



MIB Monthly Newsletter | March 2024

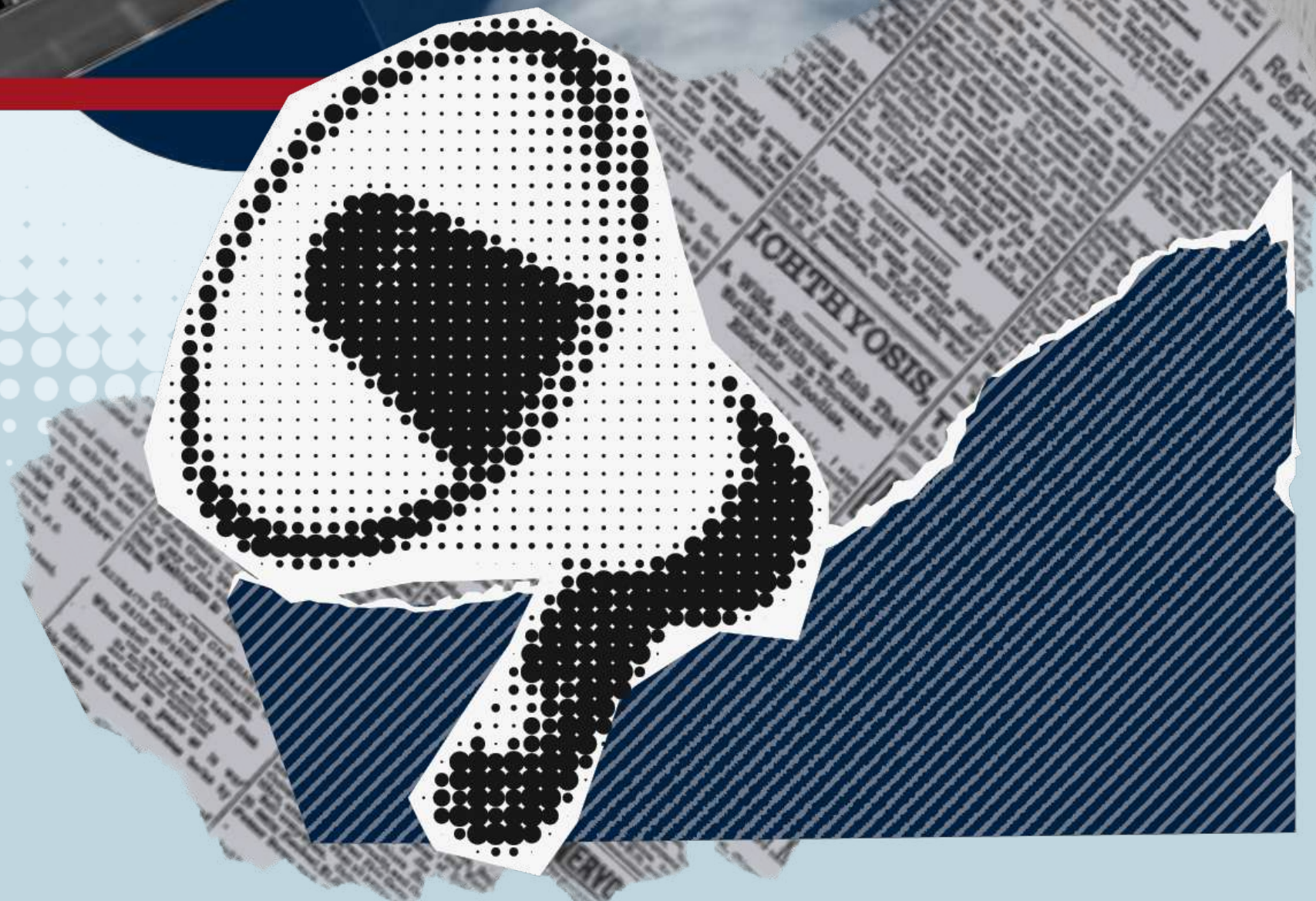


Expectations on Taxation Growth In The Hands of New Leadership



Inside the Issue

Getting to Know Fiscal Policies Envisioned By Indonesia's Presidential Candidates • Monthly National and International Tax Highlights



