



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

Indonesia's Tax Expenditure Report

Informing the Public, Promoting Accountability

Presented by:

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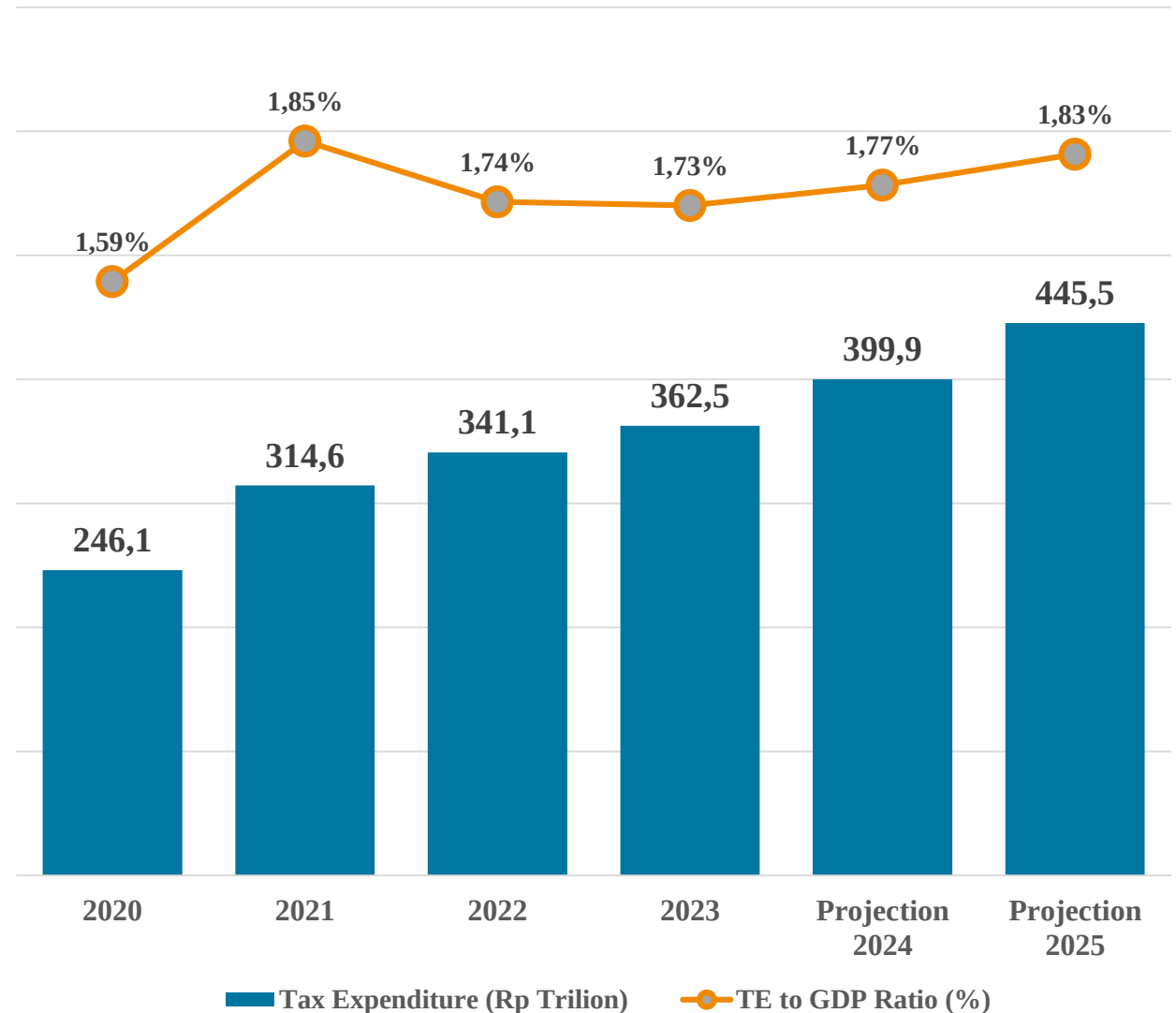


