

DEVELOPING A VIBRANT ELECTRIC VEHICLE INDUSTRY – AVAILABLE INCENTIVES ¹²³⁴⁵

INTRODUCTION

The Government remains committed to encouraging the development of an Indonesian electric vehicle industry. To this end, various fiscal and non-fiscal incentives are available to parties that invest in the Indonesian electric vehicle industry. Fiscal and non-fiscal incentives are also available to parties that contribute indirectly to the development of the Indonesian electric vehicle industry as well as to buyers and users of Indonesian electric vehicle industry products and facilities.

During the course of the past six months a series of implementing regulations has been issued setting out, in detail, how at least some of the available fiscal incentives, for investment in the Indonesian electric vehicle industry, will work.

It is now possible to make a more informed assessment of the available fiscal and non-fiscal incentives.

In this article, the writer will review what we currently know about the available fiscal and non-fiscal incentives and how they are intended to work before considering to what extent the available fiscal and non-fiscal incentives are likely to make a material contribution to ensuring that the Government's vision of a vibrant Indonesian electric vehicle industry becomes a reality any time soon.

BACKGROUND

On 12 August 2019, the President issued President Regulation No. 55 of 2019 re Acceleration of Use of battery-powered Electric Vehicles (**BEVs**) for Road Transport Program (**PR 55/2019**). PR 55/2019 was intended to serve as the legal basis for Indonesia's BEV program (**BEV for Road Transport Program**) and to provide direction, foundation and legal certainty for the implementation of the BEV for Road Transport Program.

The Minister of Industry (**MoI**) subsequently issued Regulation No. 6 of 2022 re the Specifications, Development Roadmap and Provisions for the Calculation of the Value of the Domestic Component Level of BEVs (**MoIR 6/2022**). MoIR 6/2022 set out a development "roadmap" for the BEV for Road Transport Program and dealt with a number of important technical issues including the domestic component (**KDN**) level or percentage applicable to BEVs (**TKDN**).

¹ Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood.

² Bill Sullivan is the author of *"Mining Law & Regulatory Practice in Indonesia – A Primary Reference Source"* (Wiley, New York & Singapore 2013), the first internationally published, comprehensive book on Indonesia's 2009 Mining Law and its implementing regulations.

³ Copyright in this article belongs to Bill Sullivan and Petromindo.

⁴ This article may not be reproduced for commercial purposes without the prior written consent of both Bill Sullivan and Petromindo.

⁵ An earlier version of this article appeared in the May – June 2024 issue of Coal Asia Magazine.

On 8 December 2023, the President issued President Regulation No. 79 of 2023 re Amendments to PR 55/2019 (**PR 79/2023**).

PR 79/2023 seeks to further the implementation of the BEV for Road Transport Program by way of, among other things, (i) expanding the definition of BEVs to include BEVs that have been converted from internal combustion motors to electric battery motors, (ii) adjusting the timetable for TKDN implementation and (iii) **strengthening the support, from and by the Central Government and the Regional Governments, for the BEV for Road Transport Program, through the provision of fiscal and non-fiscal incentives** (Available BEV Incentives).

PR 79/2023, however, leaves largely unstated (i) what are the requirements that have to be satisfied in order to qualify for the Available BEV Incentives and (ii) how the Available BEV Incentives are to be administered in practice.

The details of what is required in order to qualify for the Available BEV Incentives and how the Available BEV Incentives are to be administered are meant to be dealt with in one or more implementing regulations.

At least some of the contemplated implementing regulations, for those Available BEV Incentives **that are fiscal in nature** (Available BEV **Fiscal** Incentives), have now been issued in the form of:

1. Minister of Investment (**MoI**)/Head of Indonesia Investment Coordinating Board (**BKPM**) Regulation No. 6 of 2023 re Guidelines and Governance for the Granting of Incentives for Import and/or Delivery of Four-Wheeled BEVs in the Context of Investment Acceleration, effective since 13 January 2024 (**MoI/BKPM Regulation 6/2023**);
2. Minister of Finance (**MoF**) Regulation No. 8 of 2024 re Value Added Tax on Delivery of Certain Four-Wheeled BEVs and Certain Bus BEVs Borne by the Government during the 2024 Fiscal Year, effective since 15 February 2024 (**MoF Regulation 8/2024**); and
3. MoF Regulation No. 9 of 2024 re Sales Tax on Luxury Goods in the Form of Certain Four-Wheeled BEVs Borne by the Government during the 2024 Fiscal Year, effective since 15 February 2024 (**MoF Regulation 9/2024**) (together, **BEV FI Implementing Regulations**).

