



Assembling the State Budget with New Presidency Era Overlooking



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Insight Article



Preparing the New State Budget for a Different Future of Indonesia

Discover the formation of a State Budget under new leadership

Preparations for the next fiscal year have started – development of the 2025 State Budget is currently on the way. However, one thing to note is that in 2025, Indonesia will be lead by a new president, a change from the previous decade.

How does the development of the State Budget play into this? How will the new government plan the future with current government still in their seats?



Preparing the New State Budget for a Different Future of Indonesia

Discover the formation of a State Budget under new leadership

The year 2025 will mark a new era of the presidency, with a leader different from the previous decade. This change, will not only affect how current regulations are done but also how new regulations will be made and implemented.

The changes and upcoming regulations are discussed years prior. They are brought to attention by the commencement of the State Budget meetings, where a State Budget draft and later the official State Budget will be conferred about and approved.

What can the people of Indonesia look forward to in the new leadership era? What kind of taxation or fiscal policies can be developed in the future? Find out the direction the government is going through in this article.

State Budget 101: Definition and the Importance

Based on the 1945 Constitution, the definition of the National State Budget is a form of state financial management, which is determined annually by law and is implemented by keeping in mind the best interests of the people, which includes their prosperity.

Establishing a State Budget fulfills several functions, including planning, supervising, allocating, authorizing, distributing, and stabilizing the national economy. The purpose of developing the National State Budget itself is to become a guide for the national economic state, not only to provide the people's welfare and economic growth but also to regulate the national income and expenditure, which could increase production and employment opportunities.

The Cycle of a State Budget Development

Early stage: Planning and Budgeting

The development of a State Budget follows a certain cycle. Starting from January until July before the new year, the government including all the legislative, executive, and judiciary agencies, will be planning and budgeting programs in the early stage of the State Budget development.

This stage is done by developing and using the fiscal and macroeconomic assumptions as a reference to the capacity of the national fiscal landscape.

This process will include key players, such as the Bank of Indonesia, the Indonesian Statistics Agency (also known as the BPS), and the government as a whole.

In this stage, the ministries and institutions will be producing documents called the Government Work Plans or RKP and the Ministry/Agency Work Plans and Budget or RKAKL. These documents will focus on development priorities, those which have been approved by the House of Representatives and determined by the current President. Throughout this stage, there will be a lot of back and forth between institutions, especially between ministries, institutions, and the Minister of Finance.

Secondary Stage: Discussing the State Budget Plan

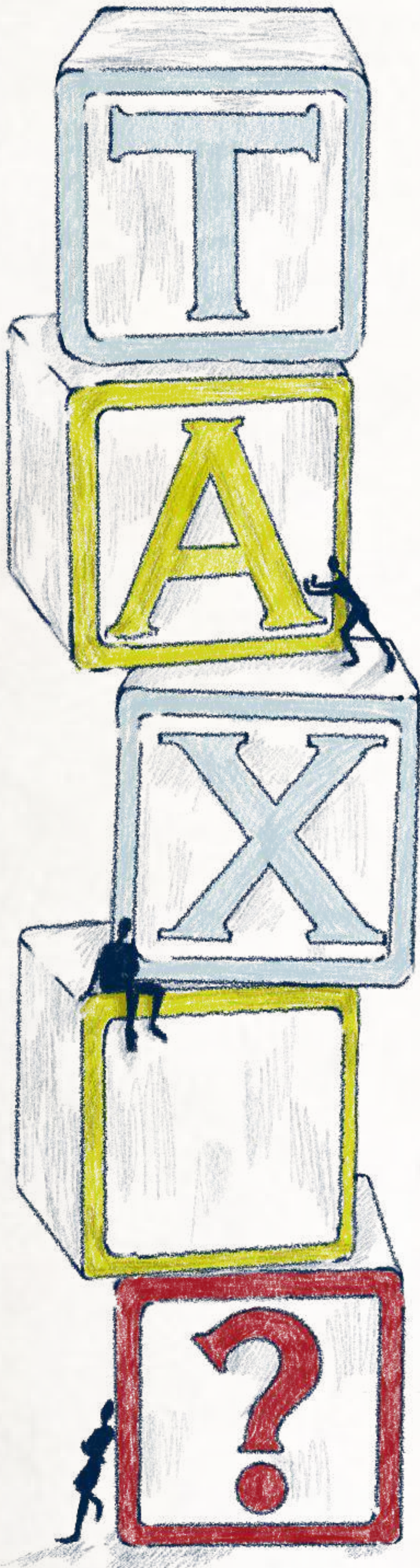
Following the planning and budgeting stage is the discussion stage. Throughout this stage, there will be a lot of discussions and revisions between institutions and ministries alongside the Minister of Finance.