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TAX EXPENDITURE SUPPORTS DOMESTIC ECONOMIC GROWTH (1)



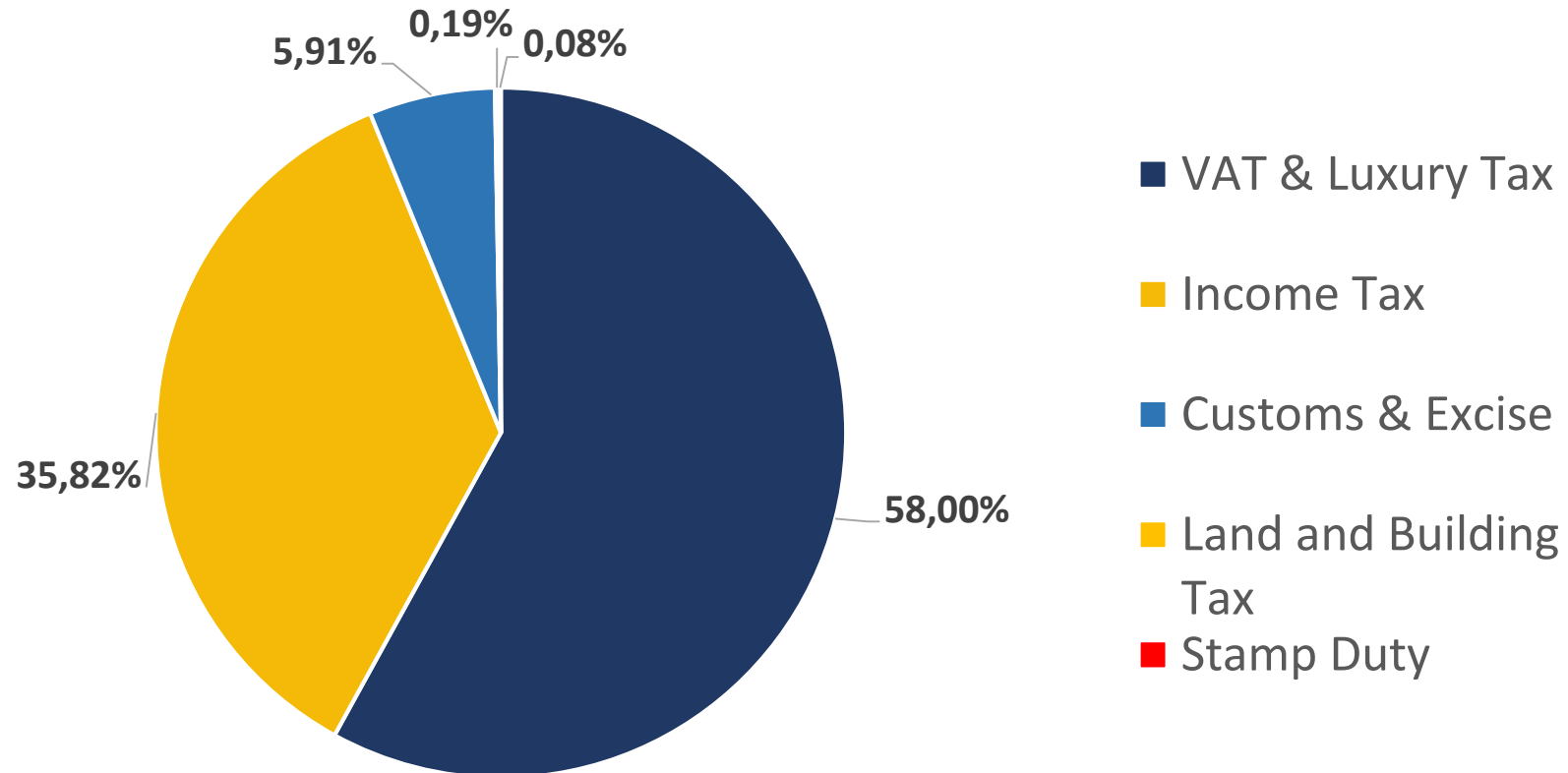
The value of tax expenditure in 2023 is Rp362.5 trillion [US\$ 23,8 billion] (1.73% of GDP), an increase of 6.3% compared to 2022 in line with economic growth, and is projected to increase in 2024 and 2025