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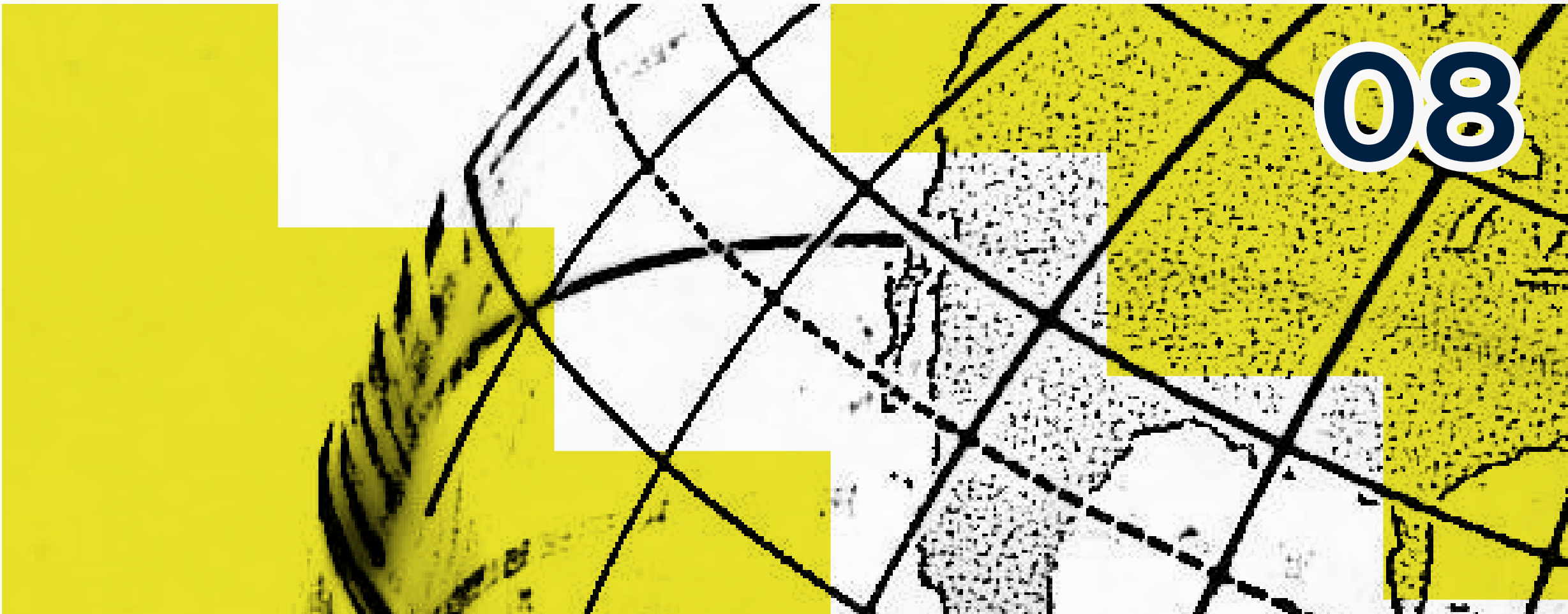
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Table of Contents



03 Insight Article

04 Getting to Know Fiscal Policies Envisioned By Indonesia’s Presidential Candidates
A Deeper Look at Possibilities of Fiscal Policies for Taxation Growth

07 Monthly Highlights

- 07 Government Plans an Increase from 11% to 12% for VAT Rate in 2025
- 07 Digital Tax Revenue Reaches IDR22.18 T, Government Digs More Potential
- 08 Tax on Religious Bonuses for Civil Servants is Borne by the Government
- 08 Additional Jurisdictions Included on the Updated 2024 AEoI List
- 09 Collected National Tax Revenue Amounts To IDR269.02 T Until February 2024

09 International Highlights

10 Tax Calendar: April 2024

Insight Article

Getting to Know Fiscal Policies Envisioned By Indonesia’s Presidential Candidates

A Deeper Look at Possibilities of Fiscal Policies for Taxation Growth

Every 5 years, Indonesia conducts a national election to choose its next leaders.

