MIB Monthly Newsletter | **July 2025**

The 'Big and Beautiful' American Economy

Changes in the U.S. financial landscape

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The Big Beautiful 'Uncertainty' of the United States' Taxation Bill

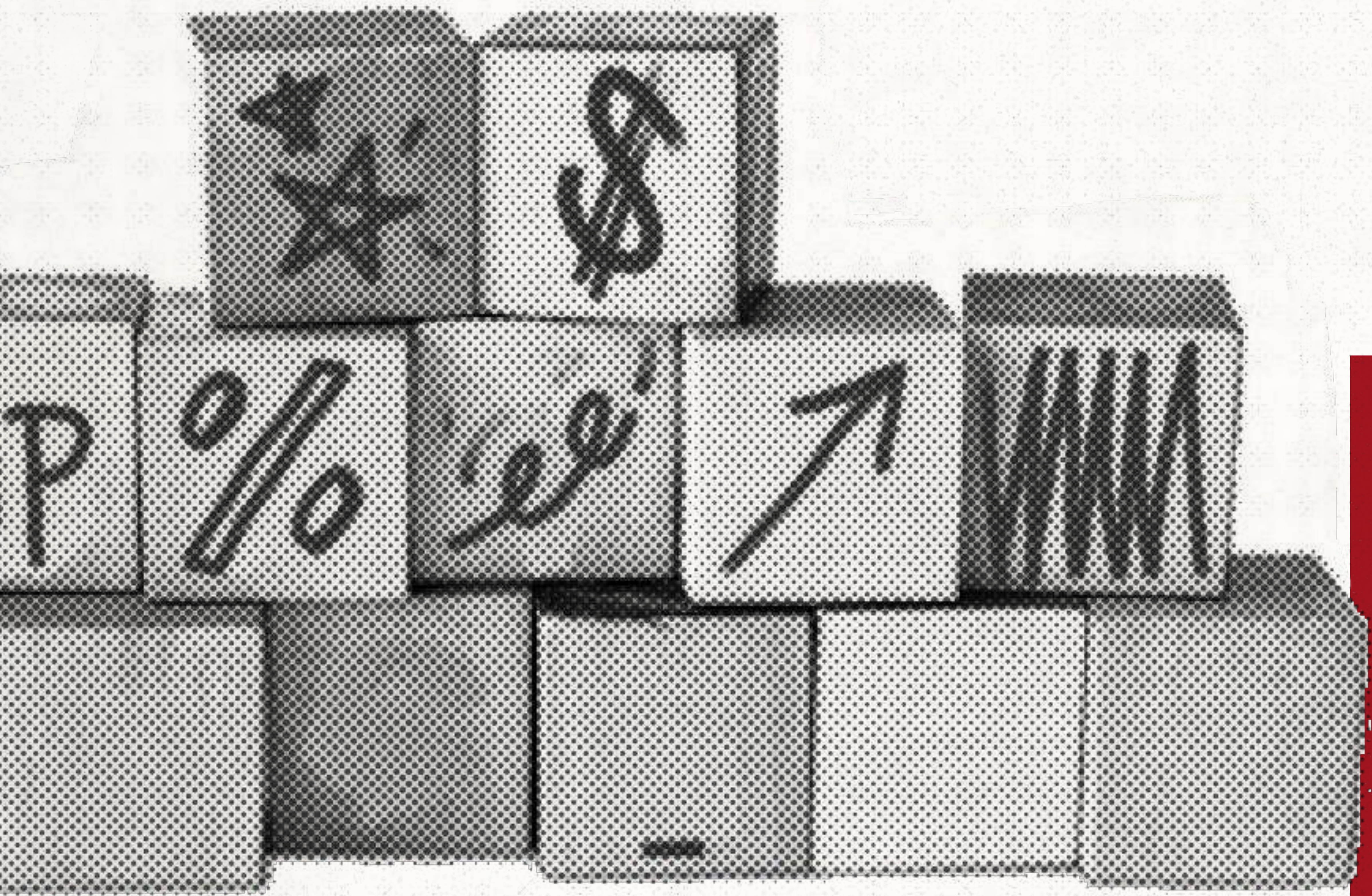
Valuing changes and the preparation of the new law

This article discusses how the newest bill enacted by the United States will be implemented, what tax changes are expected within the country, and how it affects tariffs imposed on other countries.

Shaheila Roeswan

The Big Beautiful 'Uncertainty' of the United States' Taxation Bill

Valuing changes and the preparation of the new law



The United States government, under the leadership of its newest president, Donald Trump, has just released the latest updated version of the State Budget, commonly referred to in the past few occasions as the "Big, Beautiful Bill." The name itself refers to the idea that "the bigger the better."

The One Big Beautiful Bill Act, or the OBBBA, has been the diamond of Donald Trump's administration, where he pushed to permanently change different aspects within the taxation landscape of the United States, and has been advocating for the ratification of the bill ever since he won the election.

What does the popular OBBBA entail inside the document? Can the newly enacted act provide the stability that the American government aims to have? How does it affect the relationship between the United States of America and other countries?

The One Big Beautiful Act: What is it and how it applies

The One Big Beautiful Act (OBBBA), an enacted bill in 2025 following the presidency of Donald Trump, introduces several federal tax changes that could affect all parts of the country, including individuals, corporations, and families.