During this stage, it is also more likely for the House of Representatives to submit changes and proposals, taking into account any input from the Regional Representative Council, which will result in changes to the draft. Changes will include revenue and expenditure amounts, details in programs and activities across ministries and institutions, and other information.

The end product of this stage is a draft version of the State Budget, which is produced alongside a Financial Note (*Nota Keuangan*). Following this, the draft of the State Budget will be discussed even further by the government and the House of Representatives, moving on to the next stage.

Last Stage: Authorization of the State Budget

Factions in the nation will be providing their input and views on the draft of the State Budget during this stage.



In this stage, they will be laying down their macroeconomic assumptions, policy plans, as well as income targets, and general spending plans

Once approved, the draft of the State Budget will be established by the issuance of a Law (UU), where details of its implementation will be poured into a Presidential Regulation (PP). The issuance of the approved State Budget will commence a series of events, including the submission of budget implementation documents from each ministry and institution, where the document itself will provide an insight into the projected budgets, targets to achieve, and other functions.

The 2025 State Budget: What's different from previous years?

The development of the 2025 State Budget will be based mostly on the National Medium-Term Development Plan or RPJMN on the newly-elected president, which the House of Representatives duly reminded during the Plenary Meeting of the Opening of Trial Period V last May 2024.

The development of the 2025 State Budget must follow certain provisions as mentioned in the State Finance Law and National Development Planning System Law, where the development will take into account the new and future government in comparison to the current one.

This will result in the starting point of the development of the 2025 State Budget, which the House of Representatives share will happen sometime in October 2024. However, they also shared that several macroeconomic policies and fiscal principles of the 2025 State Budget are currently being prepared by the present-day government, acting as temporary basic policies and spending allocations. This planning will be used only during the first quarter of 2025 because the House of Representatives believes that the new government should have freedom in developing the 2025 State Budget.

What is the National Medium-Term Development Plan?

A National Medium-Term Development Plan, also known as RPJMN, is a document produced by the president containing the elaboration of their vision, mission, and programs prepared beforehand by referring to the guidance of the National Long-Term Development Plan or RPJPN.

The RPJPN document contains various information on national development strategies, national policies, ministries and institutions' programs, and the macroeconomic framework to develop future fiscal policies.

The Ministry of National Development Planning of the Republic of Indonesia is in charge of developing the RPJPN for the 2025–2045 period, where it is necessary to reach the vision of 2045 Golden Indonesia ("Visi Indonesia Emas 2045").

The 2025 State Budget: What's new in the currently discussed plan?

The current state of the 2025 State Budget discussion

The present government is currently discussing the draft for the 2025 State Budget. The theme for the 2025 State Budget itself is the acceleration of inclusive and sustainable economic growth.

Based on the latest updates, the government developed the draft by keeping in mind any economic challenges, both globally and locally, and anticipating any changes to the current economic landscape.

Thus, the ongoing development of the 2025 State Budget takes into account any looming obstacles. For example, the threat of increasing the United States of America's Dollar (USD) rate against the Rupiah (IDR) currency, deficits in the Current Account, the decreasing trend in the share movement in the stock exchange, and even low increase on the Foreign Direct Investment (FDI) growth.

The 2025 State Budget is developed by keeping in mind its continuity and health, as it will become the confidence source when running the government, as per the Minister of Finance, Sri Mulyani. Furthermore, the current government is eager to maintain the consistency of the current economic landscape.

Assumptions for the basis of the 2025 State Budget development

The development of the draft of the 2025 State Budget thus considers several factors concerning the macroeconomic assumption, including the target of economic growth.

The target is set within the range of 5.1–5.5%. Next, the inflation rate is assumed to be within the range of 1.5–3.5%, and the exchange rate of the IDR/USD at IDR15,300–15,900.

In terms of natural resources and mining, the government is assuming that the Indonesia crude oil price will fall between IDR75–80 per barrel and both the petroleum and natural gas lifting will each fall between 580,000–605,000 barrels and an equivalent to 1,003–1,047 thousand barrels. The 10-year yield on state securities will also fall between the range of 6.9–7.2%.