Enter the three candidate pairings for the new presidential era. Each of the candidates offers pieces on how they could improve and push the growth of the taxation environment in Indonesia by implementing tax policies and incentives.

Read more about the commitments and pledges made by candidates to the public in regard to taxation in this edition of the newsletter.



Getting to Know Fiscal Policies Envisioned By Indonesia's Presidential Candidates

A Deeper Look at Possibilities of Fiscal Policies for Taxation Growth

The current leadership in Indonesia is coming to an end. The current Indonesian president, Joko Widodo, will be handing over the leadership baton to the future leader of Indonesia in 2024. But before doing so, these candidates are given time to appeal to the public by amplifying their plans for improving Indonesia.

The candidates competing for the seat of the Indonesian presidency are divided into 3 (three) pairs. The first pair consisted of Anies Baswedan and Muhaimin Iskandar, taking on the role of the presidential candidate and the vice president candidate respectively.

The second pair of president and vice president candidates are Prabowo Subianto and Gibran Rakabuming. Lastly, the third pair of candidates consisted of Ganjar Pranowo and Mahfud MD as the president and vice president respectively.

Included in all the campaigns are the mission and vision these candidates have developed as the guidelines for the public's eye: what will they do regarding the development of Indonesia?

Several candidates have similar ideas, while others are specific, only offered by one candidate. In this issue, we will discuss the fiscal policies, specific to tax policies, that the candidate offers to implement during their presidency period.

Carbon Tax Implementation

As proposed by Candidate Pair 1 and Pair 3, the carbon tax is a concept that previously has been introduced within the taxation landscape. The current government has had plans to implement the carbon tax, however, they were halted due to circumstances concerning technical and regulatory systems.

Pairing One: An Inclusive Carbon Tax Mechanism

The pairing aims to implement the carbon economic value by applying a carbon tax during their leadership period.

According to the pairing, the carbon exchange will contain certain standards and criteria that will make the whole process inclusive, as well as ensure the decrease of carbon emissions following the target mentioned in the Net Zero Emission.

Pairing Three: Carbon Tax as Energy Transition Instrument

The pairing tells the public that a carbon tax is an important instrument as part of the transition towards renewable energy use in Indonesia.

What to Expect?

The carbon tax will be implemented with a riper concept: starting from technical points to regulatory points as part of Indonesia's commitment to fulfilling the target in the Net Zero Emission and Paris Agreement.

Currently, the government has plans in motion regarding technical factors, such as the implemented rate system, mechanism, and carbon exchange system. However, these are not enough. The government's latest update on carbon tax mentioned that there is still not enough coordination and there is a lack of stability in implementing a carbon tax.

Excise on Sweetened Beverages

Mentioned and discussed by both Candidate Pair 1 and Pair 2, the aim of implementing excise on sweetened beverages is focused on the health benefits it may produce.

Pairing One: Excise on Sweetened Beverages for Better Health

The pairing believes that a higher tax or excise rate on sweetened beverages is needed as the consumption of one could cause health issues to its drinker.

However, a higher tax or excise rate will also affect a higher price of sweetened beverages, and additionally mentioned by the candidate pairing, sweetened foods.

Pairing Two: A Way to Decrease Diabetic Patients

The pairing presumes that one way to decrease the number of diabetic citizens in Indonesia is by implementing and ensuring the execution of the excise imposed on sweetened beverages.

The implementation of excise on sweetened beverages have other benefits according to this candidate.

In addition to reducing the number of diabetic patients, the implementation of a better excise on sweetened beverages will also affect the allocated budget for diabetic patient treatments in the Social Health Insurance Administration Body (BPJS).