To date, **no** implementing regulations have been issued in respect of the Available BEV Incentives that are **non-fiscal** in nature (Available BEV **Non-Fiscal** Incentives).

Readers interested in knowing more about aspects of PR 79/2023, other than the Available BEV Incentives, are referred to the writer's earlier article "*Electric Vehicle Industry Investment—Significant Regulatory Changes*", Coal Asia Magazine, January – February 2024, Petromindo.

ANALYSIS AND DISCUSSION

1. Overview of Available BEV Incentives

- 1.1 **Types of Available BEV Incentives:** There are some **14** different Available BEV **Fiscal** Incentives provided for in PR 79/2023 (Articles 19 and 19A) including (a) reduction or waiver of import duties (**BMI**), (b) reduction or waiver of value added tax (**PPN**), (c) reduction or

waiver of sales tax on luxury goods (**PPnBM**), (d) reduction or waiver of regional taxes in respect of motor vehicle registration (**PKB**) and motor vehicle title transfer (**BBNKB**), (e) unspecified fiscal incentives for the construction/installation/production of (i) public electric battery swap stations or **SPBKLU**s and (ii) public electric battery charging facilities for BEVs or **SPKLU**s, (f) unspecified export financing incentives, (g) unspecified fiscal incentives for research, development and innovation in respect of BEV industrial components, (h) relief from parking fees/tariffs in locations determined by the Regional Governments, (i) reductions in electric charging fees at SPKLUs, (j) unspecified financial support for SPKLU construction, (k) professional competency certification for BEV industry human resources and (l) certification of products and/or technical standards for BEV industry companies and BEV component industries.

The Available BEV **Non-Fiscal** Incentives provided for in PR 79/2023 (Article 20) include (a) exemption from certain road use restrictions, (b) licensing/transfer of production rights for BEV-related technology in those instances where the relevant patents are held by the Central Government or the Regional Governments and (c) developing/ensuring the safety and security of BEV industry operational activities in order to promote sustainability and logistical efficiency of those activities in the case of certain BEV industry companies which are determined to be of national importance.

PR 79/2023 contemplates that the number of Available BEV **Fiscal** Incentives and/or the number of Available BEV **Non-Fiscal** Incentives may be added to/expanded over time (Article 21 of PR 79/2023).

1.2 **Parties which may Obtain Available BEV Incentives:** The Available BEV Incentives may be obtained by a variety of parties including (a) industrial companies, universities, research and development institutions which conduct research, development and innovation in BEV industry technology, (b) industrial companies which prioritize the use of prototypes and/or components developed by the parties referred to in (a) above, (c) industrial companies which fulfil the applicable TDKN requirement and carry out domestic BEV production, (d) companies established and operating in Indonesia with business licenses to assemble or produce BEV components, (e) so-called “*National Branded BEV Industrial Companies*” which include “*domestic investment companies*” (*i.e.*, non-foreign investment companies) that are determined by MoF to be eligible for additional fiscal incentives following input from the BEV Program Acceleration Co-ordination Team, (f) companies which offer BEV battery swaps, (g) companies which accelerate BEV production as well as preparation of facilities and infrastructure for BEV use, (h) companies which manage battery waste, (i) companies which provide SPBKLU facilities and/or SPKLU facilities as well as persons with private residences equipped with electric battery charging facilities, (j) public transportation companies using BEVs and (k) individuals who use BEVs (Article 17(3)(a) to (k) of PR 79/2023).

1.3 **Prioritizing Direct Investment in the BEV Industry:** The number and variety of different Available BEV Facilities (see Part 1.1 above) are, self-evidently, large. Likewise, the number and variety of parties which/who may potentially qualify for the Available BEV Facilities (see Part 1.2 above) are, self-evidently, also large.

