



ARMA Update 12 April 2022
(English Version)

**Prices of Goods Increase
as the Impact of VAT Increase by 11%**

General Overview

In order to strengthen the Indonesian economy in the long term and at the same time help reducing the burden of the State Budget (*Anggaran Pendapatan Belanja Negara* or "**APBN**"), starting April 1 2022, the Government of Indonesia has officially increased the rate of Value Added Tax ("**VAT**") from 10% (ten percent) to 11% (eleven percent).

This policy was also taken in the context of recovering due to the COVID-19 pandemic as well as the mandate of Law No. 7 of 2021 concerning Harmonization of Tax Regulations ("**Law 7/2021**").

Types of Goods Subject to VAT

With the increase in the VAT rate, the price for a number of goods that are subject to VAT as stipulated in Article 4A of Law No. 42 of 2009 concerning the Third Amendment to Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods ("**Law 42/ 2009**") potentially increases, including:

- a. delivery of the Taxable Goods within the Customs Area by business actors;
- b. import of Taxable Goods;
- c. delivery of Taxable Services within the Customs Area by business actors;
- d. utilization of Intangible Taxable Goods from outside the Customs Area within the Customs Area;
- e. utilization of Taxable Services from outside the Customs Area within the Customs Area;
- f. export of Tangible Taxable Goods by a Taxable Business Actors;
- g. export of Intangible Taxable Goods by a Taxable Business Actors; and
- h. export of Taxable Services by Taxable Business Actors.

The increase in the price of goods is carried out to rebuild the Indonesian economy in the future, which the results will be enjoyed by the community itself.

Types of Goods That Are Not Subject to VAT

While the types of goods that are not subject to VAT are as follows:

- a. goods resulting from mining or drilling results taken directly from the source;
- b. basic necessities that are needed by many people;
- c. food and drinks served in hotels, restaurants, food stalls, and the like, including food and drinks, whether consumed on the premises or not, including food and drinks delivered by a catering or catering service business; and
- d. money, gold bullion, and securities.

In the service sector, certain services that are not subject to VAT include medical health services, social services, postage stamps, finance, insurance, religion, education, arts and entertainment,



broadcasting that is not advertising, public transportation on land and water and air, domestic goods which are an integral part of foreign air transportation services, employment, hospitality, provision of parking spaces, public telephones with coins, money transfers by postal money orders, and catering.

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