TAX EXPENDITURE SUPPORTS DOMESTIC ECONOMIC GROWTH (2)



Proportion of TE based on Tax Type (2023)

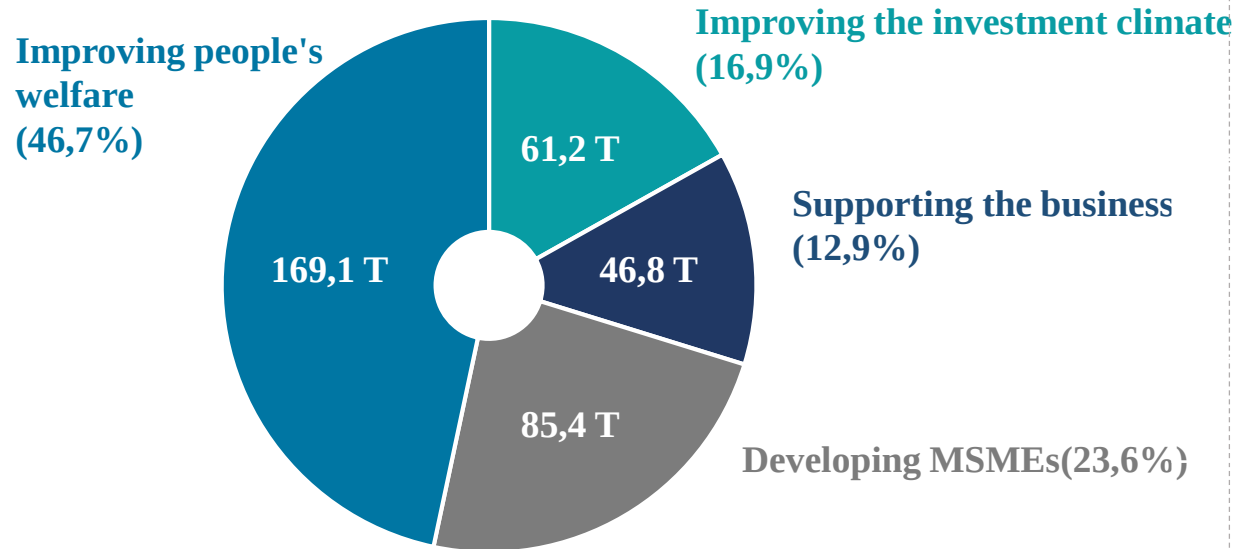


The largest tax expenditure comes from VAT and PPnBM facilities which on average amounts to more than 60% of the total estimated tax expenditure per year.