Notwithstanding the above, however, the Government’s current focus or priority is clearly on encouraging **direct** investment in the BEV industry by way of providing the most important

Available BEV **Fiscal** Incentives, in the form of the reduction or waiver of BMI, PPN, PPnBM and PKB/BBNKB, to BEV industry companies which either:

- (a) build and/or invest in BEV manufacturing facilities utilizing so-called “Completely Built Up” (CBU) Imports (**i.e.**, BEVs that are imported into Indonesia in already assembled form and subsequently sold domestically or exported); or
- (b) accelerate/commit to accelerating the BEV domestic assembly process in respect of so-called “Completely Knocked Down” (CKD) Imports (**i.e.**, BEVs that are imported as unassembled parts that have to be assembled locally before being sold domestically or exported) **before the end of 2025** (Article 18 of PR 79/2023).

The Available BEV Fiscal Incentives, **in the form of the reduction or waiver of BMI, PPN, PPnBM and PKB/BBNKB only**, for companies importing CBU BEVs or accelerating the domestic assembly of CKD BEVs are summarized in the table below:

Type of Incentive		Companies Importing CBU BEVs	Companies Accelerating Domestic Assembly of CKD BEVs
Import Duties (BMI) – Reduction or Waiver	Importation of CBU BEVs	x	
	Importation of CKD BEVs Assembled Domestically		x
	Importation of Machinery, Goods and Materials for Investment		x
	Importation of Used Raw Materials and/or Auxiliary Materials for the Production Process		x
Value Added Tax (PPN) PPN – Government Borne	Certain four-wheeled BEVs and certain bus BEVs	x	x
Sales Tax (PPnBM) on Luxury Goods – Government Borne	CBU BEVs	x	
	CKD BEVs Assembled Domestically		x
Regional Tax (PKB/BBN KB) – Reduction or Waiver	CBU BEVs	x	
	CKD BEVs Assembled Domestically		x

It is important to understand that the existence of the above-described Available BEV **Fiscal** Incentives does **not** necessarily mean that any particular business actor, importing CBU BEVs or importing/assembling CKD BEVs, can actually obtain the benefit of those Available BEV **Fiscal**

Incentives. This **depends** upon (i) the applicable requirements for each of the Available BEV **Fiscal** Incentives **and** (ii) the ability or otherwise of the relevant business actor to fulfill those applicable requirements. The applicable requirements, as set out in the BEV FI Implementing Regulations, are dealt with in Parts 2 to 5 below.

2. **Overview of BEV FI Implementing Regulations**

The Government's focus on prioritizing direct investment in the BEV industry, as explained in Part 1.3 above, is clearly reflected in the BEV FI Implementing Regulations.

The BEV FI Implementing Regulations deal collectively with the availability, the requirements for and the administration of Available BEV **Fiscal** Incentives in the form of the reduction or waiver of BMI, PPN and PPnBM.

The BEV FI Implementing Regulations do **not** deal collectively or individually with the availability, requirements for and/or administration of either (i) Available BEV **Fiscal** Incentives in the form of the reduction or waiver of PKB and BBNKB or (ii) Available BEV **Non-Fiscal** Incentives in any form.

As is appropriate for a regulation issued by the minister/minister equivalent charged with primary responsibility for promoting and administering investment, MoI/BKPM Regulation 6/2023 sets out (i) the extent to which BMI and PPnBM can be reduced or waived, as an incentive, in the case of Indonesian companies investing in/engaging in business activities in the industrial or manufacturing sectors related to the production of four-wheeled BEVs (otherwise and somewhat confusing referred to as “KBLs” in the BEV FI Implementing Regulations) and (ii) what is required in order to obtain these BMI and PPnBM reductions or waivers.

Again, as is appropriate for a regulation issued by the minister charged with primary responsibility for administration and collection of taxes, MoF Regulation 8/2024 and MoF Regulation 9/2024 respectively set out (i) the details of the extent to which PPN and PPnBM may be reduced or waived in the case of certain types of four-wheeled BEVs (as well as in the case of certain bus BEVs) and (ii) how these available PPN and PPnBM reductions and waivers will be administered in practice.

3. **MoI/BKPM Regulation 6/2023 – Key Aspects**

- 3.1 **BMI and PPnBM Fiscal Incentives - Outline:** The normally applicable (i) BMI rate for CBU/CKD automobiles is 5% to 50% of the customs assessed value of the relevant imported goods and (ii) PPnBM rate is 10% to 95% of the sales price of the relevant goods.

