

Update on importation and/ or delivery of certain strategic taxable goods exempted from VAT



Executive Summary

On 24 August 2020, the Indonesian Government issued Government Regulation No 48/ 2020 ("GR-48") to amend GR No 81/ 2015 ("GR-81") regarding the importation and/or delivery of certain strategic taxable goods that are exempted from VAT.

The main purpose of GR-48 is to provide legal certainty, increase the national electrification ratio and to accelerate the fulfillment of more efficient electricity needs. GR-48 is effective on the date of issue.

The following key changes of GR-48 from GR-81 on certain strategic taxable goods obtaining the VAT exemption facility are in italics:



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1. Certain strategic taxable goods, which the importation and/ or delivery is exempted from VAT are:

- a) Factory machinery and equipment that constitute an integrated unit, either in installed or disassembled condition, which are directly used in the taxable goods' production process by a VAT-able Entrepreneur producing the said taxable goods, *including if the importation and/ or the acquisition is conducted by the party who carry out an integrated construction work*¹, not including spare parts;
- b) Goods produced from the marine and fishery business sectors, both captive fishery and aquaculture, as stated in the Attachment of GR-48;
- c) Untanned leather and rawhide;
- d) Livestock, the criteria and/or details of which are regulated by the Minister of Finance after obtaining recommendation from the Minister of Agriculture;
- e) Seedlings and/or seeds from agriculture, plantation, forestry, farm, or fishery products;
- f) Farm animal feed not including pet animal feed;
- g) Fish feed;
- h) Feed ingredients for animal and fish feed production, not including additives and supplements the criteria and/or details of which are regulated by the Minister of Finance after obtaining recommendation from the Maritime and Fishery Minister, and Minister of Agriculture;
- i) Raw materials for silver handicraft in the form of silver pellets and/or silver bars;
- j) *Liquified natural gas.*

2. Certain strategic taxable goods, the delivery of which is exempted from VAT are:

- a) Owned basic apartment residential unit, the acquisition of which is financed through subsidized house ownership credit/financing with certain criteria;
- b) Electricity, *including electricity connection costs and electricity load costs*, except for houses with power exceeding 6,600 Volt-Ampere.

The VAT exemption facility for the above certain strategic goods are provided without using a VAT Exemption Letter, except for strategic goods under item 1(a) that should use a VAT Exemption Letter.

¹ Integrated construction work is an integration of service functions in the planning, procurement and development integration model.

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At EY, everything starts with our people:

- ▶ People who demonstrate integrity, respect and teaming.
- ▶ People with energy, enthusiasm and the courage to lead.
- ▶ People who build relationships based on doing the right thing.

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