2025 Taxation Opportunities Based on the New Leader

The new presidential pairing won the majority of votes during the presidential election, all thanks to their proposed vision, mission, and programs with hopes to further the development of Indonesia and the security of its people.

The pairing, which will soon become the future leaders of Indonesia for the next 5 years, Prabowo Subianto and Gibran Rakabuming, promised several issues relating to any fiscal and economic development, which includes taxation.

Proposed taxation policies from the winning candidate

There are several taxation policies to highlight from the winning candidate pairing. The pairing concocted several taxation regulations, which they believe can deliver Indonesia's taxation landscape into a better state:

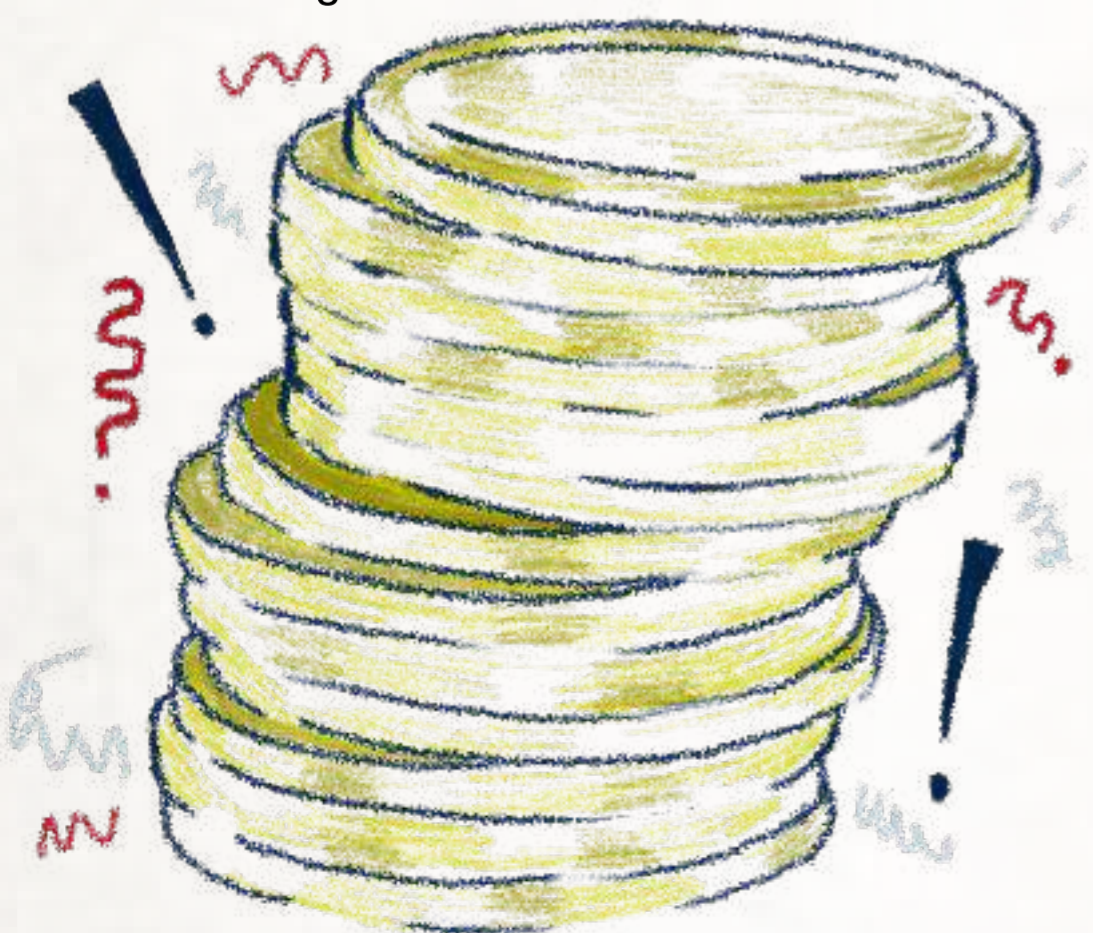
Excise on Sweetened Beverages

According to the pair, imposing an excise tax on sweetened beverages will be one of the ways to decrease the number of diabetic citizens in Indonesia. Additionally, the imposition of such tax will also affect the allocated budget for diabetic patients in the Social Health Insurance Administration Body (BPJS)

Development of State Revenue Agency

Restoring the integrity of the taxation system in Indonesia has been considered a key topic for the last few months. The development of a State Revenue Agency will mean that the Directorate General of Taxes will not be under the Ministry of Finance's management.