What to Expect?

The government is currently preparing to impose excise on sweetened beverages by 2024. The policy is now in the process of review and coordination across ministries and other institutions as it greatly affects the health of Indonesian citizens.

This notion is not only condoned by the Indonesian government but also by WHO, which has repeatedly voiced concerns about the link between consuming sweetened beverages to death. WHO has then urged countries and jurisdictions to increase their sweetened beverages excise and tax to flatten out unhealthy consumption.

Since the regulation is currently under review, the public can expect a higher price of sweetened beverages to be administered soon. Additionally, businesses may also need to watch out, especially for sweetened beverage issuers, where the rate increase will also increase the prices and thus affect their sales.

Development of State Revenue Agency (BPN)

All three candidate pairings believe that the development of a State Revenue Agency will be able to restore the integrity of the taxation system and institutions in Indonesia. Currently, the Directorate General of Taxes is under the watchful eye of the Ministry of Finance.

Pairing One: State Revenue Agency to Restore Integrity and Coordination

Based on the pairing's agenda for the State Revenue Agency development, the institution is planned to be supervised directly by the President in comparison to the Ministry of Finance.

The State Revenue Agency's activities will also be separated from treasury matters. This motion is deemed as the step that needs to be taken as a way to enhance the coordination and integrity between institutions.

Pairing Two: Separated Institutions to Increase Revenue

The split between treasury matters and revenue matters through the development of a State Revenue Agency is believed to be beneficial in terms of the load taken by the institution.

Candidate Pair 2 also believes in other benefits.

This pairing believes that the separation of these two institutions will be able to provide more efficient management of both revenue and treasury matters, and thus be able to improve the numbers on domestic revenue.

Pairing Three: Special Institution to Manage Revenue

According to this pairing, the nation is in need of a special institution, whose task is to specifically manage the nation's income and revenue.

In addition, it is crucial for this institution to be under the supervision of the president in place of other institutions. The institution will then manage and oversee revenue sourced from taxes and non-taxes.

What to Expect?

There were talks before on separating the Directorate General of Taxes and the Ministry of Finance. But these talks were just talks, and nothing came to fruition. However, the separation of both institutions and the development of a State Revenue Agency could set off a few matters.

For example, the development of the State Revenue Agency is hoped to be able to push the numbers on tax ratio. However, the government should be ready to provide a budget and clear timeline to ensure a smooth transition, where personnel can be gathered and infrastructures can be built.

The separation of the Directorate General of Taxes from the Ministry of Finance and the development of the State Revenue Agency is based on certain issues among others. Namely issues concerning tax deviation, of which few have been uncovered over the past decade in Indonesia.

Pairing One: Imposing Wealth Tax on the 100 Richest People in Indonesia

Candidate Pair 1 aims to impose a wealth tax on 100 of the richest people with assets encompassing above the wealth of 100 million other citizens. This notion is mentioned by their national campaign team's co-captain, Thomas Lembong.

In addition to taxing the wealth, the pairing aims to also tax businesses involved in duopoly or oligopolies, where tax will be imposed on sectors with only two to four businesses under it.

What to Expect?

Wealth tax is commonly seen in foreign countries, such as the United States or the United Kingdom. In the United States, wealth tax is imposed based on the market value of assets owned by a taxpayer.

The imposition of wealth tax in Indonesia will have to consider several issues, such as illiquid assets and ways to administer and manage wealth tax. A clear framework of how the wealth tax is heavily needed in order for the regulation to take place.

Pairing One: Evaluating the Implementation of Tax Holidays and Tax Allowances

As part of ensuring that fiscal policies are used as a way to boost the nation's economic growth and equality, the pairing ensures that all tax incentives, including tax holidays and tax allowances, are being thoroughly evaluated to produce an optimal economic outcome with minimum fiscal risks.

What to Expect?