Certain business actors, importing **certain** four-wheeled CBU BEVs for sale/export and/or CKD BEVs for local assembly, distribution and sale/export, **may** receive BMI and PPnBM fiscal incentives in respect of a certain number of CBU BEVs and/or CKD BEVs (Article 2(1) of MoI/BKPM Regulation 6/2023) as follows:

Type of Incentive	Type of Imported BEVs	
	Four-Wheeled CBU BEVs	Four-Wheeled CKD BEVs
BMI of 0%	√	√
Government-borne PPnBM	√	√

The reason the curious expression/term “*Government-borne PPnBM*” is used in MoI/BKPM Regulation 6/2023 is unclear. It **might**, however, be because the PPnBM fiscal incentive on offer is, in fact, **not** an absolute or automatic 100% reduction or waiver of the otherwise applicable PPnBM. Instead, a tax invoice for the applicable PPnBM is still issued by the relevant business actor and the Government can subsequently demand/recover payment of the PPnBM in the event that the relevant business actor does not fulfil its tax compliance obligations – in other words, the PPnBM fiscal incentive is really only “conditional” and even though the Government does not collect the applicable PPnBM initially. The conditional nature of the PPnBM fiscal incentive is made clear in MoF Regulation 9/2023 – see Part 5 below.

3.2 **Requirements:** In order to qualify for the BMI/PPnBM fiscal incentives described in Part 3.1 above:

- (a) four-wheeled CKD BEVs must:
 - (i) be subsequently assembled in Indonesia; and
 - (ii) have a minimum TKDN of 20% to 40%; and
- (b) the relevant importer of four-wheeled CKD BEVs must:
 - (i) have a commitment to produce four-wheeled BEVs in Indonesia that fulfil certain technical specifications mandated by MoI; and
 - (ii) be an industrial company that has or is:
 - (A) built/is building four-wheeled BEV manufacturing facilities in Indonesia;
 - (B) has invested in/is investing in four-wheeled internal combustion engine-based motor vehicle manufacturing facilities in Indonesia that will be subsequently converted, in part or in whole, to four-wheeled BEV production; and/or
 - (C) has invested in/is investing in four-wheeled BEV manufacturing facilities in Indonesia, which investment has resulted in/will result in the introduction of new products as a result of expanded/increased production plans and/or capacity (Article 2(2) to (5) of MoI/BKPM Regulation 6/2023).

3.3 **Availability:** The BMI/PPnBM fiscal incentives are, **at this stage**, only available until 31 December 2025 (Article 2(6) of MoI/BKPM Regulation 6/2023).

- 3.4 **Application/Approval Process:** In order to obtain the BMI/PPnBM fiscal incentives, qualifying business actors must submit an application through the OSS System for (i) a “*letter of proposal for provision of incentives*” (**Incentive Proposal**) and (ii) a “*letter of approval*” for the “*utilization*” of incentives, import and/or delivery of four-wheeled BEVs (**Incentive Approval**) (together, **Incentive Application**) (Article 3(1) of MoI/BKPM Regulation 6/2023).

The terminology used is somewhat strange. However, when issued, (i) the Incentive Proposal amounts to an approval in principle confirming that the relevant business actor has satisfied the relevant investment criteria in order to qualify for the BMI/PPnBM fiscal incentives while (ii) the Incentive Approval specifies the number and details of the CBU/CKD four-wheeled BEVs in respect of which the BMI/PPnBM fiscal incentives are approved/granted as well as the various commitments that the relevant business actor must fulfil and other related matters (Article 7 of MoI/BKPM Regulation 6/2023).

- 3.5 **Incentive Application Requirements:** Incentive Applications must be submitted not later than 1 March 2025. It is, however, possible for the Incentive Application process to be undertaken in successive semesters or stages of 6 months each, with subsequent Investment Applications being submitted not later than with 30 days prior to the expiration of the previous Incentive Approval.

Incentive Applications must be submitted together with copies of various documents/information of the relevant business actor, including a commitment letter (**Commitment Letter**) (Article 4 of MoI/BKPM Regulation 6/2023).