The pair, however, believes that the separation of treasury and revenue matters through a State Revenue Agency will be beneficial since the two can provide more efficient management for revenue and treasury sectors. This will hopefully result in positive numbers on domestic revenue.



Proposed taxation policies from the winning candidate

Implementation of Wheat Import Tax

The imposition of a wheat import tax is seen as a way to take back a major source of income, as the current rate for wheat import activities is at 0%.

Taxation on Small Businesses (UKM/SME)

The pair have plans to impose taxes on small businesses or SMEs in order to reach the proposed and targeted tax ratio. By targeting SMEs, the pair aims to expand the taxation basis by doing extensification, which results in an additional amount of taxpayers.

Expectations of changes in the fiscal landscape

During the time the article was written, the government had started the discussion of the 2025 State Budget, where currently all parties are exchanging views on every programs, targets, and planned budgets.

Since the new pair of leaders have their programs to prioritize and run, the government, especially the Minister of Finance, must consider any differences and gaps between the previous State Budgets and the 2025 State Budget. Thus, the development of the 2025 State Budget has also been discussed altogether with the people of the new leaders' government.

For example, in the 2025 State Budget, there will be an allocation for the promised program and the selling point of the pair of leaders, free nutritious food packages. Based on the latest development, both the current government and future government have agreed to allocate as much as IDR71 trillion for the newly added program, expected to start running as soon as the new president is elected.

Additionally, as per the current president, Joko Widodo, request, all missions and visions of the new leader pairing should also be listed and discussed in the 2025 State Budget. This is because the future State Budget is developed during a transitional period between the current and future governments. In addition to that, this transitional 2025 State Budget is developed by the current government under the leadership of President Joko Widodo to be given to the future president, Prabowo Subianto.

Moreover, there are prioritized programs that the new leaders should run in 2025. One of which includes the program to develop villages in order to support economic growth, altogether with improving equality and the eradication of poverty.

Then, another program is developed in order to increase quality employment opportunities, and key infrastructures, and encourage the number of entrepreneurs in Indonesia, including the creative industries.

However, the government is not only looking forward to implementing new sets of programs and regulations but also minimizing some. For example, the government is aiming to develop regulations in the direction of cutting the spending on non-priority programs or ensuring efficiency in non-prioritized programs spending.

Regulations are also being developed in the next year with the direction of strengthening capital expenditure to support economic transformation, where social welfare and subsidy reform are also in the cards. By doing so, the government aspires to increase the quality of spending and result in accelerated and inclusive economic growth.

“Taxpayers should be ready for any changes in the taxation landscape – be it regulations or new tax programs.”



**This article was written and published in June 2024. MIB is not responsible for any missing materials of the 2025 State Budget developments past publishing.*

Please use the article wisely.

June 2024

Monthly Highlights

The government starts to prepare targets and budget plans for the upcoming 2025, where a newly-elected president will be leading the nation. Coming as a package deal with the new leader is the promised tax regulations, as well as other tax-related news across the globe that will be impacting the future of Indonesian tax.



These Ministries and Institutions Highly Contribute to Non-Tax State Revenue

The data from the Ministry of Finance shows that several ministries and institutions (K/L) contribute the highest amount of revenue towards the Non-Tax State Revenue or PNBP.

Based on the data provided, the ministries and institutions with the highest contribution are the Ministry of Law and Human Rights, Ministry of Communication and Informatics, Ministry of Education, Research, Culture and Technology Research, Ministry of Transportation, Ministry of Agrarian Spatial Planning/National Land Agency, and the Indonesian Police.