The legal name for the OBBBA is the 2025 Reconciliation Legislation (H.R. 1). In this bill, there are several notable changes, including the permanence of the 2017 Tax Cuts and Jobs Act (TCJA), previously also created and pushed by Donald Trump during his 2017 presidency. The enactment of the OBBBA will affect the taxes that will be filed in 2026; however, most tax laws will start in 2026 instead of 2025.

What is the TCJA?

The TCJA is an act that reforms both individuals and businesses taxes, where it could lower marginal tax rates and the cost of capital. In terms of individual taxes, the changes include lowering the rates of most income taxes and increasing the standard deduction both for single filers and married filers.

In addition, the enactment of the TCJA eliminated personal exemptions and deductions, including limiting itemized deductions such as the State and Local Tax (SALT) deduction, mortgage interest deduction (MID), and charitable contribution deduction. It also increased income thresholds to US$400,000 and increased the Child Tax Credit (CTC).

In terms of taxes on businesses, the TCJA lowered the corporate income tax (CIT) rate to 21% starting from 2018. It also includes the elimination of expenditures and taxes, such as the deductibility of net interest, net operating loss carrybacks and carryforwards, and the corporate alternative minimum tax (AMT).

These changes are initially set to expire by 31 December 2025. The act is hoped to result in an increase in the United States economy by 1.7% in the long run, where wages would be 1.5% higher and capital stock would increase 4.8%, according to the Tax Foundation's Taxes and Growth Model.

With the enactment of the OBBBA, the TCJA act that was set to expire in 2025 is then changed to being permanent, with increased standard deduction, elimination of personal exemptions, and adjustments for the income tax rate. Now, the permanent tax brackets are set at 10%, 12%, 22%, 24%, 32%, 35%, and 37%, among other changes that will be explained further down the article.

How much does the bill cost?

The enactment of this law permanently extends the trillions of dollars of the 2017 tax cuts, in addition to the newly introduced cuts on overtime taxes and senior deductions. This resulted in the cost of US$3.4 trillion over the next 10 (ten) years, an estimation from the Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT), with adjustments to be made according to future Congress and President of the United States.

The deficits came from averaging the costs of the 3 (three) major changes as a result of the bill, which includes an estimated amount of US$4.5 trillion on reducing federal tax revenues on net, increasing certain federal spending by US$325 billion, and an estimation of US$1.4 trillion used on reducing federal spending, making this bill the most expensive law to be ratified since the 2012 American Taxpayer Relief Act.

In terms of how the provisions affect the 10-year deficit, some would increase and others decrease the deficit. For example, within the TCJA extensions, the lower individual income tax rates would increase the deficits US$2.2 trillion, but the SALT deduction cap would decrease the deficits by US$946 billion. In total, it would increase the deficits by US$3.7 trillion net.

If the Congress does not pay for new tax cuts or new spending, then the Treasury Department will have to issue an additional debt of over US4700 billion in interest expense, thus costing more that US$4.1 trillion from the financial year 2025 until 2034. Permanent tax cuts will raise the cost of the bill into roughly US$5 trillion with interest.

Taxation Aspects Within and Outside the Bill Act

The enacted OBBBA is essentially an act that consists of changes applicable within the taxation landscape of the United States. As mentioned previously, the bill declares permanence of the 2017 TCJA, among other changes also introduced in this bill. What taxation changes can be found within the bill?

TCJA Permanence

Several tax laws made permanent with the enactment of the OBBBA include the increased standard deductions for single or married individuals filing separately, the head of households, and for married individuals filing jointly or the qualifying surviving spouse, in addition to the amount being expanded.

Another point to be noted is that personal exemptions for individuals, spouses, and dependents will be permanently removed, except for certain senior citizens. Indome tax rates will also now have permanent brackets ranging from 10% to the highest, 37%, where the first two brackets (10% and 12%) will have an initial inflation adjustment in 2026.

Tax Deductions and Workers' Tax

As previously mentioned in Trump's campaign, the taxes on tips and overtime pay will be deducted, where the law will be effective starting from 2025 until 2028. The new law will allow workers being able to claim a deduction for a designated amount of overtime pay as covered by the Fair Labor Standards Act, where income eligible for deductions will be set at US$12,500 for single individuals and US$25,00 for married individuals filing jointly.

As for no taxes on tips, the amount of income eligible for the deduction will be capped at US$25,000, where workers with a higher income will be able to claim a partial deduction.

American citizens can also expect an increase in the SALT deduction cap from 2025 until 2029, where it is raised to US$40,000 for incomes under US$500,000 or US$250,000 for married individuals filing separately. As for senior citizens, taxpayers aged 65 and older will be able to claim an additional US$6,000 off of their taxable income.

Tax Changes in Other Areas

The OBBBA also entails changes in several other areas, including education, household, and vehicles. For example, there will be an increase in Child Tax Credit (CTC), set at US$2,200 per child, and there will be a program called Trump Child Savings Accounts, effective from 2026, where a savings account will be created for children under the age of 18.

Employers will also be able to contribute to student loans starting from 2026, where employers can provide up to US$5,250 for an employee's loans. Students may also be able to claim a tax credit for their contribution to certain scholarship funds, and educators will be able to receive a US$250 deduction on their taxes.