UTILIZATION OF TAX EXPENDITURE IN 2023 BASED ON ECONOMIC OBJECTIVES AND SECTORS

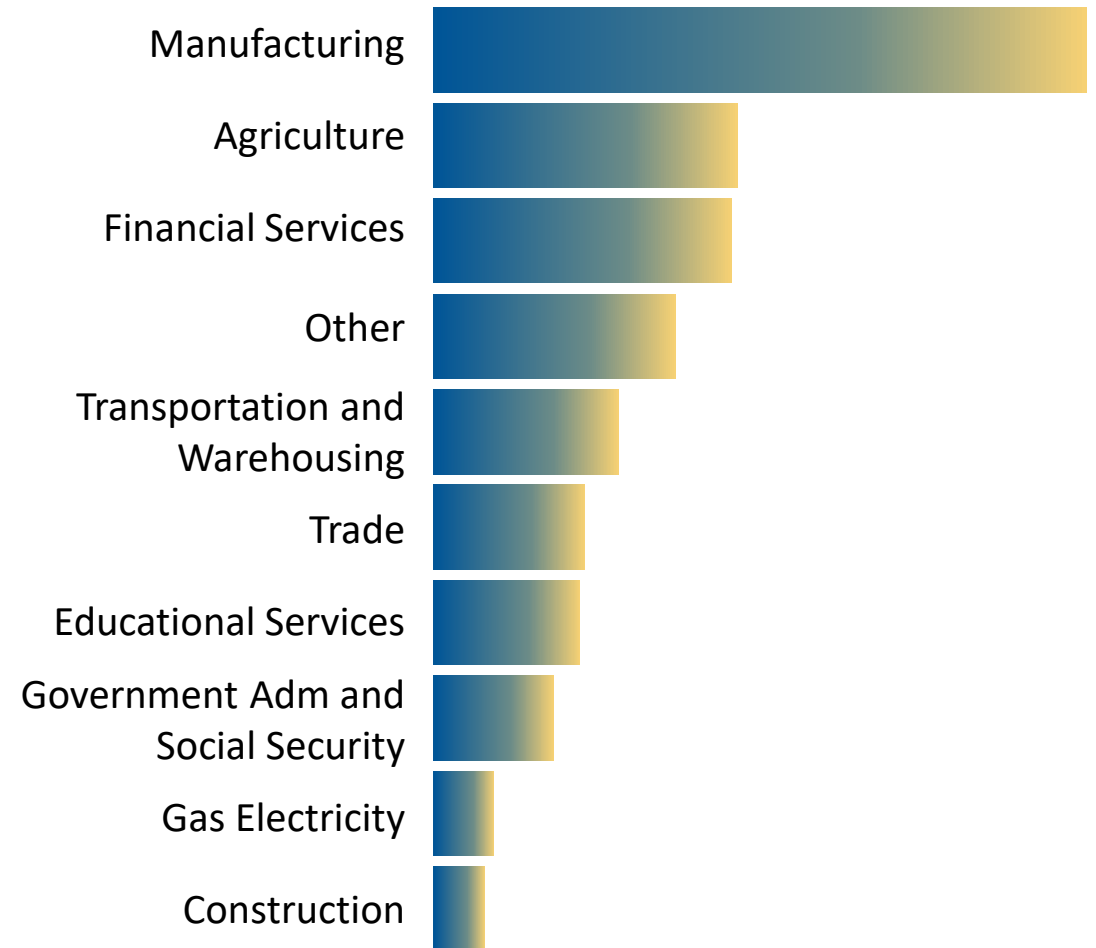


Tax Spending by Purpose



- Based on the Objectives, the use of Tax Expenditure is mainly to improve people's welfare of Rp169.1T (46.7%) and Develop MSMEs Rp85.4T (23.6%).
- Based on the sectors that use it, the Manufacturing and Agriculture sectors make the most use of tax spending, Rp91.7T (25.3%) and Rp47.1T (13.0%), respectively.

