

Voluntary Report – Voluntary - Public Distribution

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Report Name: Indonesia No Longer Plans to Impose 12 Percent VAT for Luxury Agricultural Products

Country: Indonesia

Post: Jakarta

Report Category: Agricultural Situation, FAIRS Subject Report, Agriculture in the News, Retail Foods, Avocado, Canned Deciduous Fruit, Dried Fruit, Fresh Deciduous Fruit, Fresh Fruit, Kiwifruit, Raisins, Stone Fruit, Strawberries, Livestock and Products, Fishery Products

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Report Highlights:

This report serves as an update to FAS Jakarta's previous report outlining Indonesia's plans to impose a 12-percent value-added tax (VAT) for luxury agricultural products (please see GAIN Report ID2024-0053). This would have been a significant change, since agricultural products had not previously been subject to any VAT. Through an official press conference on December 31, 2024, President Prabowo Subianto announced a reversal which effectively means there will be no changes to VAT applications for agricultural goods, although the VAT for certain processed food products previously taxed at 11 percent will remain in place at that rate. Fresh agricultural products that were not previously subject to any VAT will remain exempt.

On January 2, 2025, FAS Jakarta published a report (please see [GAIN ID2024-0053](#)) informing that on December 16, 2024 the Government of Indonesia (GOI) announced the increase in value-added tax (VAT) from the current 11 percent to 12 percent on selected goods and services, effective January 1, 2025. In addition, a separate 12-percent luxury goods sales tax was planned to newly be applied to certain food products intended for high-end Indonesian consumers (luxury VAT), including premium beef, pork, fruit, seafood, and specialty rice, which previously had not been subject to any VAT.

However, after months of socialization on the VAT increase, on December 31, 2024, President Prabowo Subianto announced¹ that the one-percent increase will only be imposed on luxury goods and services specifically, targeting the wealthy upper class. Therefore, the VAT for processed food products previously taxed at the 11-percent rate remains unchanged. In addition, fresh agricultural products are not categorized as luxury goods and, therefore, remain exempt from the luxury VAT. This decision should end speculation on which products would be affected by the VAT increase and wide panic amid a rising cost of living crisis. During the announcement, the GOI also committed to providing a series of economic stimulus packages, which includes 10 kilograms of rice assistance per month for 16 million poor households for two months (January – February 2025).

In addition to the announcement by President Prabowo, the Ministry of Finance issued [Regulation No. 131/ 2024](#) which provides details on the VAT scope and rates. The regulation also confirmed that the new VAT rate of 12 percent applies only to luxury goods that previously were taxed at the 11 percent VAT rate (i.e., not food or agricultural products).

Attachments:

No Attachments.

¹ Based on [Government Regulation No. 61/2020 on Non-Motor Vehicle Taxable Luxury Goods Subject to the Luxury Goods Sales](#), fresh agricultural products are not categorized as luxury goods. However, the VAT for processed food products previously taxed at the 11-percent rate remains unchanged.
<https://www.presidentri.go.id/siaran-pers/presiden-prabowo-ppn-12-hanya-barang-dan-jasa-mewah/>