The OBBBA will eliminate several clean vehicle credits. This includes the New Clean Vehicle Credit, Used Clean Vehicle Credit, and the Qualified Commercial Clean Vehicle Credit.Residential energy credits are also terminated and will not be usable after 2025.

What the US government expects and the projection of the bill

The enactment of the OBBBA is expected to improve the economic condition of the United States' economy by ensuring that its policies account for all possible growth aspects. However, what the bill fails to recognize is the amount of deficit that keeps on growing with the amount of tax deductions, TCJA permanence, and other tax changes.

Based on the projection by the Tax Foundation, the deficit is expected to increase by US$3 trillion in the next 10 years, with an increase in the Gross Domestic Product (GDP) by 1.2%. It could also lead to a 0.7% increase in the capital stock and a 0.4% increase in wages before taxes. However, the incomes received by Americans measured by the Gross National Product (GNP) will not increase.

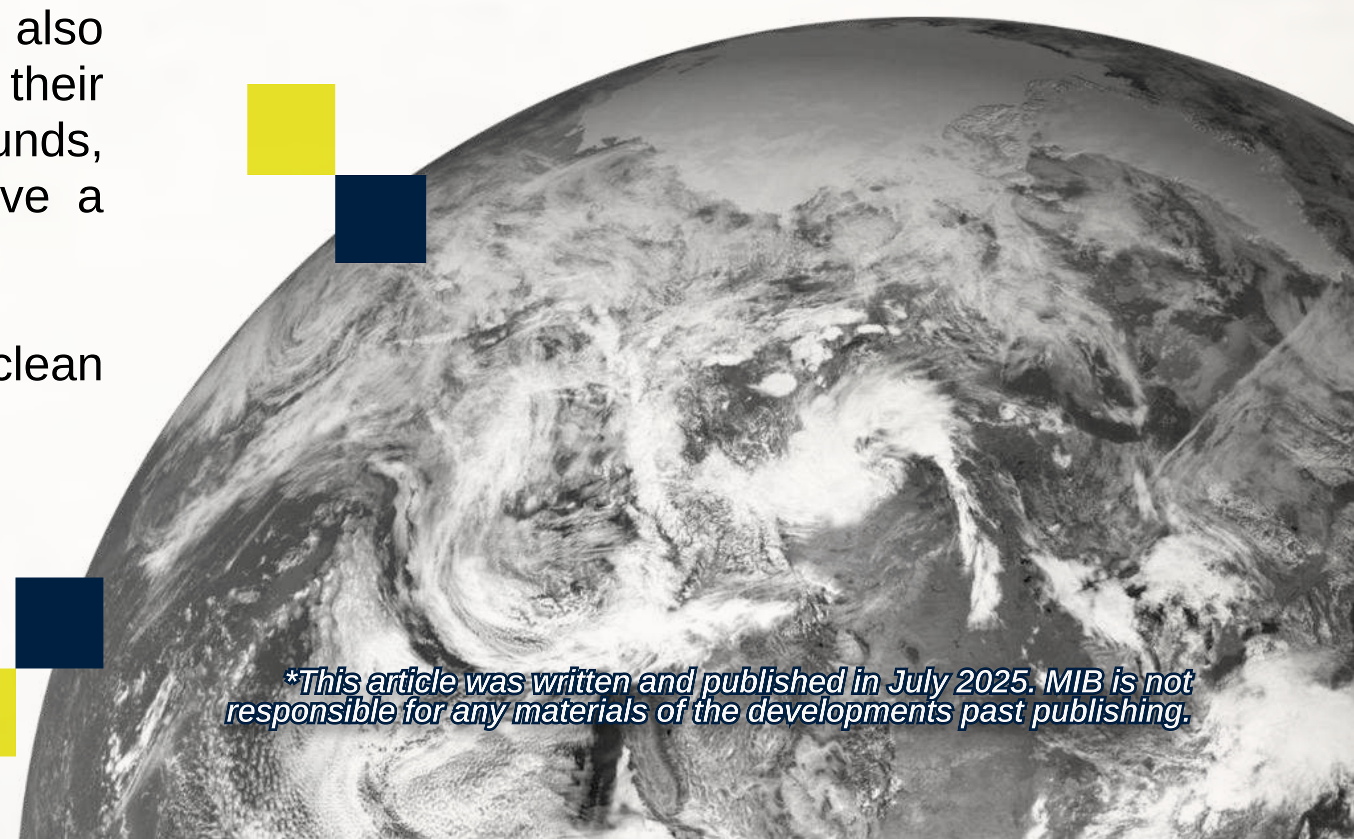
Federal revenues will be reduced by US$5 trillion between 2025 to 2034 with the major tax provisions. Additionally, it is also estimated that the OBBBA will increase the deficit on a conventional basis by US$4.9 trillion within the 10-year window.

Other changes in the taxation landscape

Alongside the enactment of the OBBBA, Donald Trump has also been raving about imposing reciprocal tariffs – a levy or tax imposed by one country on another country in hopes of controlling their trade, restricting access, as well as securing national interest.

The plans on imposing reciprocal tariffs have been made since early 2025, when Trump imposed the levy based on the country of origin instead of the country from which it is exported. The reason behind the imposition is to ensure that American goods are not facing any deficit.