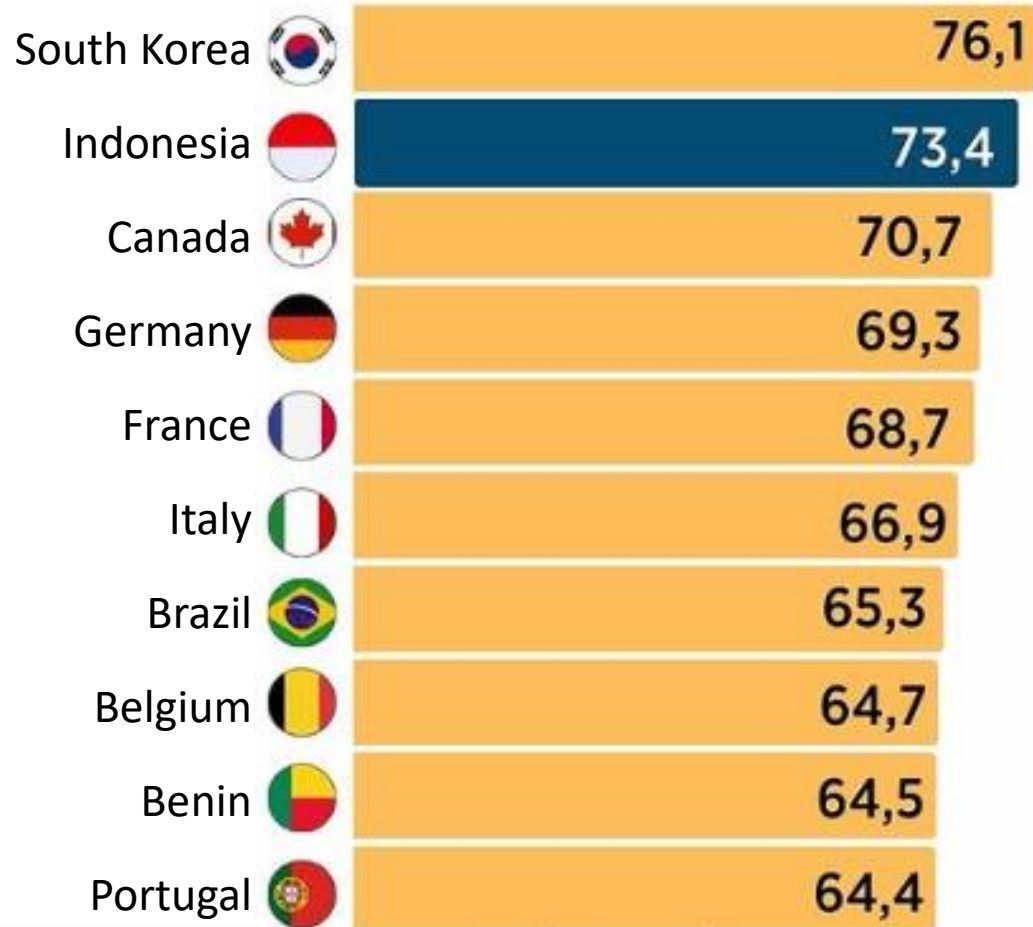
Tax Expenditure Based on Economic Sectors



INDONESIA'S TAX EXPENDITURE REPORT RANKS 2ND IN THE WORLD BASED ON GTETI



Indonesia, through the issuance of tax expenditure reports, is one of the few countries in the world that has a great commitment to implementing information disclosure to the public regarding the allocation and use of fiscal resources.



Indonesia ranks 2nd in the Global Tax Expenditures Transparency Index (GTETI 2024) above Canada, Germany, Belgium and several other developed countries.

Sources: GTETI 2024

LEGAL BASIS AND INSTITUTIONAL FRAMEWORK



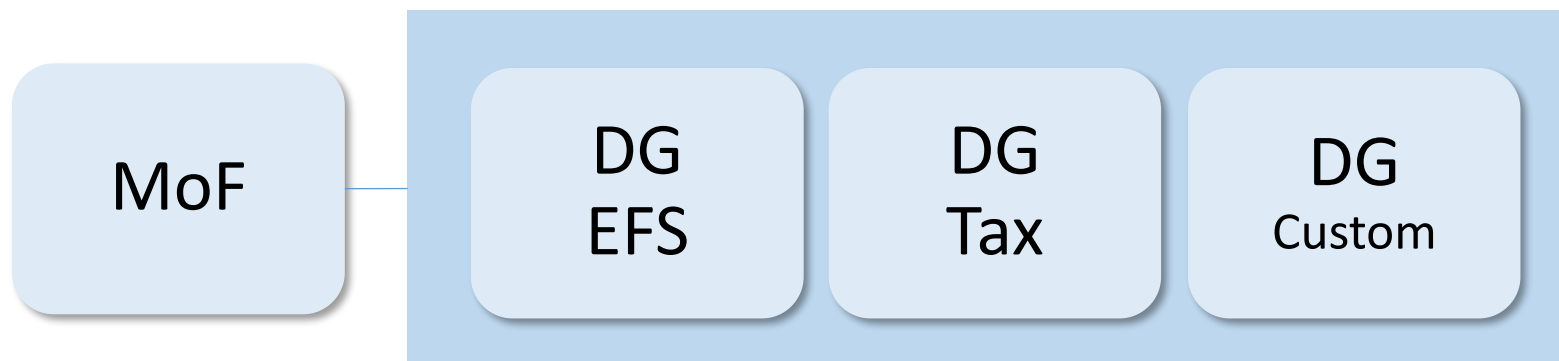
• LEGAL BASIS AND REPORTING OBLIGATIONS

- Indonesia has a commitment to publish Tax Expenditure Reports on a regular basis every year which is regulated through the Minister of Finance Decree
- Tax Expenditure Report submitted to Parliament through the Financial Note,

Minister of Finance Decree No. 619/2020

State Finance Law No. 17 of 2023, Article 15(a)

• INSTITUTION COLLABORATION IN ESTIMATING AND REPORTING TAX EXPENDITURE



Close collaboration between institutions in preparing and calculating TE.