Tax holidays and tax allowances are part of an average tax incentives package offered by the government. Recently, the government has introduced tax holidays and allowances as part of the incentives given to support the development of the Nusantara Capital City.

Pairing Two: Implementing Wheat Import Tax

Candidate Pair 2 aims to impose a wheat import tax on any wheat imports as currently, Indonesia imposes an excise rate of 0% for wheat imports.

The imposition of the tax is also derived by looking at other countries with similar conditions as Indonesia, such as Thailand, a country that has been implementing wheat tax rates depending on the type of import.

Based on the explanation by the deputy of candidate number two's campaign team, Erwin Aksa, by not implementing a tax on wheat imports, the nation is losing a major source of income.

What to Expect?

Indonesia is known as one of the biggest wheat importers in the world, where its citizens knowingly consume large amounts of processed wheat-based foods. However, the implementation of wheat tax may be able to affect wheat flour factories.

On average, Indonesia imports around 9–11 million tons of wheat each year, and an import tax on ground wheat is not available. The implementation of wheat tax may also be able to halt the ongoing shift in Indonesia's food staple.

Pairing Two: Targeting to Tax the Small and Medium Businesses (SMEs/UKM)

The candidate pairing have plans on targeting taxes on SMEs in order to reach the proposed and targeted tax ratio. Targeting SMEs in terms of tax imposition is meant to affect the taxation by doing extensification, where this means that there will be additional taxpayers to account for.

SMEs players, especially informal SMEs, are urged to contribute to the national tax revenue by this targeted tax, even if it is meager in quantity.

What to Expect?

The imposition of taxes targeting SMEs means that players within the industry should be ready to be imposed with additional taxes.

In Indonesia, SMEs have certain roles, where they are able to provide for occupational positions and affect Indonesia's economy.

Pairing Three: Optimizing Administration To Push Tax Revenue Numbers

Candidate Pair 3 believes that by ensuring that the administrative factors of tax implementation are optimized, better tax revenue numbers are able to be collected, and thus contribute to the higher amount of GDP.

Not only 'leaks' in the form of tax avoidance and tax evasion, tax payment procedures are also a vital part in ensuring the collected tax revenue increases. Thus, it is necessary to build a clear and effortless tax administration system.

What to Expect?

Currently, the government is pushing the implementation of the Core Tax Administration System or CTAS by mid-2024. The new administration system is now fully digitized and integrated between institutions, ensuring a smooth data synchronization, which will assist tax authorities in overseeing taxpayers and their compliance among other affairs.

However, candidate pairing number three thinks more than that. While they seemingly do not mean a complete overhaul of the administration, they believe that to increase the national revenue, a significant amount of changes should be made to the tax administration.

Expect a lot of back and forth between old and new tax policies concerning tax administration, as the government will aim to implement the most straightforward and beneficial tax administration, for both tax authorities and taxpayers.

So far, which ideas by the candidates do you think have any potential to be implemented and reap positive results?

Additional Information

Offered Tax Incentives From Candidate Pairings

Anies Baswedan & Muhaimin Iskandar

There are several tax incentives that this pairing aims to provide for taxpayers in Indonesia if they become elected. Namely is the erasure of an assortment of taxes, including individual income tax, tax on savings, tax on school buildings development, and tax on social activities.

Prabowo Subianto & Gibran Rakabuming

They are offering several tax incentives if they become elected as the next leader pairing. For example, the reduction of individual income tax rates and the rise in non-taxable income standard.

Additionally, they also offer tax incentives in the form of the erasure of VAT on the book industry and exemption of tax for MSMEs for the first few years.

Ganjar Pranowo & Mahfud MD

For the third pairing, the tax incentives they offer and aim to implement if they are elected ranges from the availability of tax holiday and tax allowances for entrepreneurs to use until the offering of tax incentives for mines with thinning supply.