The imposition of these tariffs, seemingly, is also hoped to be able to offset the cost of the OBBBA, although by several estimates, not by much, or even not being able to cover the deficits and costs made to fulfill the new act.



**This article was written and published in July 2025. MIB is not responsible for any materials of the developments past publishing.*

Cross-Border Relationship Post-Bill: What to expect

Based on the latest letter sent by the United States' government in early July 2025 to several other countries, a new reciprocal tariff rate is expected to be imposed based on the latest negotiations between the US and said countries.

As previously mentioned, the imposition of these tariffs is expected to assist with the costs of the OBBBA. However, based on the projection by the Committee for a Responsible Federal Budget (CFRB), these tariffs would only cover about one-sixth of the costs used to fund the OBBBA, and according to the Tax Foundation's analysis, the tariffs are able to offset "a little more than half" of the OBBBA costs on a dynamic basis.

How tariffs are affecting relationships between countries and the United States

The proposed reciprocal tariffs have gotten affected countries scrambling around, hoping to find a middle ground that will not only ensure national security but also "satisfy" the American needs. This is especially crucial since exported goods will be imposed with said tariffs, deterring the possibility of being purchased by American citizens.

Since the initial tariff rate, there have been trade deals made between the United States and several other countries in order to ensure that both parties received a "good" deal. For example, the United States and the European Union have struck a deal and set the reciprocal tariffs to 15% for European goods, including automobiles. As a compromise, the European Union will be purchasing US$750 billion worth of energy from the United States.

Between the United Kingdom and the United States, an agreement is set, where a reciprocal tariff rate of 10% will be imposed on the United Kingdom goods, including exporting as many as 100,000 cars with the agreed rate. Lastly, with China, the United States will impose a 30% on Chinese exports, and China will be imposing a 10% rate on the United States' exports.

With Japan, the United States agreed to set a 15% reciprocal tariff rate imposed on Japanese goods. Japan would also invest an amount of US$550 billion in projects developed by the United States and open its market for automobiles and agricultural products coming from the United States.

Moving on to ASEAN countries, such as the Philippines and Indonesia, the United States agreed to impose each country a reciprocal tariff rate of 19%, on their exports sent to the United States.

Indonesian reciprocal tariffs: How they influence domestic trade

Based on the latest update, both Indonesia and the United States agreed to impose a 19% tariff rate on Indonesian exports sent to the United States. However, the United States will not have to pay a dime if it exports its goods to the country.

In addition to the tariff agreement, Indonesia will also purchase US$15 billion worth of the United States' energy, US$4.5 billion worth of American Agricultural Products, and a number of Boeing Jets. Additionally, Indonesia no longer compels the United States to source components' parts and services from the domestic market as part of this agreement.

It is, however, worth noting that Trump still imposes a 50% rate on copper as an exported commodity, even if the United States' president has shown interest on multiple occasions, understanding that it is a critical component for building electric vehicles and electronics.

Based on the data owned by the US Geological Survey, Indonesia still owns copper reserves amounting to 21 million metric tons, with around 1.1 million metric tons mined in 2024. The United States, however, relies heavily on foreign resources for refined, mined, and/or smelted copper, with its refining and smelting capacity falling behind other countries.

The new 50% rate on copper further increases the price of the commodity for America, pushing copper into becoming one of the "hottest" commodities. Around early July 2025, the price of copper is notably 23% higher in comparison to the previous year. A higher price can affect the profit margin of the United States' companies, as copper is needed for production or infrastructure building. Indonesia's decision to reject the United States' request for an unrestricted copper supply access will further complicate matters for the United States.

The impact of the reciprocal tariff on the domestic trade

Based on the data from the Atlas of Economic Complexity, Indonesia has a total export valued at US$22 billion that went to the United States. These exports are mostly from the textiles, electronics, and palm oil industries. The imposition of reciprocal tariffs is expected to heavily hit the textile industry, which previously have been facing weak global demand, resulting in thousands of layoffs and bankruptcy.

Additionally, exempting companies from the United States from having locally-sourced parts and services could also affect the domestic economy severely.

Industrial activities are important to ensure that domestic labor are employed. This includes for goods within the data center, health equipments, as well as the information and communication technology industries. Additionally, exemption of using local sources can affect investment rate for Indonesia, and lower the stability for domestic industries.

Exemption on locally-sourced parts and services can decrease chances for domestic products compete with foreign products, not only internationally but also domestically. This is not only due to lower prices on foreign goods, but also due to dependency on imported goods. In the long run, dependency on imported goods can lead to a national imbalance of trade and devaluation of the national currency, and even result in a more expensive import prices.

Indonesia, as a country, must better prepare the changes that are about to befall the country during the latest moments of 2025. These changes could further shape the global trade will unfold and Indonesia's position amongst all the changes and imbalance. One 'mistake' in managing agreements and trade deals result in national dire state – increasing goods prices, low currency value, and more demands than what supplies can handle.

