

## *Taxing Energy Use 2019: Country Note – Indonesia*

*This note explains how Indonesia taxes energy use. The note shows the distribution of effective energy tax rates – the sum of fuel excise taxes, explicit carbon taxes, and electricity excise taxes, net of applicable exemptions, rate reductions, and refunds – across all domestic energy use. It also details the country-specific assumptions made when calculating effective energy tax rates and matching tax rates to the corresponding energy base.*

*The note complements the Taxing Energy Use 2019 report that is available at <http://oe.cd/TEU2019>. The report analyses where OECD and G20 countries stand in deploying energy and carbon taxes, tracks progress made, and makes actionable recommendations on how governments could do better to use taxes to reach environmental and climate goals.*

*The general methodology employed to calculate effective energy tax rates and assign tax rates to the energy base is explained in Chapter 1 of the report. The official energy tax profile for Indonesia can be found in Chapter 2 of the report. Chapter 3 additionally shows effective carbon tax rates per tonne of CO<sub>2</sub>, and presents the corresponding carbon tax profiles for all countries. The report also contains StatLinks to the official data.*

### **Structure of energy taxation in Indonesia**

As at 1 July 2018, the main tax on energy use in Indonesia is the Provincial Motor Vehicle Fuel Tax (*Pajak Bahan Bakar Kendaraan Bermotor* – PBBKB), which applies to premium gasoline (RON 88) and to diesel (diesel Solar) used in road. The PBBKB is levied as an *ad-valorem* rate capped at 5% of the sale prices of motor fuels (by presidential decree). The majority of provinces applies a rate of 5%.

In addition, district governments levy the Street Lighting Tax on households, which corresponds to an electricity excise tax. In line with the TEU methodology, this subnational tax is not included in this database as it falls below the revenue threshold for subnational taxes.

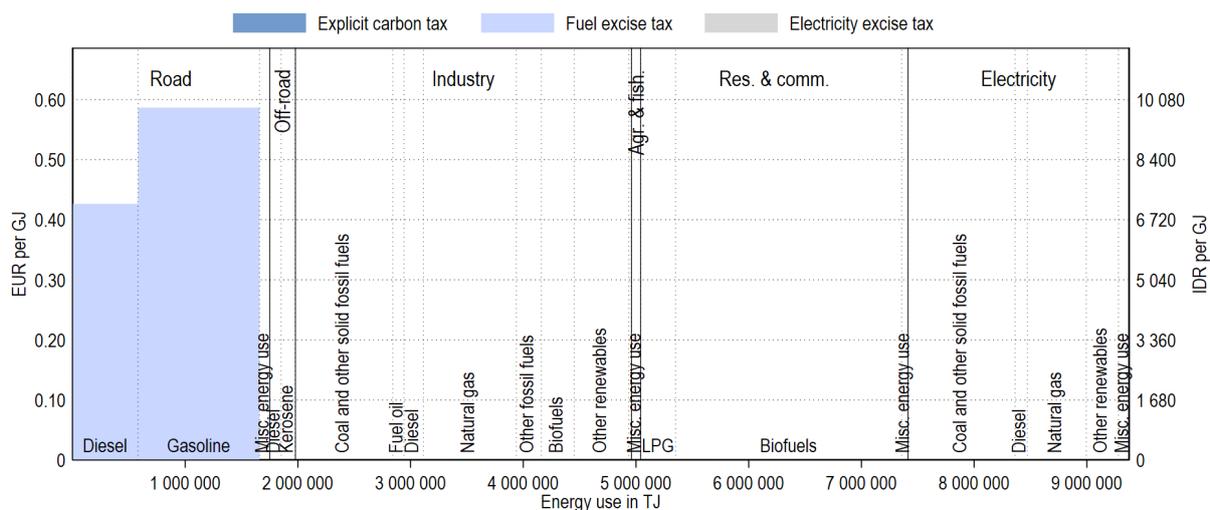
Indonesia also levies a VAT at a standard rate of 10%, which for instance applies to aviation fuels. Following the TEU methodology, this is not included in the tax profile.

Indonesia does not have an explicit carbon tax or a CO<sub>2</sub> emissions trading system (OECD, 2018<sup>[1]</sup>).

## Effective tax rates on energy use in Indonesia

Tax rates can differ across energy products and users, as described below. Figure 1 provides an overview of how energy taxes apply to different energy categories across the economy. The remainder of this document discusses details on tax rates and tax bases for each of the six economic sectors.