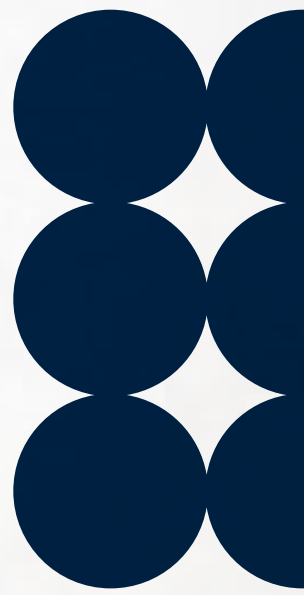
Lastly, they also aim to push the movement of green economy by proposing tax relief for the program.

**Contents of this issue are based on the materials curated from each candidates' vision and mission information, media coverage and interviews, as well as candidates' debate and dialogues on various events.*

March 2024

Monthly Highlights

March 2024 was accompanied with reminders of tax compliances and information on tax revenues and regulations being deployed. New regulations were not only seen in Indonesia, but also in other countries where each country aims to increase their tax revenue.



Government Plans an Increase from 11% to 12% for VAT Rate in 2025

The Indonesia government has plans to increase the VAT rate in 2025. Previously, the increase of VAT rate was mentioned in the Harmonization of Tax Regulations Law.

The increase of VAT rate from 10% to 11% was done in 2021, and the rate stayed the same until 2024. However, as per mentioned in the Law, the rate should increase to 12% before 2025.

The 12% rate is planned to be implemented on. 1 January 2025

[> Read more here](#)



Digital Tax Revenue Reaches IDR22.18 T, Government Digs More Potential

The collected amount of digital tax revenue until February 2024 reaches IDR22.18 trillion. This revenue is made up of several types of taxes imposed on digital platforms and services.

Among the collected tax revenue were revenue on the imposition of VAT on Trade Through Electronic System platforms with the amount of IDR18.15 trillion. Next, the collected amount of tax imposition on crypto transactions with the amount reaching IDR539.72 billion.

The government urges and aims to increase the collected amount of digital tax by optimizing its collection.

[> Read more here & here](#)

Next read

08

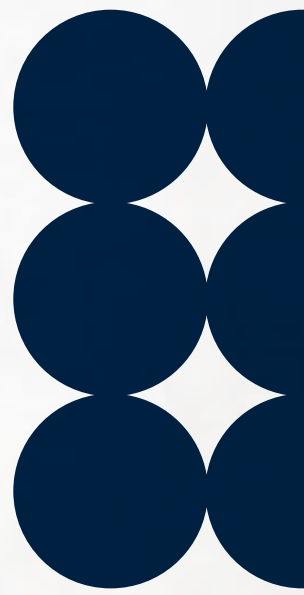
Tax on Religious Bonuses for Civil Servant is Borne by the Government

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Additional Jurisdictions Included on the Updated 2024 AEoI List

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Tax on Religious Bonuses for Civil Servants is Borne by the Government

The government, through the Ministry of Finance, has issued a statement that declares that religious allowances and the 13th salary given to civil servants will have its tax be borne by the government.

Religious allowances will be distributed 2 weeks prior the celebration of Eid Al Fitr, which falls on mid-April 2024. The 13th salary, however, will be given around June 2024.

The distribution of allowances and additional salary is hoped to increase economic activities around the time these are allocated.

[> Read more here](#)



Additional Jurisdictions Included on the Updated 2024 AEoI List

The Directorate General of Taxes has released the notice number PENG-2/PJ/2024 concerning jurisdictions that agreed to become participants in the exchange of data through the Automatic Exchange of Financial Account Information (AEoI) program.

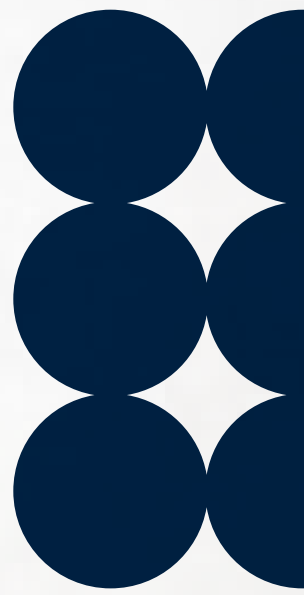
Jurisdictions who are participants can also become a reportable destination. The new list includes 112 jurisdictions as participants and 82 reportable destinations.