> **"The enactment of the One Big Beautiful Bill Act by the United States must be approached with precautions – not only from within but also for other countries."**

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Monthly Highlights

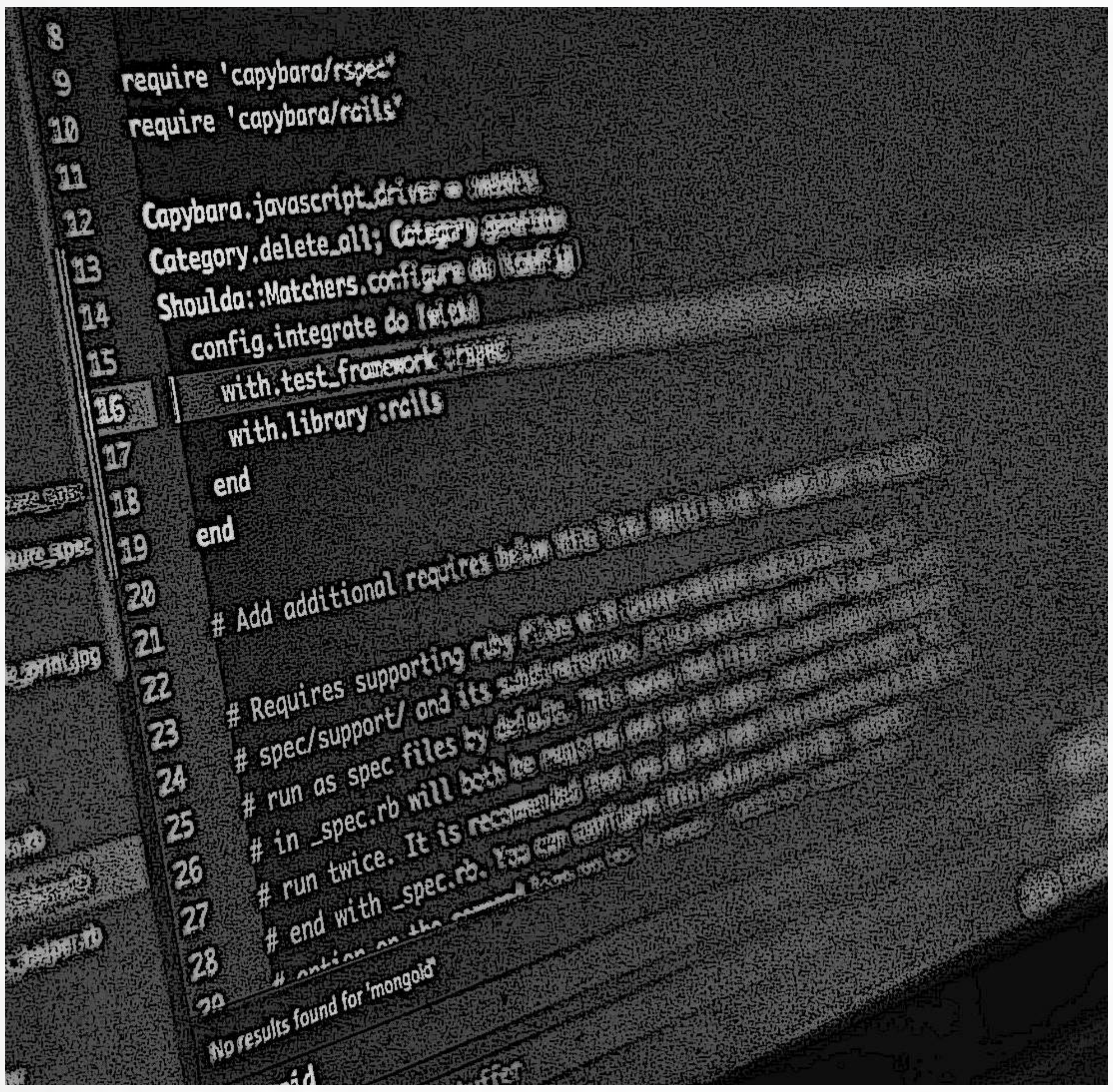
The Indonesian government is planning for any changes within the international landscape – including in relation to the imposition of the reciprocal tariffs from the United States. Several changes are made to ensure domestic economic conditions are safe amongst the imbalance within the global trading sector.

Marketplace Organizers to Withhold Income Tax from Sellers

Based on the newly-issued the Ministry of Finance Regulations Number 37 Year 2025, marketplace organizers are now obligated by the Directorate General of Taxes to withhold Income Tax from income that the online sellers receive through transactions in their platform.

The marketplaces are expected to prepare for the tax imposition, as the imposition will not be immediately commenced. The Directorate General of Taxes will appoint marketplaces gradually.

> Read more here & here



The Directorate General of Taxes Launches 'Genta' For Tax Invoices and Tax Withholding Slips

To provide assistance for Taxpayers in creating their Tax Invoices and Tax Withholding Slips, the Directorate General of Taxes launched a new application called 'Genta' or Generate Data Coretax.

The application can generate invoices and slips at a minimum of D+1 after the data is inputted and after the Taxpayer requests a data application.

