

# INDONESIAN TAX UPDATES

Preview of Indonesian tax regulations updates

## *12% Value Added Tax Tariff*

Content:

**Value Added Tax Tariff of 12% in 2025**

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## Value Added Tax Tariff of 12% in 2025

**Regulatory Code** : Law No. 7 of 2021  
**Title** : Harmonization of Tax Regulations  
**Issuance Date** : 29<sup>th</sup> of October 2021

### 12% VAT Tariff in 2025

- By 1 January 2025, the Value Added Tax (**VAT**) tariff will increase from 11% to 12%. This VAT tariff increase has actually been regulated **since 2021**, through Article 7 paragraph (1)(b) of Law No. 42 of 2009 on VAT and Sales Tax on Luxury Goods as lastly amended by Law No. 7 of 2021 (**VAT Law**) – which stated that the VAT tariff of 12% shall be applicable at the latest by 1 January 2025.

### Room for Amendment to the VAT Tariff

- Article 7 paragraphs (3) and (4) of the same VAT Law further stated that the VAT tariff may be amended to a minimum of 5% and maximum of 15% – which such amendment shall be regulated through a Government Regulation (*Peraturan Pemerintah/PP*).
- The VAT tariff variation of 5%-15% could be implemented by consideration of economic growth and/or increase in the funds needed for development.
- If the government decide to amend the VAT rate, such amendment would be proposed to the Indonesian House of Representative (*Dewan Perwakilan Rakyat/DPR*) – specifically to the commission in DPR which duties and authorities are in the financial, banking and development planning sector. The proposal shall then be discussed and agreed upon in the State Budget and Revenue Plans (*Rencana Anggaran Pendapatan dan Belanja Negara/RAPBN*).
- Up to the issuance of this publication, the Indonesian Government has not issued any PP referred above.

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