 2019.

Furthermore, based on the Minister of Finance Regulation No. 156/PMK.010/2018 ([MoF Reg. No. 156/2018](#)) concerning the Amendments to MoF Reg. No. 146/2017, the previous rates can still be utilized if the banderoles are ordered before 1 February 2020. Table 1 indicates the new HJE threshold and the CHT rates for domestically produced tobacco products compared to the previous rates. Meanwhile, Table 2 lists the same category as Table 1 for imported tobacco products.

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

**Table 1. The HJE Threshold and CHT Rates Per Single/Gram of Domestically Produced Tobacco Products**

No.	Classification of Tobacco Products Factory Entrepreneurs		Threshold of HJE per Single/Gram of Tobacco Products			CHT Rate per Single/Gram of Tobacco Products		
	Type	Category	MoF Reg. No. 146/2017 (IDR)	MoF Reg. No. 152/2019 (IDR)	Change (%)	MoF Reg. No. 146/2017 (IDR)	MoF Reg. No. 152/2019 (IDR)	Change (%)
1	Machine-made clove cigarettes ( <i>Sigaret Kretek Mesin/SKM</i> )	I	minimum 1,120	minimum 1,700	51.79	590	740	25.42
		II	more than 895	more than 1,275	42.45	385	470	22.08
			minimum 715 up to 895	minimum 1,020 up to 1,275	42.65 - 78.32	370	455	22.97
2	Machine-made white cigarettes ( <i>Sigaret Putih Mesin/SPM</i> )	I	minimum 1,130	minimum 1,790	58.41	625	790	26.40
		II	more than 935	more than 1,485	58.82	370	485	31.08
			minimum 640 up to 935	minimum 1,015 up to 1,485	58.59 - 132.03	355	470	32.39
3	Hand-rolled clove cigarettes ( <i>Sigaret Kretek Tangan /SKT</i> ) or hand-rolled white cigarettes ( <i>Sigaret Putih Tangan/SPT</i> )	I	more than 1,260	more than 1,460	15.87	365	425	16.44
			minimum 890 up to 1,260	minimum 1,015 up to 1,460	14.04 - 64.04	290	330	13.79
		II	minimum 470	minimum 535	13.8	180	200	11.11
		III	minimum 400	minimum 450	12.5	100	110	10.00
4	Filter-tipped hand-rolled clove cigarettes ( <i>Sigaret Kretek Tangan Filter/SKTF</i> ) or white non-filter hand-rolled cigarettes ( <i>Sigaret Putih Tangan Filter/SPTF</i> )	no category	minimum 1,120	minimum 1,700	51.79	590	740	25.42
5	Sliced tobacco ( <i>Tembakau Iris/TIS</i> )	no category	more than 275	more than 275	0.00	30	30	0.00
			more than 180 up to 275	more than 180 up to 275	0.00	25	25	0.00
			minimum 55 up to 180	minimum 55 up to 180	0.00	10	10	0.00
6	Corn-leaf or Klobot cigarettes ( <i>Rokok Daun atau Klobot/KLB</i> )	no category	minimum 290	minimum 290	0.00	30	30	0.00

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

**Table 1. The HJE Threshold and CHT Rates Per Single/Gram of Domestically Produced Tobacco Products**

No.	Classification of Tobacco Products Factory Entrepreneurs		Threshold of HJE per Single/Gram of Tobacco Products			CHT Rate per Single/Gram of Tobacco Products		
	Type	Category	MoF Reg. No. 146/2017 (IDR)	MoF Reg. No. 152/2019 (IDR)	Change (%)	MoF Reg. No. 146/2017 (IDR)	MoF Reg. No. 152/2019 (IDR)	Change (%)
7	Rhubarb and incense cigarette ( <i>Sigaret Kelembak Menyan/KLM</i> )	no category	minimum 200	minimum 200	0.00	25	25	0.00
8	Cigars ( <i>Cerutu/CRT</i> )	no category	more than 198,000	more than 198,000	0.00	110,000	110,000	0.00
			more than 55,000 up to 198,000	more than 55,000 up to 198,000	0.00	22,000	22,000	0.00
			more than 22,000 up to 55,000	more than 22,000 up to 55,000	0.00	11,000	11,000	0.00
			more than 5,500 up to 22,000	more than 5,500 up to 22,000	0.00	1,320	1,320	0.00
			minimum 495 up to 5,500	minimum 495 up to 5,500	0.00	275	275	0.00

**Table 2. The Lowest HJE Threshold and CHT Rates Per Single/Gram of Imported Tobacco Products**

No.	Types of Tobacco Products	Lowest Thresholds of HJE per Single/Gram Tobacco Product			Excise Rates Per Single/Gram Tobacco Product		
		Previous (IDR)	New (IDR)	Change (%)	Previous (IDR)	New (IDR)	Change (%)
1	SKM	1,120	1,700	51.79	590	740	25.42
2	SPM	1,130	1,790	58.41	625	790	26.40
3	SKT or SPT	1,261	1,461	15.86	365	425	16.44
4	SKTF or SPTF	1,120	1,700	51.79	590	740	25.42
5	TIS	276	276	0.00	30	30	0.00
6	KLB	290	290	0.00	30	30	0.00
7	KLM	200	200	0.00	25	25	0.00
8	CRT	198,001	198,001	0.00	110,000	110,000	0.00

## INCREASE OF TOBACCO PRODUCT EXCISE RATE & RE-STIPULATION OF SALES TAXES ON LUXURY GOODS FOR MOTOR VEHICLES

Latest taxation news and regulations, visit:

[news.ddtc.co.id](http://news.ddtc.co.id) & [engine.ddtc.co.id](http://engine.ddtc.co.id)

**CONNECT WITH US:**  
With just one click



For further information and advice related to taxation, please contact:



**David Hamzah Damian, S.Sos., BKP, ADIT**  
Partner of Tax Compliance & Litigation Services  
david@ddtc.co.id



**Romi Irawan S.E., M.B.A., LL.M Int. Tax**  
Partner of Transfer Pricing Services  
romi@ddtc.co.id



**B. Bawono Kristiaji, S.E., M.S.E., M.Sc. IBT, ADIT**  
Partner of Tax Research & Training Services  
kristiaji@ddtc.co.id



**Deborah, S.Sos., LL.M. Int. Tax., BKP**  
Senior Manager of Tax Compliance & Litigation Services  
deborah@ddtc.co.id



**Yusuf Wangko Ngantung, LL.B., LL.M Int. Tax., ADIT**  
Senior Manager of International Tax / Transfer Pricing Services  
yusuf@ddtc.co.id



**Herjuno Wahyu Aji, M.Ak., BKP**  
Senior Manager of Tax Compliance & Litigation Services  
herjuno@ddtc.co.id



**Ganda Christian Tobing, S.Sos., LL.M. Int. Tax**  
Senior Manager of Tax Compliance & Litigation Services  
christian@ddtc.co.id



**Anggi Pl. Tambunan, S.Sos., M.H., ADIT, BKP**  
Manager of Tax Compliance & Litigation Services  
anggi@ddtc.co.id



**Khisi Armaya Dhora, S.I.A., ADIT, BKP**  
Manager of Tax Research & Training Services  
khisi@ddtc.co.id

### MENARA DDTC

Jl. Raya Boulevard Barat Blok XC 5-6 No. B  
Kelapa Gading Barat, Kelapa Gading  
Jakarta Utara 14240 - Indonesia

Phone: +6221 2938 2700, Fax: +6221 2938 2699

The information herein is for general purposes only and is not intended to address the circumstances of any particular individual or entity. This content should not be used as reference for consultation without professional advisors.