> Read more here

Next read 08 Donald Trump Imposes a 19% Reciprocal Tariff on Indonesian Exports & Indonesian Taxpayers' Charter Issued by the Directorate General of Taxes

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Monthly Highlights

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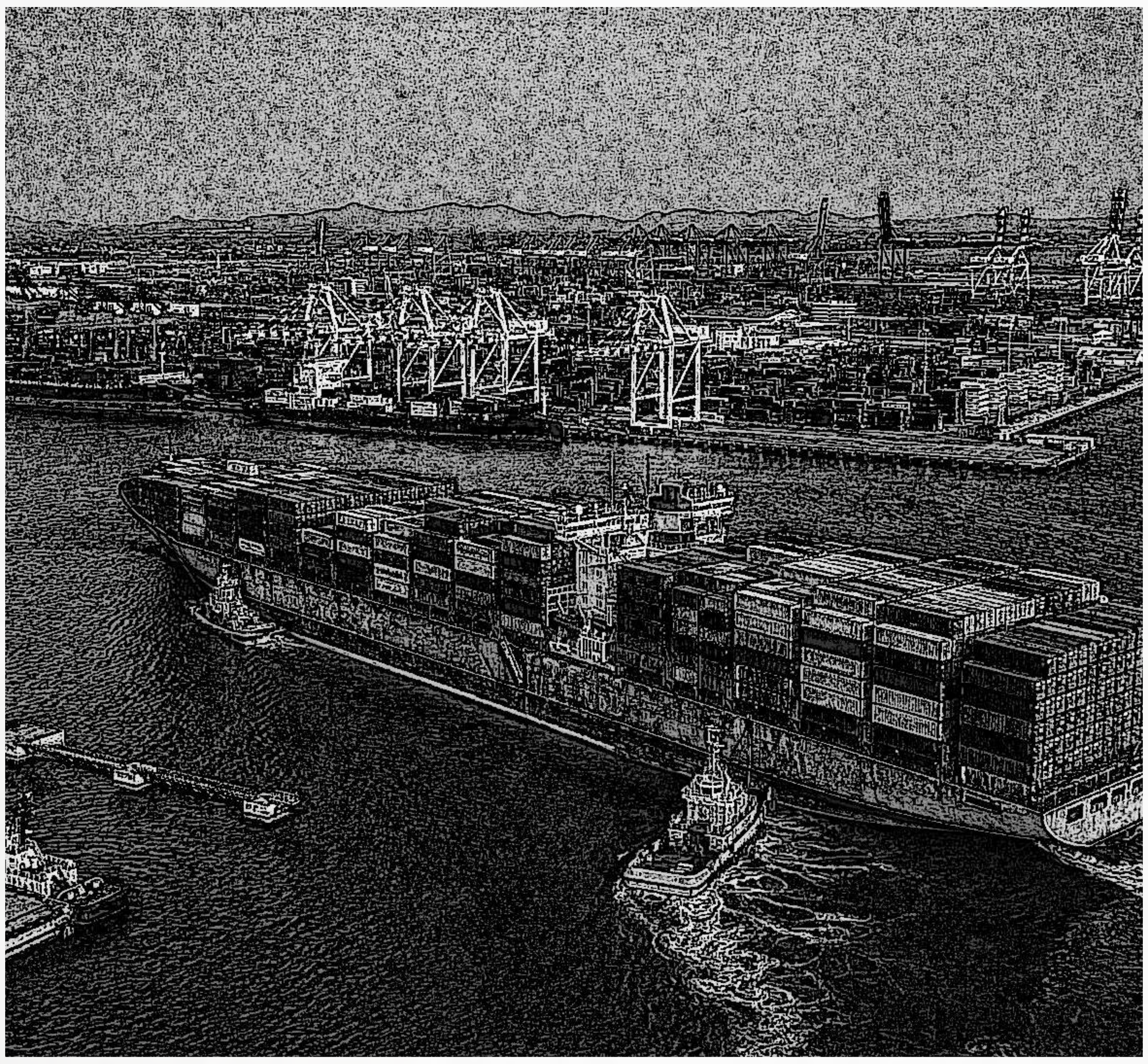


Donald Trump Imposes a 19% Reciprocal Tariff on Indonesian Exports

The United States and Indonesia have finally reached an agreement in relation ot the threat, that is reciprocal tariffs, on Indonesian exports being sent to the land of the free.

Previously, the new United States president, Donald Trump, imposed a 32% tariffs on Indonesian exports. However, as negotiation talks ensue, both countries are now in agreement that th States will be imposing a 19% rate on Indonesian exports.

> Read more here & here

Indonesian Taxpayers' Charter Issued by the Directorate General of Taxes

The Directorate General of Taxes has issued a Taxpayers' Charter in the spirit of ensuring that Taxpayers are following and complying to their tax obligations, but also in understanding of their rights within the taxation landscape.

The charter consists of each 8 rights and obligations that Taxpayers must be aware of, with each rights and obligations being a "summary" of a larger context.

> Read more here & here

Next read 09 The Government Plans For An Increase for Tax Target in 2026 & International Tax Highlights

July 2025

Monthly Highlights

The Indonesian government is planning for any changes within the international landscape – including in relation to the imposition of the reciprocal tariffs from the United States. Several changes are made to ensure domestic economic conditions are safe amongst the imbalance within the global trading sector.