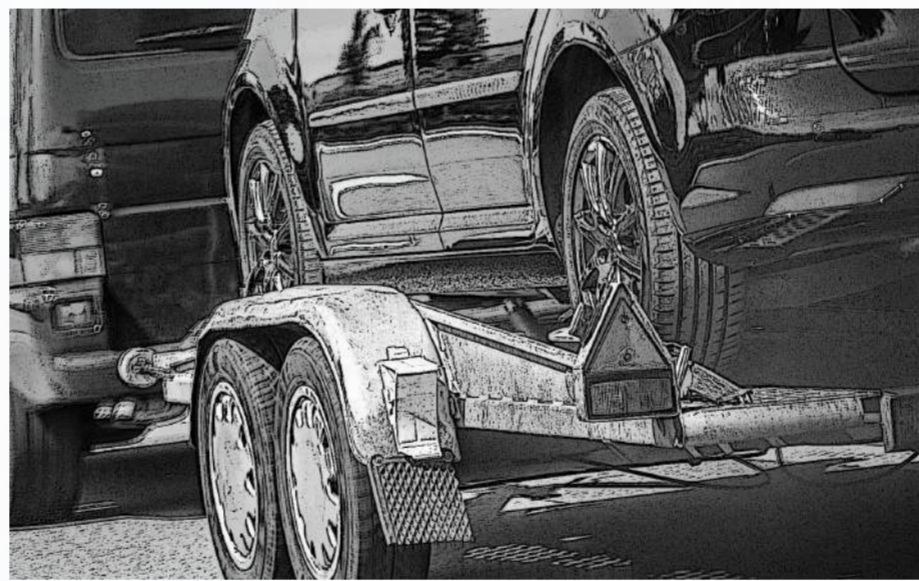
[> Read more here](#)



The Effects of EU carbon Tax on Asia-Pacific Countries

Carbon tax is used to regulate carbon after effects internationally. However, the imposition of Carbon Border Adjustment Mechanism or CBAM by the EU is forecasted to only impact Asia-Pacific countries minimally.

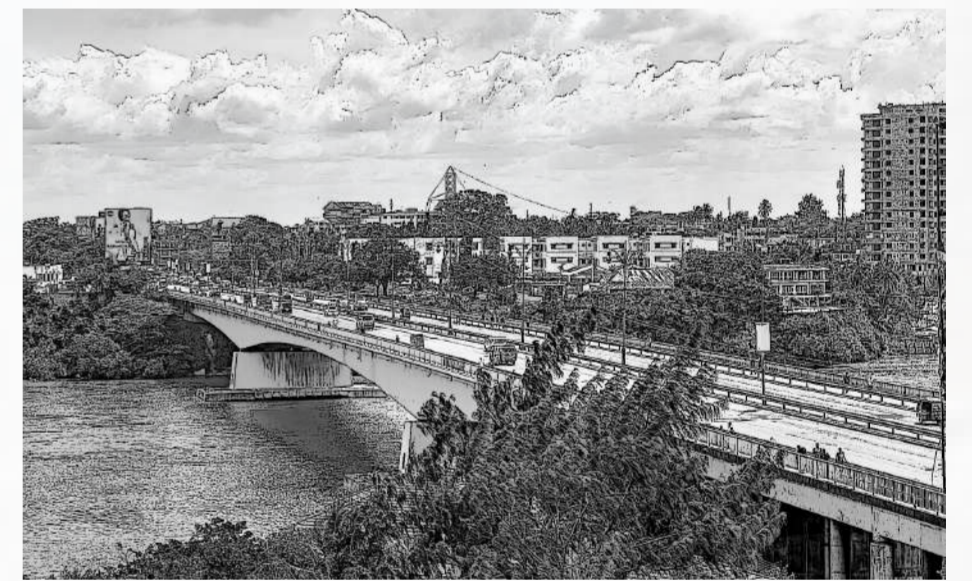
[> Read more here](#)



Turkey Adds Tariff on Import Tax for Electric Cars from China

The European Union, especially Turkey, devised up a plan to impose an additional tariff alongside an import tax on electric vehicles imported from China. The regulation is planned to be implemented across the region and will likely be up to 48%.

[> Read more here](#)



Kenya Cancels Tax Hike Upon Public Uproar and Protests

The government of Kenya has decided to cancel the planned increase of VAT rate and vehicle tax rate during protests happening in the country. The government insists that the hike is needed to increase national income.

[> Read more here](#)

Monthly Highlights

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Jakarta Government Provides Land and Building Tax Facilities

The local government of Jakarta has decided to offer facilities concerning land and building tax, where house and land owners will be able to enjoy facilities in order to ease their tax burdens.

Among the offered facilities are the exemption of administrative sanctions for those who paid their taxes late and the chance to pay their land and building tax in instalments.

The facilities are available for home and land owners to enjoy throughout 2024.

> [Read more here & here](#)



National Tax Budget in 2025 Estimated to Reach IDR421 Trillion

The predicted number for the national tax budget will reach IDR421,28 trillion. This number is considered an all-time high in the course of Indonesian leadership.

The government will be focusing on providing incentives for income tax and VAT, as well as the development of several sectors including the manufacturing and tourism sectors.