[> Read more here](#)

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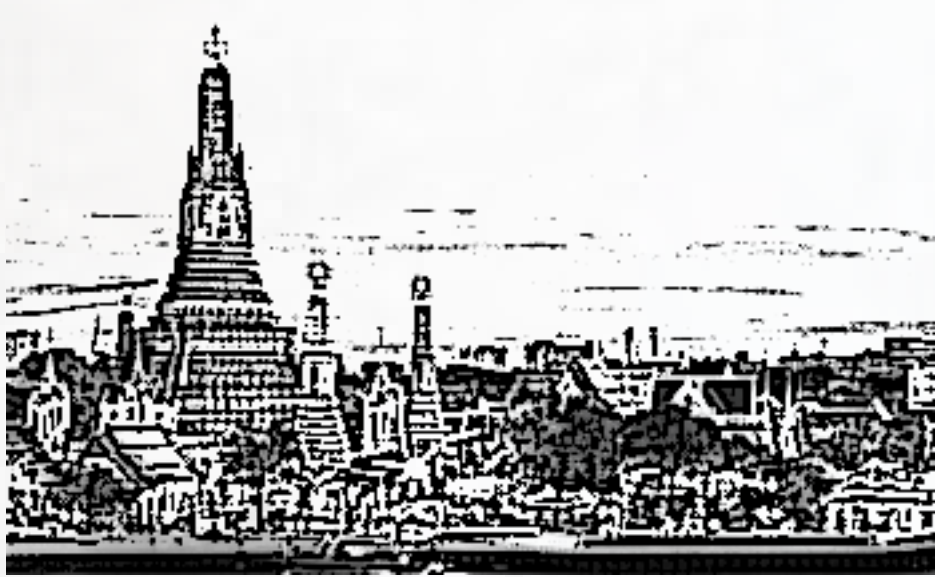
Collected National Tax Revenue Amounts To IDR269.02 T Until February 2024

The Directorate General of Taxes reports the amount of collected tax revenue until February 2024. The number has now reached IDR269.02 trillion.

This number of this collected tax revenue is made up of several types of taxes, including the collected Non-oil and gas income tax revenue which amounts to 147.26 trillion.

Other types of taxes, such as land and building tax has a collected amount of IDR2.02 trillion until February 2024.

> [Read more here](#) & [here](#)



Thailand Government Plans Several Tourism-related Incentives

The Thailand government plans on implementing several incentives to increase tourism activities in the country, including tax rebates and visa facilities.

> [Read more here](#)



EV Import Rates in India Decreases to Attract Investors

Concerning the motion to attract EV investors to India, the government plans on decreasing the rate of EV import rates for investors with plans on investing a minimum of US\$500 billion.

> [Read more here](#)



The Wealthy in the UK is Now Prone to Be Imposed with Tax

Jeremy Hunt, the Minister of Finance of the UK, has plans to lift up the “Non-dom” status that has been implemented for the wealthy in regards to their foreign incomes.

> [Read more here](#)

Tax Calendar

April 2024



Tax Calendar

April 2024

MON	TUE	WED	THU	FRI	SAT	SUN
1	2	3	4	5	6	7
8	9	10 Eid Al-Fitr 1445 H	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5
6	7	8	9	10	11	12

Reminders

- 10-11 April 2024 Eid Al-Fitr 1445 H
- 12 April 2024 Payment Deadline : March 2024 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax
- 15 April 2024 Payment Deadline : March 2024 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT
- 22 April 2024 Filing Deadline : March 2024 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax
- 30 April 2024 Payment and Filing Deadline : March 2024 VAT

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