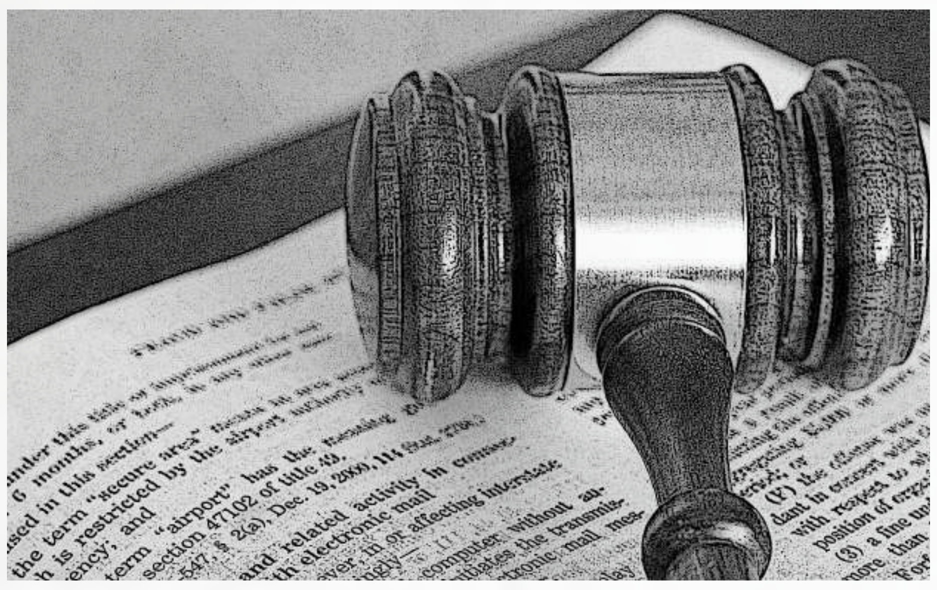
The Government Plans For An Increase in Tax Target in 2026

Based on the latest updates regarding the planning for the 2026 Draft State Budget, the government aims to increase the amount of collection for taxation to within the range of 10.08% until 10.54% of the National Gross Domestic Product (GDP).

In the case of the target for the collected tax revenue itself, the numbers are set within the range of 8.9% until 9.24% for the year 2026.

> Read more here

International Tax Highlights



Donald Trump Ratified the Bill for US Funding Called the OBBBA

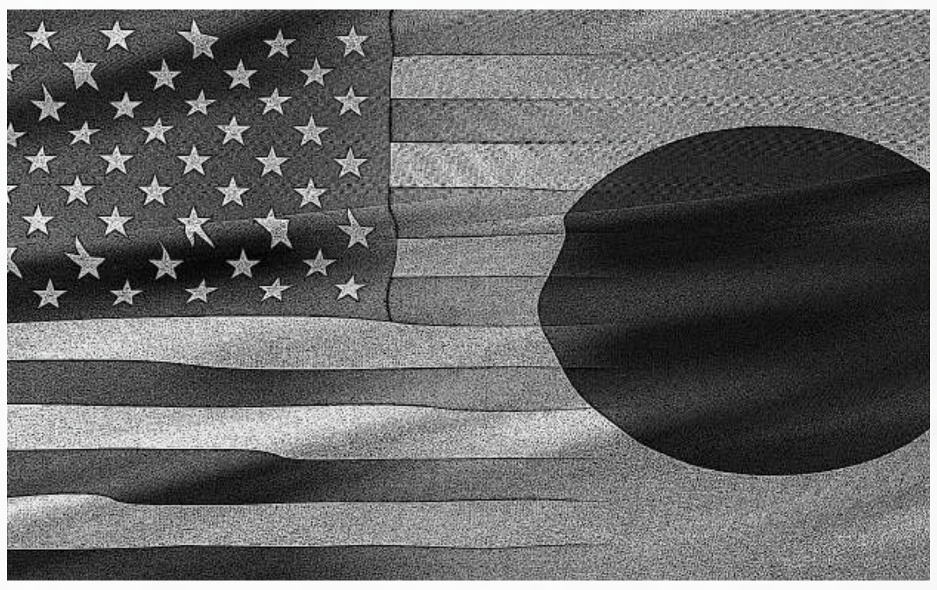
The United States' President, Donald Trump, has ratified the latest bill concerning changes on the funding of the country, for example, on tax exemptions and tax cuts.

> Read more here

China Lowers Tax Threshold for Electric and Expensive Cars

China is deciding to lower the threshold for car prices, both for electric and expensive cars, to be imposed with taxes.

> Read more here



US and Japan Agree on a Lower Reciprocal Tariff Following Talks

After rigorous negotiations between the two countries, Japan and the United States have agreed to impose a 15% reciprocal tariff on Japanese exports, including automobiles.

> Read more here

July 2025

Monthly Tax Revenue

The government is showing signs of pessimism. Projected numbers for the 2025 tax revenue collection are not as bright as they hoped to be, with numbers failing to reach the targeted amount – according to estimates. However, the government is pushing forward and is looking to prepare for the 2026 fiscal year as soon as possible.

2025 Tax Revenue Projected to Face Shortfall

Based on the data collected by the Ministry of Finance, and by extension, the Directorate General of Taxes, the projected amount of collected tax revenue for 2025 will be amiss from its initial target, set at IDR2,189.3 trillion.

The projected number for the collected tax revenue is set at IDR2,076.9 trillion for the year 2025, only fulfilling around 94.9% of the target. Additionally, the number of collected tax revenue throughout the first semester of 2025 has just reached IDR831.27 trillion, further emphasizing the amount of 'catching-up' that the government must do for the tax revenue target to be reached.