The tax reformation plan is also planned to continue in 2025.

> [Read more here](#)

June 2024

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Core Tax Administration System Implementation Postponed

The implementation of the all-new taxation administration system in Indonesia, also known as the Core Tax Administration System or CTAS, will be postponed until later in 2024.

Previously, the system is planned to be fully functional and deployed by mid-2024. However, looking at the current state of the system, the postponement is needed in order for related authorities to support the establishment of the system without major issues.

[> Read more here](#)



Plans on Strengthening Indonesian Tax Through HWI Supervision

In order to increase and further develop the national taxation environment and revenue, the government has designed several plans and predictions to reach said goal. One of which involves the supervision on High Wealth Individuals or HWI taxes.

The supervisory acts will be done through intensification and extensification of tax bases, such as by cooperation between multiple agencies and the usage of digital forensics to enforce the law.

[> Read more here](#)

June 2024

Monthly Tax Revenue

The current economic landscape of Indonesia has resulted in an amazing amount of collected tax revenue throughout January to May 2024, although not without any challenges. Learn more about the growth and approximate earnings from the 2024 tax revenue in this page.

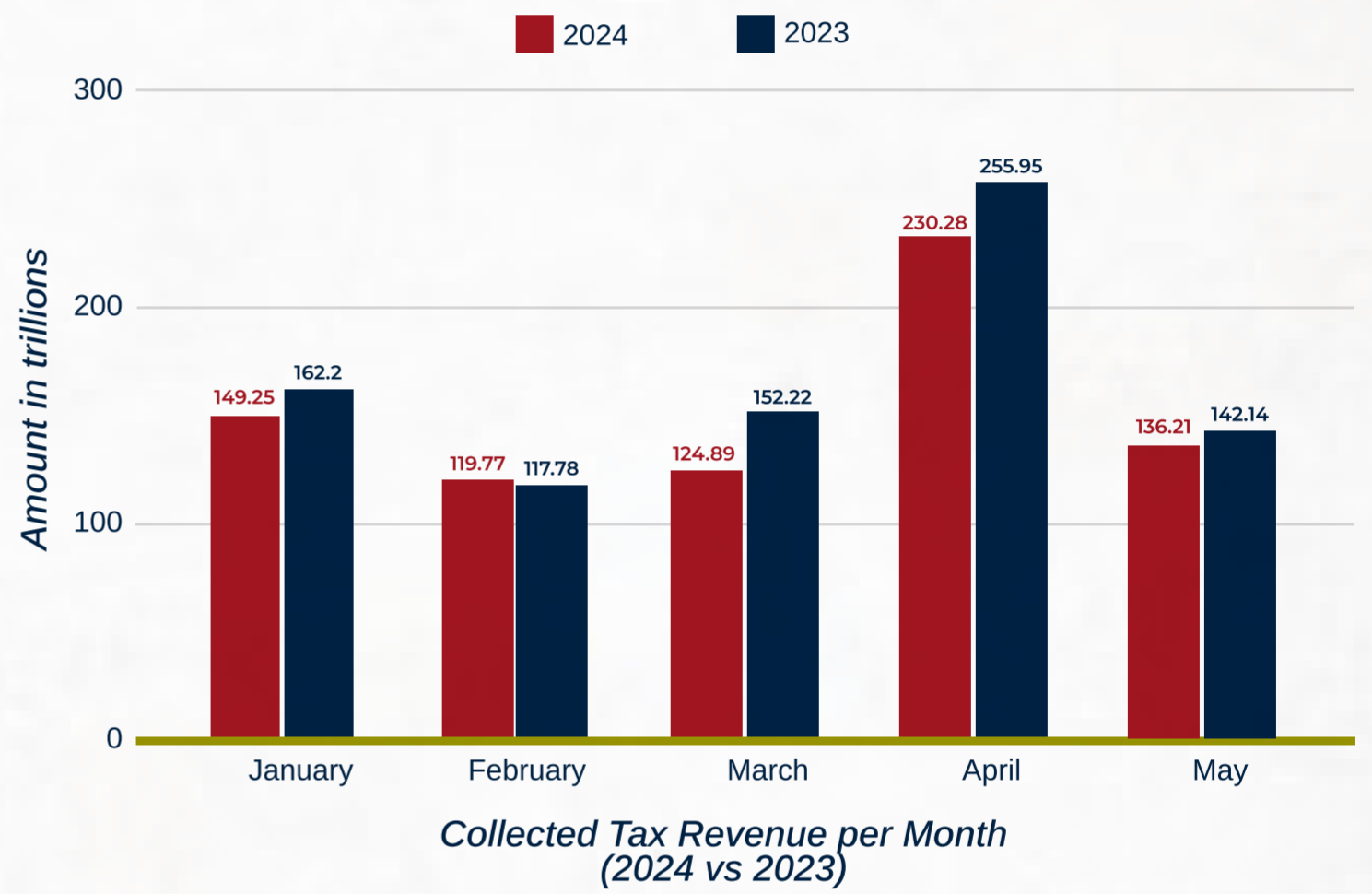
May 2024 Brings a Total of IDR760,4 T for the Tax Revenue



