



## ARMA Update 18 October 2022

*(English Version)*

### Electric Vehicles Regulations in Indonesia

#### **General Overview**

In the spirit of the global environmentally friendly development, Indonesia has made efforts to push the local manufacturing and usage of Electric Vehicles (“**EVs**”) as well as its supporting infrastructure. To repress emission production and reaching the energy mix target, the Indonesian government has issued several laws and regulations which serve as the legal basis and support for the growing EVs industry.

This ARMA Update will discuss the general provisions regulated in various regulations from multiple sectors regarding the development and usage of EVs in Indonesia.

#### **A. Presidential Regulation No. 22 of 2017**

The Presidential Regulation No. 22 of 2017 concerning the National Energy General Plan (“**PR 22/2017**”) is ratified as a reference to the preparation of central and regional development planning documents, preparation of the National Electricity General Plan and Electricity Supply Business Plan, and preparation of the State and Regional Revenue and Expenditure Budgets. The National Energy General Plan serves as a guideline for government elements in planning and society to participate in the implementation of national development in the energy sector.

In this regulation, it is planned that to achieve the target of meeting energy needs in the transportation sector, one of the activities carried out is developing electric/hybrid-powered vehicles in 2025 of 2,200 units for 4-wheeled vehicles and 2.1 million units for 2-wheeled vehicles. In addition, a plan is established to formulate a fiscal incentive policy for EV manufactures for manufacturers in accordance with the provisions of laws and regulations.<sup>1</sup>

#### **B. Presidential Regulation No. 55 of 2019**

The Presidential Regulation No. 55 of 2019 concerning the Acceleration of the Battery EVs Program for Road Transportation (“**PR 55/2019**”) serves as the foundation and legal basis to speed-up the usage of EVs for transportation in Indonesia specifically on manufacturing EV Battery. PR 55/2019 regulates matters such as the incentives for EV development and

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<sup>1</sup> Page 86-88 of Appendix I of the PR 22/2017



usage, the provision of electric charging infrastructure and electricity tariffs for EVs, and the technical compliance provisions.

The incentives that can be provided under PR 55/2019 include fiscal and non-fiscal incentives that are given to businesses and individuals for the development and usage of EVs.<sup>2</sup> The fiscal incentives include import duties, luxury goods sales tax, exemption or reduction of central and local taxes, manufacturing and support of EV charging equipment, parking rates at determined locations, reduction of EV charging electricity costs, as well as product and competency certifications.<sup>3</sup> On the other hand, the non-fiscal incentives include the exemption of certain road restrictions, the transfer of technology production rights licensed by the government, and securing the operational activities in the industrial sector.<sup>4</sup>

Further, the PR 5/2019 also stipulates the obligation of prioritizing Domestic Component Level (*Tingkat Komponen Dalam Negeri* or “TKDN”) in which the target of 80% (eighty percent) TKDN must be met for four-wheeled or more EVs in 2030 and for two and/or three-wheeled EVs by 2026.<sup>5</sup> The production of EVs and EV components must be carried out by corporations established and operating in Indonesia and has the business licenses to assemble and produce EVs.<sup>6</sup> In the case that the EV industry has yet to be able to produce the main and/or supporting components of EVs, the EV industry may carry out imports of incompletely knock down and/or incompletely knock down components.<sup>7</sup>

### C. Government Regulation No. 73 of 2019

The Government Regulation No. 73 of 2019 concerning the Taxable Goods Categorized as Luxury in the form of Motor Vehicles Subject to Luxury Goods Sales Tax as amended by Government Regulation No. 74 of 2021 (“GR 73/2019”) formulates regarding vehicle taxes, specifically the luxury goods sales tax that is calculated based on the exhaust emissions produced by vehicles. Thus, the bigger the emission, the bigger the luxury goods sales tax rate. EVs using hybrid plug-in technology, battery, or fuel cell with fuel consumption equivalent to more than 28 (twenty-eight) kilometers per liter of CO<sub>2</sub> emission levels of up to 100 (one hundred) grams per kilometer as subject to the luxury goods sales tax rate of 15% (fifteen percent) with a tax base of 0% (zero percent).<sup>8</sup>

### D. Minister of Energy and Mineral Resources Regulation No. 13 of 2020

The Minister of Energy and Mineral Resources (“MEMR”) Regulation no. 13 of 2020 concerning the Provision of Electricity Charging Infrastructure for Battery-Based EVs

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<sup>2</sup> Article 17 of PR 55/2019

<sup>3</sup> Article 19 of PR 55/2019

<sup>4</sup> Article 20 of PR 55/2019

<sup>5</sup> Article 8 of PR 55/2019

<sup>6</sup> Article 9 and Article 10 of PR 55/2019

<sup>7</sup> Article 11 of PR 55/2019

<sup>88</sup> Article 36 of GR 73/2019



(“MEMR Reg 13/2020”) regulates the provision of charging infrastructure for EVs. Such infrastructure includes:<sup>9</sup>

- i. Charging stations in the form of General EV Charging Station (*Stasiun Pengisian Kendaraan Listrik Umum* or “SPKLU”) and private electrical installations; and
- ii. Battery exchange facility in the form of a General EV Battery Exchange Station (*Stasiun Penukaran Baterai Kendaraan Listrik Umum* or “SPBKLU”).