The Commitment Letter sets out various obligations/undertakings of the relevant business actor applying for the BMI/PPnBM fiscal incentives, which obligations/undertakings are summarized in the table below:

Commitment	Conditions
(1) to manufacture four-wheeled BEVs in Indonesia in a quantity and with technical specifications at least equivalent to the realized importation and/or handover of CBU/CKD four – wheeled BEVs, which four-wheeled BEVs:	a. must be ready for commercial manufacture by not later than 1 January 2026;
	b. must commence manufacture by not later than 31 December 2027; and
	c. fulfil the minimum TKDN as stipulated in PR 79/2023.
(2) to submit an application for industrial verification to the Ministry of Industry, which verification must be obtained not later than 30 April 2028; and	
(3) to pay the applicable financial penalty/sanction in the event that it is unable to fulfil the obligations/undertakings in (1) and (2) above.	

Incentive Proposals (**i.e.**, approvals in principle) are issued by the OSS System following review, discussion and verification of Incentive Applications by the Ministry of Investment, the Ministry of Industry, the Ministry of Finance and the Ministry of Trade (Article 5 of MoI/BKPM Regulation 6/2023).

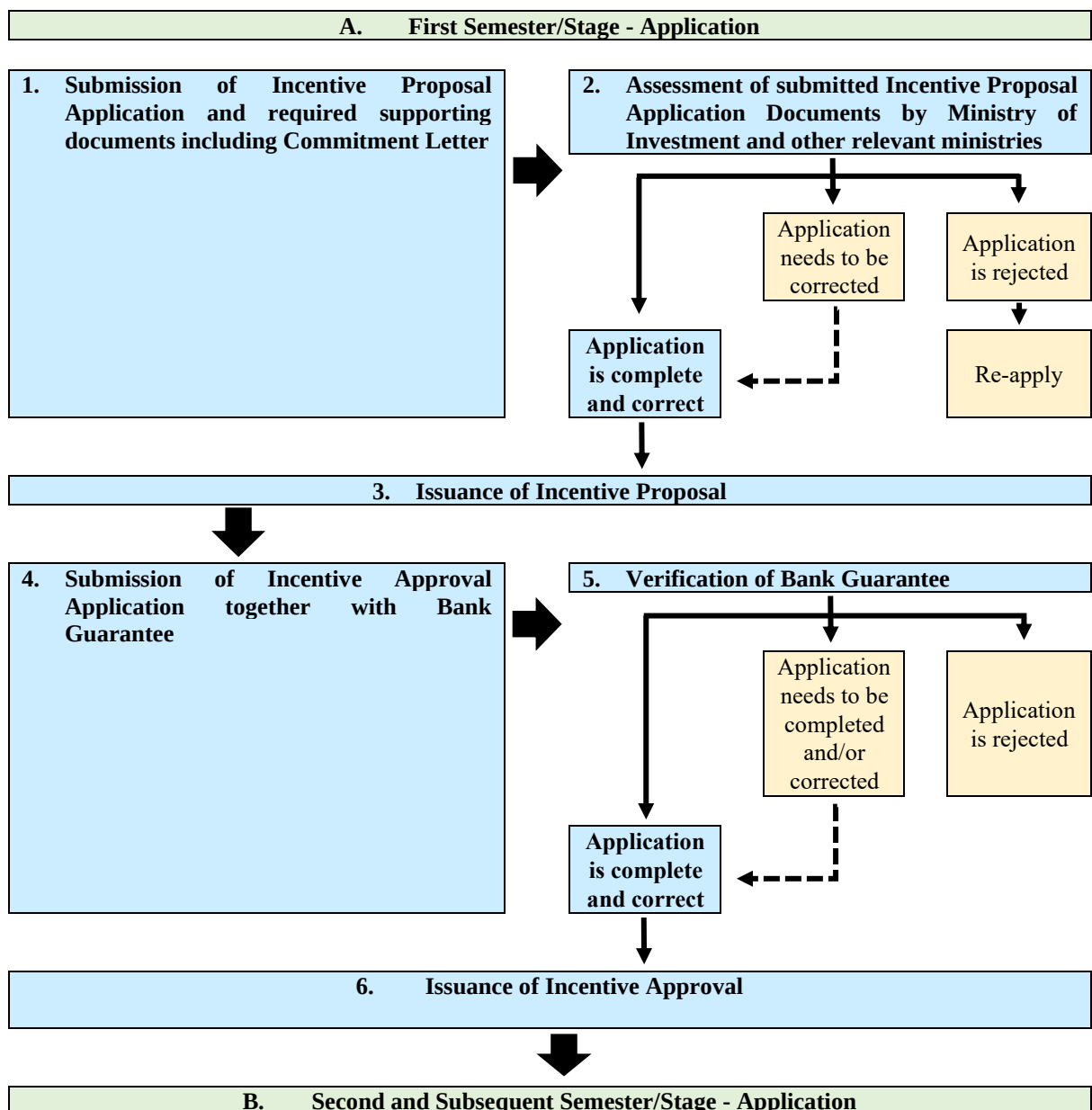
- 3.6 **Incentive Approval:** Once the Incentive Proposal is obtained, the relevant business actor must submit a bank guarantee in support of and covering the amount/value of the various

