

Indonesia Investments

Tax Update Indonesia

- Key Points in the Tax Harmonization Law
- Indonesia Raises Value-Added Tax (VAT) to 11% on 1 April 2022
- What Changes Are Made to Indonesia's Income Tax Structure?
- No More Tax Holidays as OECD Agrees on Global Minimum Corporate Income Tax Rate?
- Anomaly: Indonesia's 2021 Tax Revenue Exceeds Target, Supported by Low Target
- Carbon Tax to Kick in on 1 April 2022

12 JANUARY 2022

Van Der Schaar Investments B.V.
CV Indonesia Investments

Indonesia Investments

Update – 12 January 2022

Tax Update Indonesia



Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

Content in this update is copyright of Van Der Schaar Investments B.V. (all rights reserved), except when indicated otherwise (pictures are obtained from Pixabay). Our permission is required by those who want to publish or distribute (parts of) the content in this update (Dutch law applies).¹

Disclaimer

Lastly, we would like to emphasize that – although we strive to present accurate, up-to-date, and objective information in our updates – Indonesia Investments cannot guarantee the accuracy of all data and information that is included. We also do not intend to provide legal, investment, tax, or accounting advice through the contents of this update, and therefore the reader should not perceive this update as such. In short: Indonesia Investments cannot be held responsible for decisions based on the content of this update.

¹ CV Indonesia Investments owns the exclusive right to sell and distribute reports/updates of Indonesia Investments on the markets in the Asia-Pacific (including Indonesia).

- Tax Update -

Taxation in Indonesia; Tax Harmonization Law, Second Tax Amnesty Program, Tax Revenue in 2021, and the Future of Tax Holidays

It is time to turn our attention to tax, again, as we detected a number of interesting developments in Indonesia (related to tax) over the past couple of months. First of all, something that is quite rare, Indonesia managed to collect more tax revenue in full-year 2021 than it targeted in the 2021 State Budget (APBN 2021).

It was the first time since 2008 – and the first time during Indonesian President Joko Widodo’s reign – that tax revenue exceeded the target. And there are several reasons behind this anomaly. Obviously, it helped that economic activity rebounded in 2021 after a weak performance in 2020 (although tax revenue is still not fully back at the pre-COVID-19-crisis levels). This economic activity includes Indonesia’s impressive trade performance as well as high commodity prices. Meanwhile, the adjustment of certain tax rates has also supported tax revenue (such as the increase in the stamp duty tariff to IDR 10,000 per piece).

But, possibly more importantly, Indonesia’s 2021 tax revenue target was the lowest since 2014 (due to the COVID-19 crisis). This low target certainly helped to achieve it. Meanwhile, the government’s tax revenue target for 2022 is still not too ambitious

(in fact it is even below tax revenue realization in 2021, which likely was a year with less economic activity than 2022), and so this target should be met again in 2022.

Tax Revenue and Targets of the Indonesian Government (in IDR trillion):

	2016	2017	2018	2019	2020	2021
Realization	1,106.0	1,151.0	1,313.3	1,332.7	1,070.0	1,277.5
Target	1,355.2	1,283.6	1,424.0	1,577.6	1,198.8	1,229.6
Gap	249.2	132.6	110.7	244.9	128.8	47.9

Red color indicates shortfall

Green color indicates excess

Source: Finance Ministry of the Republic of Indonesia

Tax Revenue and Target of the Indonesian Government in 2021 (in IDR trillion):

	Realization 2021	Target 2021
Income Tax	696.5	683.8
VAT & Luxury Tax	551.0	518.5
Land/Building & Other Taxes	30.1	14.8
Total	1,277.5	1,229.6

Source: Finance Ministry of the Republic of Indonesia

[...]

Order this article (or the January 2022 report in which it is included) - by sending an email to info@indonesia-investments.com or a message to +62.882.9875.1125 (including WhatsApp) - to read the full text.

Size of this article: 25 pages

Price of this full (electronic) article:

Rp 40,000