

Tax News Flash

January 2025

2025 VAT treatment

On 31 December 2024, the Minister of Finance (MoF) issued Regulation No. 131 of 2024 (PMK-131) which went into effect on 1 January 2025, and outlines how VAT should be treated in Indonesia. With respect to the implementation of PMK-131, the Director General of Taxation (DGT) also issued technical guidance on VAT invoice preparation, i.e. PER 1 of 2025 (PER-1) which went into effect on 3 January 2025.

The table below summarizes several key pieces of information in PMK-131, as follows:

Category	Luxury goods*	Non-luxury goods
Tax base	Selling price or import value.	Other Value (11/12 of the import value/ selling price/compensation value).
Import on tangible goods	VAT is calculated from the full amount of the import value .	VAT is based on Other Value (11/12 of the import value).
Use of intangible goods and use of services from outside of Indonesia	Not applicable .	VAT is based on Other Value (11/12 of the compensation value).
Domestic delivery of goods	VAT is calculated from the full amount of the selling price.	VAT is based on Other Value (11/12 of the selling price).
Domestic delivery of services	Not applicable .	VAT is based on Other Value (11/12 of the compensation value).
Example	The selling price of a luxury good is IDR 800 million. VAT = 12% x IDR 800 million = IDR 96 million.	The selling price of a non-luxury good is IDR 800 million. Other Value = 11/12 x IDR 800 million = IDR 733.33 million. VAT = 12% x IDR 733.33 million = IDR 88 million.
Transition period: 1 Jan - 31 Jan 2025	The tax base will use Other Value during the transition period. (11/12 of the selling price). The transition period is only applicable for deliveries made to end customers.	No transition period.
After the transition period: 1 Feb 2025 onwards	The tax base will use the full amount of the selling price.	No transition period.
Exceptions	There is an exception for certain VAT Entrepreneurs that are currently using Other Value as a tax base or a VAT rate at a rate which was regulated under specific regulations e.g. self-building activities, the delivery of certain taxable services (tour/travel agent services, freight forwarding services), etc.	

Note:

* Luxury goods consist of:

- Motor vehicles according to MoF regulation No. 42 Year 2022 (PMK-42)
- Things other than motor vehicles according to MoF regulation No.15 Year 2023 (PMK-15)

In essence, the VAT rate will become 12% in 2025, however for non-luxury goods, the effective VAT impact should remain at 11% since under PMK-131 the VAT base calculation uses Other Value (11/12 of the selling price).

To understand the VAT treatment for non-luxury goods under PMK-131, please refer to the illustration below, which compares the VAT treatment before and during 2025. The VAT amount will ultimately remain the same.

Description	Non-luxury goods before 2025	Non-luxury goods in 2025
Selling price	1,000	1,000
Other Value (11/12 of the selling price)	Not applicable	916.6666667
VAT base for the VAT invoice	1,000	916.6666667
VAT rate	11%	12%
VAT amount (VAT base x VAT rate)	110	110
VAT invoice code for domestic sales	010	040 (using the Other Value tax base)

Note: Regardless of the fact that the VAT amount will be the same, the administrative paperwork needs to be updated to ensure that it is reflected in the invoice (if there is one) and the VAT invoice.

Provisions for the VAT invoice during the transition period

Under PER-1, the DGT provides the following rules for the transition period for the preparation of VAT invoices (and certain documents that are equated with VAT invoices) resulting from the implementation of PMK-131:

- VAT invoices and certain documents that are equated with VAT invoices created from 1 January 2025 to 31 March 2025, for the import and/or delivery of taxable goods, the delivery of taxable services, the utilization of intangible taxable goods, or the utilization of taxable services, which have:
 - A tax base from the total selling price/compensation value/import value at a rate of 12%; or
 - A tax base from the total selling price/compensation value/import value at a rate of 11%,
 will be considered valid as long as the VAT invoices and certain documents equated with tax invoices include other information in accordance with the provisions of the tax laws and regulations.
- Regarding any excess VAT collected because of the inclusion of the tax base (as referred to above), the following provisions apply:
 - The taxed party may request a refund of the excess VAT from the Seller Taxable Entrepreneur; and
 - Based on the refund request from the taxed party, the Seller Taxable Entrepreneur will amend or replace the tax invoice or certain documents that are equated with the VAT invoice.

KPMG notes:

PMK-131 does not provide specific guidelines for the transaction code in the VAT invoice. In general, the delivery of goods/services using Other Value as a tax base should use VAT invoice code 040. However, there are specific types of deliveries using Other Value as a tax base that may have a different VAT invoice transaction code (e.g. the delivery of goods/services when VAT is borne by the government, when the delivery of goods and services is exempt from VAT, when VAT is not collected or when goods and services are delivered to the VAT collector). In this regard, taxpayers must refer to PER-03/PJ/2022, which was partially amended by PER-11/PJ/2022 for guidance regarding the VAT invoice code.

Please reach out to your KPMG contacts for any further guidance you may require with respect to this regulation.

Contact us

KPMG Advisory Indonesia

Tax

34th Floor Jakarta Mori Tower
40-41, Jl. Jend. Sudirman
Jakarta 10210, Indonesia
T: +62 (21) 570 4888

Abraham Pierre

Head of Tax

Abraham.Pierre@kpmg.co.id

kpmg.com/id

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

©2025 KPMG Advisory Indonesia, an Indonesian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.