Based on the statistics collected by the Ministry of Finance, through the Directorate General of Taxes, the collected amount of tax revenue until 31 May 2024 reached IDR760.4 trillion.

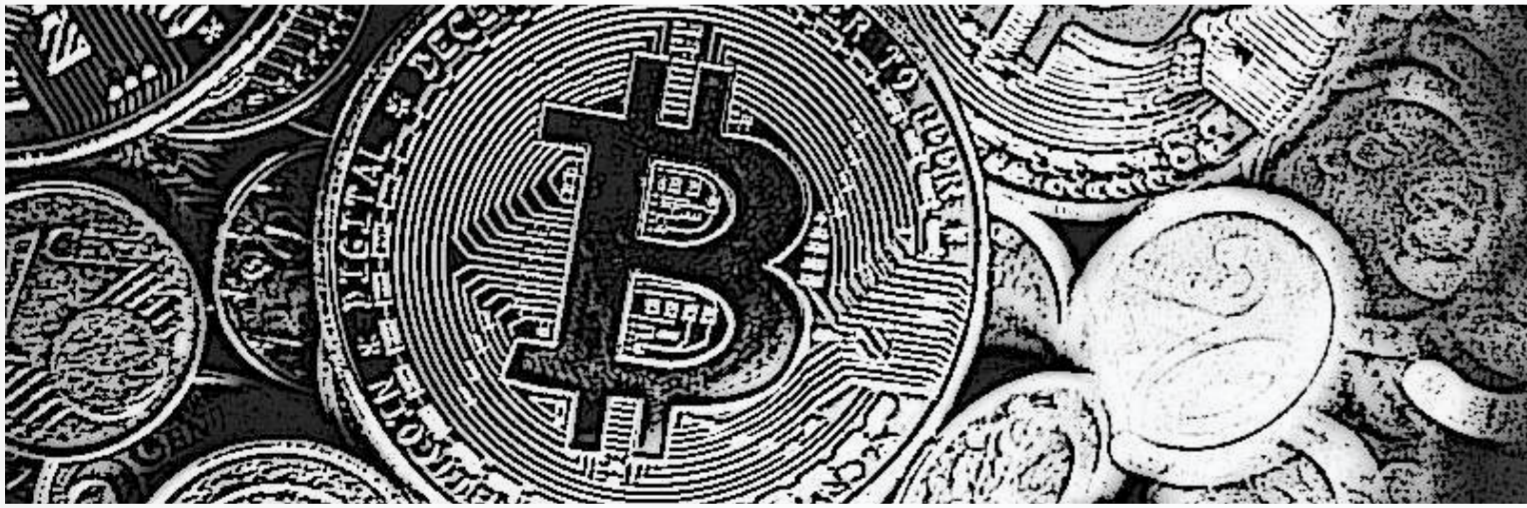
This number is equivalent to about 34% of the targeted tax revenue amount in the 2024 State Budget. However, the realization number has seemingly contracted in comparison to previous year's collected tax revenue of IDR830.5 trillion.