Reviewed by:

Supreme Audit Agency

Supported by:

National/ International Organisation

KEY ELEMENTS OF INDONESIA'S TAX EXPENDITURE REPORT



ESSENTIAL ELEMENTS

- **Coverage and Benchmark Information**
- **Revenue Forgone Estimation**
- **Revenue Forgone Estimation by Specific Classification**
 - Classified by tax type, economic sector, beneficiaries, and policy objectives
- **Tax Expenditure Passport**
 - Provides detailed information on a specific TE: how it is calculated, data sources, and number of beneficiaries

ENRICHED CONTENT

- **Infographic and Executive Summary**
 - Quick snapshot of the report's key contents
- **List of Incentives Not Categorized as Tax Expenditures**
 - Not quantified as revenue forgone, but shows overall government support
- **Special Topics**
 - Includes examples of incentives for renewable energy, downstreaming industry, or climate change
- **Tax Expenditure Evaluation**
 - Includes 3–5 evaluations in each edition

TE PASSPORT



Code and incentive

Detail description of the TE, normally based on what is written in the regulation

Description

Type of Incentive

Basis Regulation and implementation regulation

Legal Basis

Based on Economic Sector

Sector

Household. SMEs or Big Industry

Beneficiary

Policy Objective

Reason for

Classification as Tax

Expenditure

How to calculate the revenue forgone

Estimation Method

Low/Medium/High

Estimation Accuracy

Depend on the data source for calculation

Method used for projection, normally using linear growth/based on economic growth projection.

Projection Method and Accuracy

Number of beneficiaries on latest year, can be in the form of the number of taxpayers or the number of goods/services that receive special treatment/facilities.

Utilization (2023)

IE.12 - PPnBM nol persen untuk kendaraan listrik

short name

Deskripsi	Pemberian pengurangan dasar pengenaan pajak PPnBM sebesar 0 persen dari harga jual untuk kendaraan listrik dan industri kendaraan listrik yang mengikuti program <i>low carbon emission vehicle</i> yang ditetapkan oleh Kementerian Perindustrian.
Jenis insentif	Fasilitas pengurangan dasar pengenaan pajak
Dasar hukum	PP Nomor 73 Tahun 2019 s.t.d.d. PP Nomor 74 Tahun 2021; PMK Nomor 141 Tahun 2021 s.t.d.d. PMK Nomor 42 Tahun 2022; Permenperin Nomor 36 Tahun 2021
Sektor perekonomian	Industri pengolahan
Subjek penerima manfaat	Industri
Tujuan kebijakan perpajakan	Meningkatkan iklim investasi
Alasan menjadi belanja perpajakan	Pengurangan dasar pengenaan pajak ini merupakan deviasi terhadap definisi umum dasar pengenaan pajak
Implementasi	15 Oktober Tahun 2021
Sumber data	Produksi mobil listrik dari Gaikindo dan harga mobil listrik yang diperoleh dari pasaran
Metode penghitungan	Dihitung dengan mengkalikan jumlah produksi mobil listrik dengan asumsi besaran PPnBM sesuai jenis mobil yang diproduksi.
Akurasi penghitungan	Menengah
Metode dan akurasi proyeksi	Menggunakan asumsi proyeksi produksi mobil listrik tahun 2024-2026 Tingkat akurasi: rendah.
Jumlah pemanfaat (2023)	14.255 mobil

Nilai Belanja Perpajakan (miliar rupiah)

Estimation Value

Tahun	Estimasi				Proyeksi		
	2020	2021	2022	2023	2024	2025	2026
PPnBM	--	--	406	898	1.280	2.560	3.328

DATA SOURCES



The first important step in establishing the Tax Expenditure calculation process is to identify the source of the data. The data sources are classified as follows:

Internal Data

- These are data available within the internal environment of the Ministry of Finance, sourced from the Directorate General of Taxes and the Directorate General of Customs and Excise.
- The data may include Annual Tax Returns , the State Revenue Module (MPN), CIESA, and other applications owned by the Ministry of Finance.