obligations/undertakings of that business actor as set out in its Commitment Letter (**Bank Guarantee**).

Following verification of the Bank Guarantee by the Ministry of Investment, the Incentive Approval is issued by MoI.

Where, however, the Incentive Application has been submitted on a semester/stage basis, (i) the Incentive Approval, in respect of the first semester/stage, will be in respect of a maximum of 25% only of the total number of four-wheeled BEVs, for the period up to 31 December 2025, covered by the Incentive Proposal and (ii) a field inspection will, first, be carried out by the Ministry of Investment in order to ensure that the relevant business actor has fulfilled its commitments in respect of the Incentive Approval for the previous semester/stage, before issuing an Incentive Approval in respect of the next semester/stage (Article 8(1) of MoI/BKPM Regulation 6/2023).

The Incentive Application process is shown in diagrammatic form below:



4. **MoF Regulation 8/2024 – Key Aspects**

- 4.1 **PPN Fiscal Incentive - Outline:** The normally applicable PPN rate is 11% of the sales price of the relevant goods.

The PPN fiscal incentive is available to **certain** business actors which sell and deliver to domestic purchasers **certain** four-wheeled BEVs **and certain bus BEVs**, such that the amount of the otherwise applicable PPN will now be borne by the Government for the 2024 fiscal year (Article 2 of MoF Regulation 8/2024).

- 4.2 **PPN Fiscal Incentive - Details:** The availability and amount of the PPN fiscal incentive on offer (i) are conditional upon/tied to fulfilment of the TDKN requirement and (ii) vary as between four-wheeled BEVs and bus BEVs (Articles 3 to 10 of MoF Regulation 8/2024). These conditions and variations are summarized in the following table:

Aspect	Business Actors carrying out the Sale and Delivery of -		
	Certain Four-Wheeled BEVs	Certain Bus BEVs	
TKDN	≥ 40%	≥ 40%	20% - 39%
Owed PPN	11%		
Government-borne PPN	10%	10%	5%
Tax Period for Government-borne PPN	January – December 2024		
Tax Compliance Obligations	Relevant business actors must: a. prepare PPN tax invoices in accordance with the applicable tax laws and regulations; and b. report on the realization of PPN as borne by the Government (for tax period of January – 2024 December) by not later than 31 January 2025.		
Loss of PPN Fiscal Incentive	Business actors, otherwise qualifying for the PPN incentive, lose the PPN fiscal incentive if they fail to discharge their tax compliance obligations in respect of: a. issuing tax invoices for the Government-borne PPN; and/or b. reporting the realization of Government-borne PPN.		
Subsequent Collection of PPN by the Director General of Taxation (DGT)	DGT may collect the otherwise applicable PPN owed if the Government subsequently determines that: a. the PPN fiscal incentive was obtained in respect of the sale and delivery of four-wheeled BEVs and/or bus BEVs that:		

Aspect	Business Actors carrying out the Sale and Delivery of -	
	Certain Four-Wheeled BEVs	Certain Bus BEVs
	1. do not qualify as certain four-wheeled BEVs or certain bus BEVs in respect of which the applicable PPN is to be borne by the Government; or 2. have not fulfilled the applicable TKDN requirement; b. the PPN fiscal incentive was obtained in respect of a tax period other than January – December 2024; and/or c. the relevant business actor has not fulfilled its tax compliance obligations in respect of the Government-borne PPN.	