Collected Amount of Tax Revenue Until May 2024



> [Read more here](#) & [here](#)

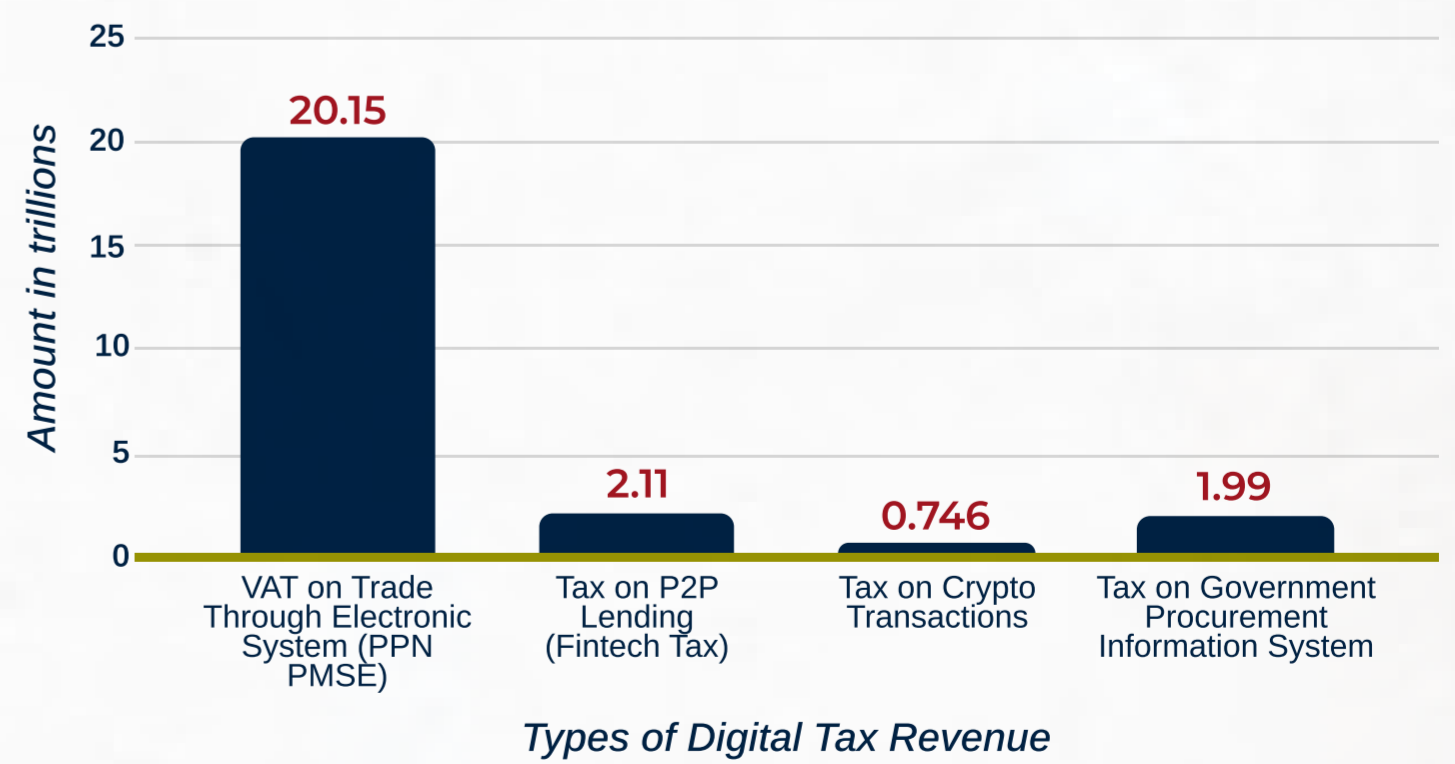
IDR24.99 T Collected for the May 2024 Digital Tax Revenue



The amount of collected digital tax revenue until May 2024 has reached IDR24.99 trillion. This number, reported by the Directorate General of Taxes, is an accumulation of various taxes imposed on digital goods and services.

The highest contributor of the revenue is the imposition of VAT on appointed Trade Through Electronic Systems companies, with a collected revenue of IDR20.15 trillion.

Collected Amount of Digital Tax Revenue Until May 2024



> [Read more here](#)

Tax Calendar July 2024



Tax Calendar July 2024

MON	TUE	WED	THU	FRI	SAT	SUN
1	2	3	4	5	6	7 Islamic New Year 1446 H
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4
5	6	7	8	9	10	11

Reminders

- 7 July 2024** Islamic New Year 1446 H
- 10 July 2024** Payment Deadline : June 2024 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax
- 15 Jul7 2024** Payment Deadline : June 2024 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT
- 22 July 2024** Filing Deadline : June 2024 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax
- 31 July 2024** Payment and Filing Deadline : June 2024 VAT

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Contact Us

PT MIB Global Grup
Treasury Tower, 31st Floor, Jl. Jend. Sudirman Kav. 52-53
DKI Jakarta, Indonesia - 12190

www.mib.group