External Data

- These are data sourced from outside the Ministry of Finance because they are not available in the internal systems of the MoF.
- The data may include corporate financial statements, macroeconomic and statistical data, and other supporting data not sourced from the MoF.
- Examples of data in this category include GDP, I/O Tables, Susenas, Corporate Financial Reports, BPJS (Social Security Administration), Jamsostek, stock market data, etc.

VARIATIONS OF TAX EXPENDITURE CALCULATION METHODS



In estimating the value of Tax Expenditure (TE), analysts use various calculation methods which are classified as follows:

DIRECT METHOD

The direct method is applied by extracting the value of TE directly from reported tax facility values, as found in tax forms such as annual tax returns, periodic reports, or other government reports.
This method eliminates the need for further estimation.

Example:

- TE for Tax Holiday
- Government-Borne Incentives

COMPARATIVE METHOD

The comparative method is used when the direct method is not available.
This method requires further estimation by comparing the amount of tax that should have been paid (based on benchmark rates) with the actual tax reported by taxpayers.
Uses primary data.

Example:

- Import Duty Incentives
- Final income tax for MSMEs

PROXY METHOD

This method is used when the comparative method cannot be applied. It requires estimating the tax base using available proxy data.
Data sources used in this method include macroeconomic data from BPS, financial statements, and other sources.

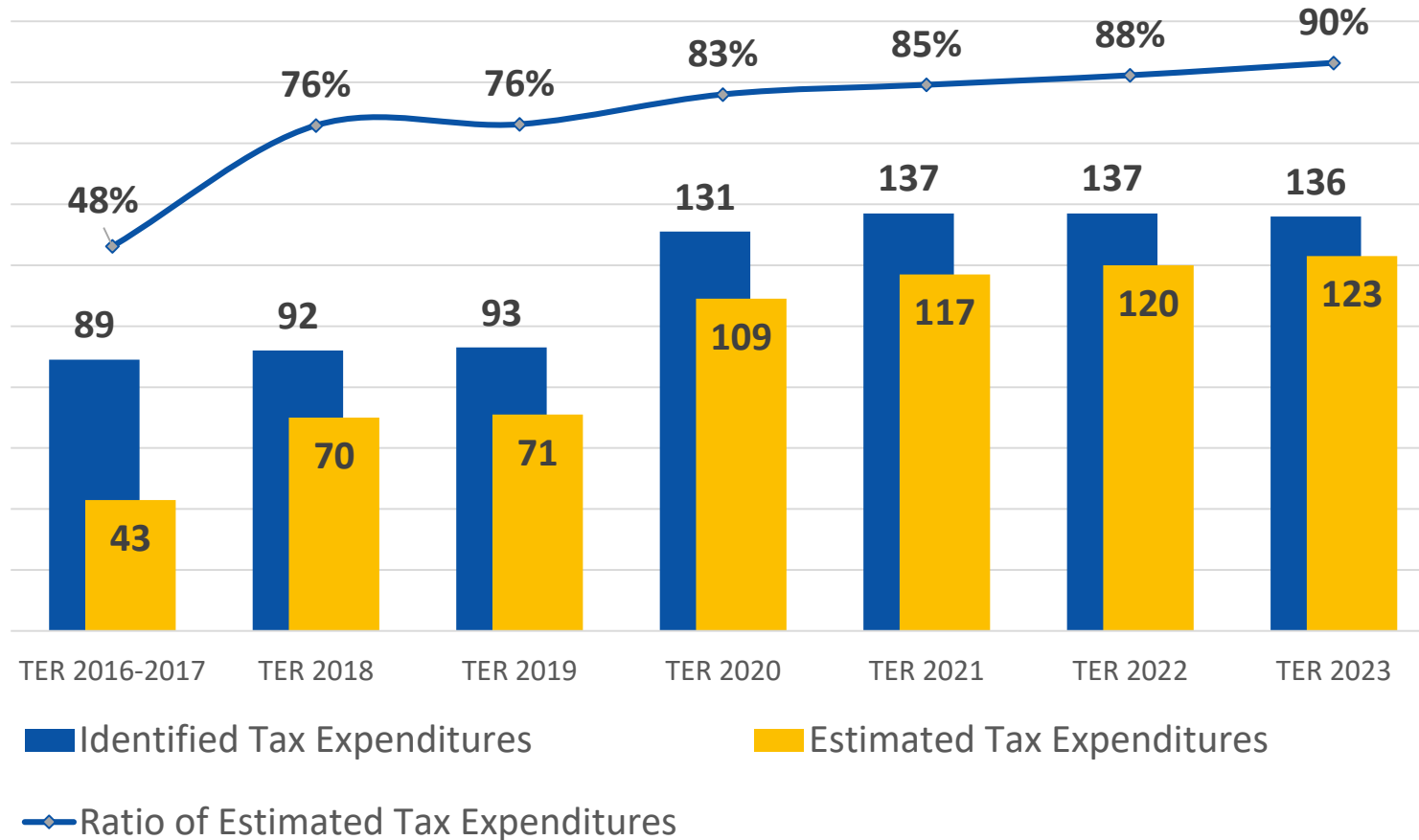
Example:

- VAT Exemption Incentives

REPORT PREPARATION CONTINUES TO BE REFINED



Ratio of Estimated Tax Expenditures from Year to Year



The latest edition of the report successfully estimated 90% of all tax expenditure policies listed in the TE.

This improvement was driven by:

1. Improved inter-agency collaboration
2. Enhanced use of available data

EVALUATING TAX INCENTIVES



Starting in 2019, Indonesia's Tax Expenditure Report has featured summaries of evaluations on selected tax incentives.

18

evaluations in the report
(2019-2024)

Purpose

Analyzing the Utilization of Tax Incentives

Evaluating the effectiveness of fiscal incentives

Analyzing the impact of fiscal incentives that have been provided

Recommendations for effective fiscal incentive policy strategies

Methodology

Descriptive Analysis

Macro Analysis: Input-Output (IO) Model

Macro and Micro Model Simulations, Econometric Analysis, and Field Surveys (FGD and Depth interview)

Econometric Analysis (Elasticity Model)

COMMUNICATING TE REPORTING



Instagram

- **Official Launch Event**

TER is officially launched by the Minister or Vice Minister of Finance, with participation from key stakeholders, including academics, journalists, and representatives from related institutions.

- **Social Media Dissemination**

Various units within the Ministry of Finance actively promote the report through social media platforms to expand public reach and engagement.

- **Discussion with Parliament**

The report is also presented and discussed with the House of Representatives (DPR), enhancing transparency and legislative involvement.

- **Public Outreach and Events**

The report is communicated through public events, seminars, and other platforms to raise awareness and gather feedback from broader audiences.



HOW INDONESIA USES TE REPORTING TO IMPROVE TRANSPARENCY AND REFORM



1. Improving transparency

Discloses who benefits and how much revenue is forgone. Puts tax incentives under the same scrutiny as direct spending.

2. Enhancing accountability

Enables oversight by Parliament, audit bodies, and the public. Helps hold policymakers accountable.

3. Fostering public debate

Stimulates discussions among civil society, media, and academia. Encourages review of fairness and effectiveness of incentives.

4. Guiding policy evaluation

Helps identify which incentives work — and which don't. Some incentives show limited impact or mostly benefit large firms.

5. Supporting better policy design and reform

Most importantly, it drives reform — by showing where change is needed, why it matters, and providing the evidence to act.



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THANK YOU

Tax Expenditure Report can be downloaded at: fiskal.id/TER