As with the PPnBM fiscal incentive, (i) a tax invoice must still be issued by the relevant business actor for the applicable PPN and (ii) the PPN fiscal incentive is really only conditional in nature and even though the Government does not collect the applicable PPN initially. This **might** be the reason for the use of the expression/term “*Government-borne PPN*”.

5. **MoF Regulation 9/2024 – Key Aspects**

5.1 **PPnBM Fiscal Incentive - Outline:** The normally applicable PPnBM rate is 10% to 95% of the sales price of the relevant goods.

The PPnBM fiscal incentive is available to **certain** business actors which (i) import **certain** four-wheeled CBU BEVs and/or (ii) sell/deliver to Indonesian buyers/users **certain** four-wheeled CKD BEVs that are otherwise treated as luxurious goods, such that the amount of the otherwise applicable PPnBM will now be borne by the Government for the 2024 fiscal year (Article 2 of MoF Regulation 9/2024).

5.2 **PPnBM Fiscal Incentive - Details:** The availability of the PPnBM fiscal incentive is subject to various requirements including those set out in MoI/BKPM Regulation 6/2023. The fulfilment of these requirements is established by the issuance to the relevant business actor of an Incentive Approval pursuant to MoI/BKPM Regulation 6/2023 - see Parts 3.4 to 3.6 above for the Incentive Approval details.

Although not expressly referred to in MoF Regulation 9/2024, the fulfilment of the TKDN requirement is a pre-condition to the availability of the PPnBM fiscal incentive by virtue of the cross-reference to the applicability of the Incentive Approval requirements in MoI/BKPM Regulation 6/2023.

The details of the PPnBM fiscal incentive are set out in the following table:

Aspect	Business Actor carrying out -	
	Importation of Four-Wheeled CBU BEVs	Sale/Delivery of Four-Wheeled CKD BEVs
Government-borne PPnBM	100%	
Tax Period of Government-borne PPnBM	January – December 2024	
Tax Compliance Obligations	Relevant business actors are obliged to prepare: a. importation of goods notification documents in accordance with applicable customs laws and regulations; and b. report on the realization of PPnBM as borne by the Government.	Relevant business actors are obliged to prepare: a. PPnBM tax invoices in accordance with the tax laws and regulations; and b. report on the realization of PPnBM as borne by the Government.
Exceptions to Government-borne PPnBM	Business actors, otherwise qualifying for the PPnBM fiscal incentive, lose the PPnBM fiscal incentive if they fail to discharge their tax compliance obligations in respect of: a. notification of utilization of imported goods in accordance with customs laws and regulations; and/or b. reporting the realization of Government-borne PPnBM.	Business actors, otherwise qualifying for the PPnBM fiscal incentive, lose the PPnBM fiscal incentive if they fail to discharge their tax compliance obligations in respect of: a. issuing PPnBM tax invoices; and/or b. reporting the realization of Government-borne PPnBM.
Collection of PPnBM by DGT	DGT may collect the otherwise applicable PPnBM owed if the Government subsequently determines that: a. the relevant business actor has not obtained an Incentive Approval; b. the imported and/or sold/delivered four-wheeled CBU/CKD BEVs do not meet the requirements of MoI/BKPM Regulation 6/2023; c. the PPnBM fiscal incentive was obtained in respect of a tax period other than January – December 2024; and/or d. the relevant business actor has not fulfilled its tax compliance obligations in respect of the Government-borne PPnBM.	

6. Assessment of Available BEV Incentives

At this point in time and based on what is provided for in PR 79/2023 and the BEV FI Implementing Regulations, the Available BEV **Fiscal** Incentives appear to be of significantly greater, potential importance to the development of a vibrant Indonesian BEV industry than are the Available BEV **Non-Fiscal** Incentives.

Given the current early-stage development of the Indonesian BEV industry, the Government's pre-occupation with "rolling out" the details of the Available BEV **Fiscal** Incentives and the requirements for obtaining the benefit of the same is understandable.

The Available BEV **Non-Fiscal** Incentives may, however, become more important once the Indonesian BEV industry has become a reality and the Government's focus/priority moves from promoting investment in the development of the BEV industry to promoting the purchase of BEVs and the widespread use of already built or available BEV industry facilities, such as SPBKLU and SPKLU, as part of the BEV for Road Transport Program.