The initial provision of electricity charging infrastructure for EVs is assigned to PT Perusahaan Listrik Negara (“PT PLN”). However, in carrying out the assignment, PT PLN may cooperate with state-owned enterprises and/or other business entities.<sup>10</sup>

SPKLU is a charging station that is meant for public consumption. Businesses that provide SPKLU must be registered to the MEMR and must be a holder of an integrated or sales Electricity Supply Business License (*Izin Usaha Penyediaan Tenaga Listrik* or “IUPTL”) that possesses a Business Area to sell electricity in the SPKLU area.<sup>11</sup> The MEMR Reg 13/2020 provides various business schemes that can be used in order to carry out the SPKLU activities.

Similar to the SPKLU, businesses that provide SPBKLU must be registered to the MEMR, however, they are not required to possess IUPTL but rather must possess the business licensing in accordance with the laws and regulations.<sup>12</sup> The MEMR Reg 13/2020 also provides various business schemes that can be used in order to carry out the SPBKLU activities.

#### **E. Minister of Transportation Regulation No. PM 65 of 2020 and Minister of Transportation Regulation No. PM 15 of 2022**

The Minister of Transportation (“MOT”) Regulation No. PM 65 of 2020 concerning the Conversion of Fuel Motorcycles into Battery Based Electric Motorcycles (“MOT Reg 65/2020”) and the MOT Regulation No. 15 of 2022 concerning the Conversion of Other Motor Vehicles with Fuel Motors into Battery Based Electric Motor Vehicles (“MOT Reg 15/2022”) regulates that fuel-powered vehicles can be converted into EVs after being registered and identified proven by its Motor Vehicle Owner's Book (*Buku Pemilik Kendaraan Bermotor*) and Motor Vehicle Number Certificate (*Surat Tanda Nomor Kendaraan Bermotor*).<sup>13</sup> Such conversion can only be carried out by general workshops, institutions, or institutions which has been approved by the MOT.<sup>14</sup> Further, these regulations also stipulate that the

<sup>9</sup> Article 2 of MEMR Reg 13/2020

<sup>10</sup> Article 19 of MEMR Reg 13/2020

<sup>11</sup> Article 8 and Article 9 of MEMR Reg 13/2020

<sup>12</sup> Article 13 and Article 14 of the MEMR Reg 13/2020

<sup>13</sup> Article 2 of MOT Reg 65/2020 and Article 2 of MOT Reg 15/2022

<sup>14</sup> Article 5 of MOT 65/2020 and Article 5 of MOT Reg 15/2022



converted EVs must be submitted to be tested and certified by the MOT to prove that it has met the technical and roadworthy requirements.<sup>15</sup>

#### **F. Minister of Industry Regulation No. 6 of 2022**

The Minister of Industry (“**MOI**”) Regulation No. 6 of 2022 concerning the Specifications, Road Map Development, and Conditions for Calculation of Domestic Component Level Value for Domestic Battery-Based EVs (“**MOI Reg 6/2022**”) regulates that EVs must meet the technical requirements and roadworthiness as regulated in the field of traffic and road transportation facilities and infrastructure.<sup>16</sup> Further, the MOI Reg 6/2022 stipulates a roadmap for the development of the EV industry and sets the minimum target for achieving the Domestic Component Level in the EV industry, which includes the amount of domestic content in the manufacture of main and supporting parts, the assembly and development of EVs.<sup>17</sup>

#### **G. MOI Regulation No. 28 of 2020**

The MOI Regulation No. 28 of 2020 concerning Battery-Based EVs in Completely and Incompletely Knock Down Condition as amended through the MOI Regulation No. 7 of 2022 (“**MOI Reg 28/2020**”) was issued as an implementing regulation of PR 55/2019 to further regulate matter regarding the import and manufacture of main and supporting components of EVs, in completely and incompletely knock down conditions. Further, the MOI Reg 28/2020 contains obligations for EV manufacturing to be carried out domestically in certain conditions. For the import of EV components, it must be carried out based on an approval letter that is issued by the MOI.<sup>18</sup>

Thus, based on the regulations above, the Indonesian Government has pushed to provide the regulatory framework for the EV industry to help achieve its target of emission reduction and energy mix. The next step for the EV industry is to ensure that the implementation laid out in the laws and regulations is running smoothly as well as provide the infrastructure needed for the industry. Currently, the Indonesian Government is formulating a regulation regarding the waste management of EV batteries. Another component that is being worked on is the cooperation with private businesses for the provision of SPKLU.

ARMA Law shall closely follow the development of the regulatory framework for the EV industry and update regarding any future laws and regulations to be issued in the future on this matter.

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<sup>15</sup> Article 8 of MOT Reg 65/2020 and Article 9 of MOT Reg 15/2022

<sup>16</sup> Article 3 (2) of the MOI Reg 6/2020

<sup>17</sup> Article 4 and Article 7 of MOI Reg 6/2020

<sup>18</sup> Article 14 of the MOI Reg 28/2020



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