This condition is seemingly unideal for the government, especially after being able to receive 3 (three) consecutive hattricks for the previous years' collected taxation revenue.

However, the government projects that the collected amount of revenue from the duty and excise sector will grow, reaching a number of IDR310.4 trillion. This seemed like a hopeful projection, especially after also learning that the 2025 tax ratio will add to the trend of decreasing for the past few year, only reaching 10.03%.

The government will be putting out strategies and allocating ways to ensure that the collected tax revenue target is reached, or will be able to be closer to target than the projected amount.

Strategies for Fulfilling the 2026 Tax Target

Although the 2025 tax revenue collection is projected to will not reach the targeted amount, reportedly only being able to fulfill around 94.9% of the intended target, the government plans to increase the targeted amount for the 2026 tax revenue collection.

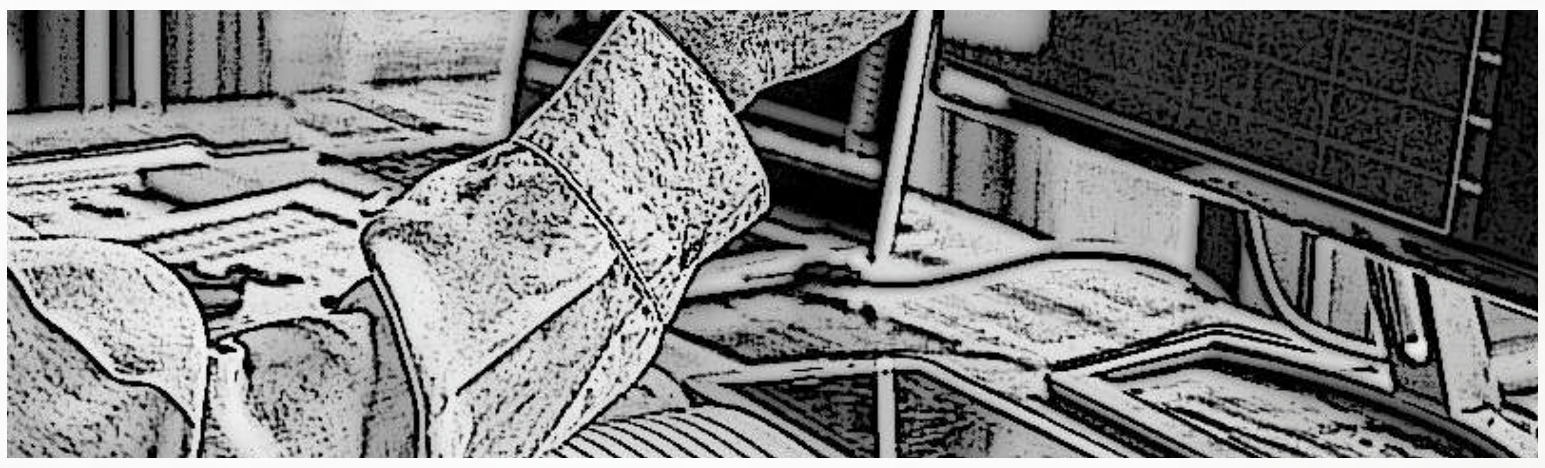
The latest report shows that the government aims to set the 2026 tax revenue collection target to be within the range of 10,08% until 10,54% of the Gross Domestic Product (GDP). This, however, is not easily achievable without several strategies that the government aims to implement for the tax collection process.

First, the government is planning to **utilize the usage of digitized tax administration tools** to better collect and manage taxpayers data, imploring taxpayers to voluntarily fulfill their tax obligations. These tax administration tools in action are the Core Tax Administration System (Coretax), implemented in early 2025, Customs-Excise Information System and Automation (CEISA), and *Sistem Informasi PNBP Online* (SIMPONI).

These three applications will be integrated and have their database be accessible to one another, ensuring to not only strengthen tax supervision but also increase the transparency, service, as well as data accuracy. In addition, the government also plans to **manage the climate of investments.** This strategy can be implemented through different ways. For example, through the continuation of the tax reform, the expansion of tax basis impositions, as well as the optimization of the natural resources.

Integrated databases, digitalization of tax applications are one of the ways the government is pushing for tax reform. Being able to partner up with several agencies is also how the government aims to reach the targeted tax revenue, as this will unlock possibly new sectors and taxpayers to being imposed with taxes.

With all the global uncertainties, the government must be prepared from all aspects, become certain on how tax revenue, as Indonesia's main source of national income, can be utilized to its fullest potential.



> Read more here, here & here

Tax Calendar

August 2025

Tax Calendar

August 2025

MON	TUE	WED	THU	FRI	SAT	SUN
28	29	30	31	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17 Independence Day
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

Reminders

15 July 2025 **Payment Deadline** – July 2025 Art. 4(2), 15, 21/26, 22, 23/26 Income Tax, and 25 Income Tax, SME Final Income Tax, and Self-Assessed VAT

17 July 2025 **Independence Day**

20 July 2025 **Submission Deadline** – Value Added Tax Invoices
Filing Deadline – July 2025 Art. 4(2), 15, 21/26, 22, 23/26, and 25 Income Tax

1 August 2025 **Payment and Filing Deadline** – July 2025 Value Added Tax

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