As highlighted in Parts 3 to 6 above, the existing BMI, PPN and PPnBM rates are, in many instances, likely to be significant factors in determining the "economics" of the importation and domestic assembly, sale/export of CBU/CKD BEVs. As such, the conditional reduction/waiver of these taxes **could be** a major incentive for greater investment in the Indonesian BEV industry as the Government clearly hopes will be the case. The fact, however, that the requirements, for obtaining each of those Available BEV **Fiscal** Incentives covered by the BEV FI Implementing Regulations, include compliance with overly ambitious TDKN levels/values may, nevertheless, limit the ability of otherwise interested Indonesian BEV industry investors to qualify for these Available BEV **Fiscal** Incentives. This could prove to be a major weakness in the Government's strategy for promoting investment in the Indonesian BEV industry through the offering of the Available BEV **Fiscal** Incentives.

Indonesia has, of course, already made some progress in developing its BEV industry. It has been widely reported in the popular press that (a) Indonesia's first BEV **battery** factory will commence production in June this year, (b) a number of foreign-owned, Indonesian companies (**i.e.**, subsidiaries of (i) China's Wuling, Cherry and DFSK, (ii) Japan's Mitsubishi and (iii) South Korea's Hyundai) are already or will shortly begin producing a small number of BEVs in Indonesia, (c) electric **battery** materials manufacturers/producers are "ramping up" their operations in Indonesia and (d) The Government is projecting the domestic sale of 50,000 BEVs in 2024.

Given, however, the scale and scope of the Government's Indonesian BEV industry ambitions as well as the scale and scope of the BEV for Road Transport Program as a whole, the development progress made to date is still relatively modest and falls far short of the Government's grandiose ambitions. Accordingly, this initial progress does **not** mean that those Available BEV **Fiscal** Incentives set out in the BEV FI Implementing Regulations are not important or that it is not a big deal if potential investors in the Indonesian BEV industry are unable to fulfill the applicable TDKN requirement, thereby missing out on the offered reductions in/waivers of otherwise applicable BMI, PPN and PPnBM rates.

SUMMARY & CONCLUSIONS

We now know quite a lot about at least some of the Available BEV Incentives and, more particularly, those Available BEV **Fiscal** Incentives in the form of the reduction or waiver of BMI, PPN and PPnBM.

It remains to be seen, however, whether or the conditions attaching to the Available BEV **Fiscal** Incentives and, more particularly, the TDKN requirement mean that the Available BEV **Fiscal** Incentives remain out of reach for many potential investors in Indonesia's early stage BEV industry.

Once the easier milestones (**i.e.**, the so-called "low hanging fruit") in the development of Indonesia's BEV industry and the rollout of the BEV for Road Transport Program are achieved, the offered reductions in/waivers of otherwise applicable BMI, PPN and PPnBM rates (together with the other Available BEV Incentives) are likely to become ever more important in attracting the additional investment needed for the further development of Indonesia's BEV industry and the further rollout of Indonesia's BEV for Road Transport Program. In this event, the inclusion of an unrealistic TDKN requirement may become a real impediment to both the realization of the Government's vision of a fully developed Indonesian BEV industry and the achievement of the most important goals of the BEV for Road Transport Program.

This article was written by Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood. Christian Teo & Partners is a Jakarta based, Indonesian law firm and a leader in Indonesian energy, infrastructure and mining law and regulatory practice. Christian Teo & Partners operates in close association with international law firm Stephenson Harwood which has eight offices across Asia, Europe and the Middle East: Dubai, Hong Kong, London, Paris, Piraeus, Seoul, Shanghai and Singapore.

Get in touch



Bill Sullivan

T: +62 21 5020 2789

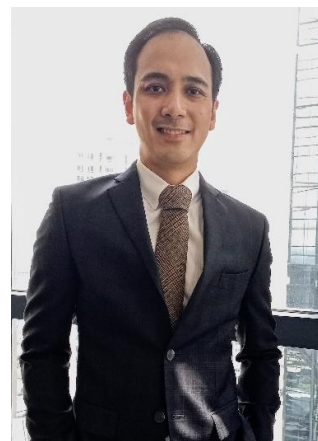
E: bsullivan@cteolaw.com



Christian Teo

T: +62 21 5020 2789

E: cteo@cteolaw.com



Claudius Novabianto

T: +62 21 5020 2789

E: cnbianto@cteolaw.com