**Figure 1. Effective tax rates on energy use by sector and energy category**

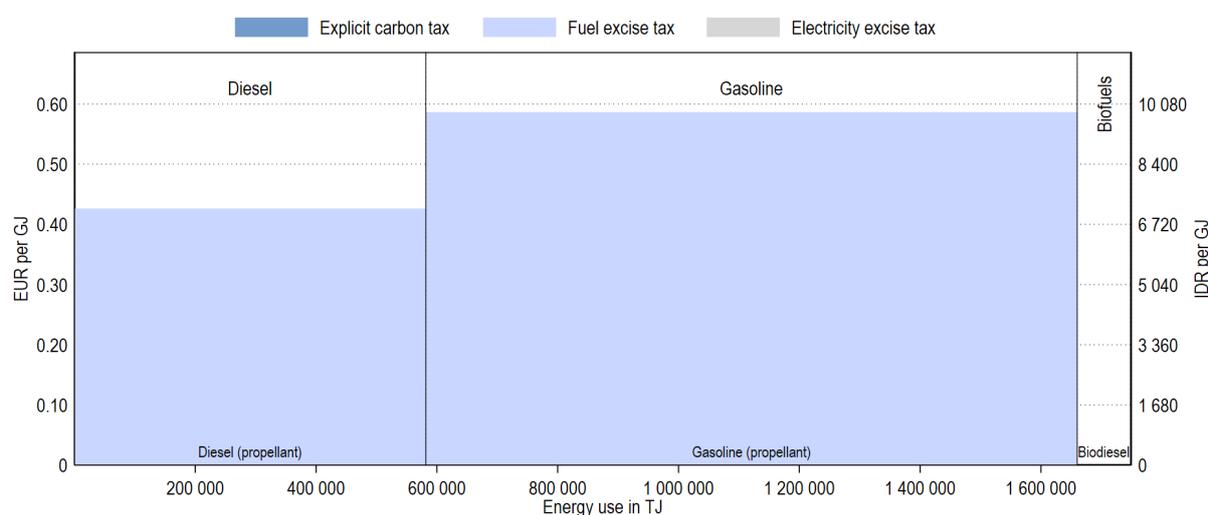


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the bottom) that represent less than 1% of a country's energy consumption are grouped into "misc. energy use" and may not be labelled.

## Road

Figure 2 shows that within the road sector, gasoline is taxed at a higher effective tax rate than diesel.

**Figure 2. Effective tax rates on energy use in the road sector**

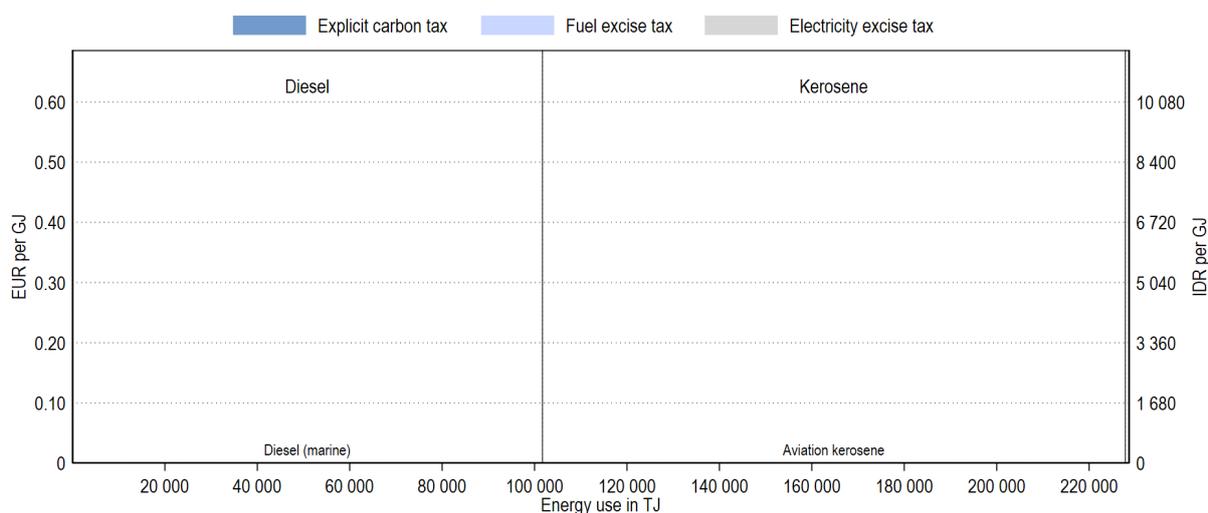


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

### Off-road

Fuels used in off-road transport are not subject to excise or carbon taxes, but the VAT may apply (not covered in TEU).

**Figure 3. Effective tax rates on energy use in the off-road sector**

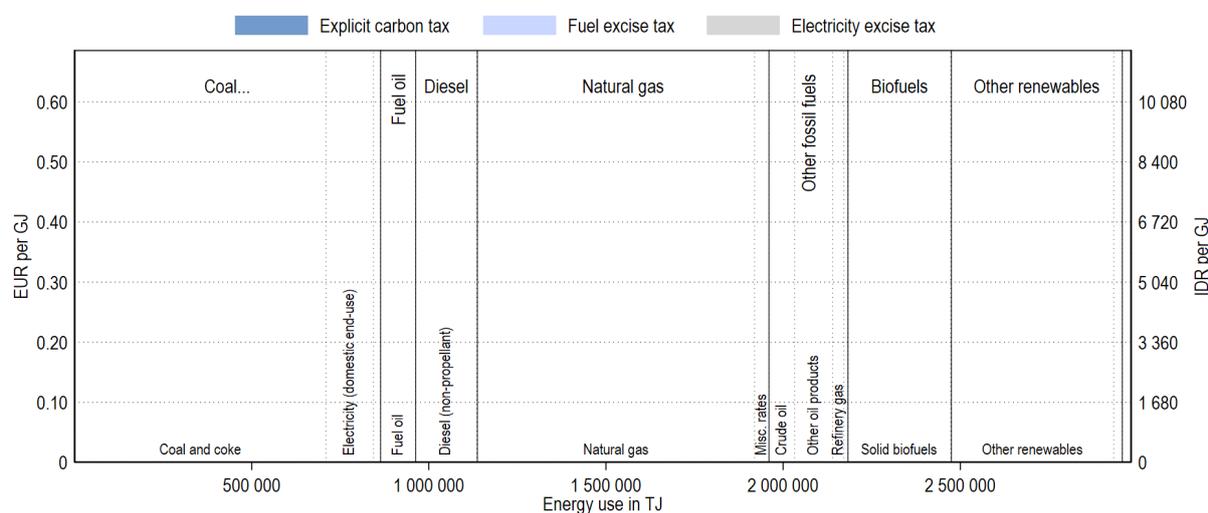


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

### Industry

Energy used in the industry sector is not subject to excise or carbon taxes.

**Figure 4. Effective tax rates on energy use in the industry sector**

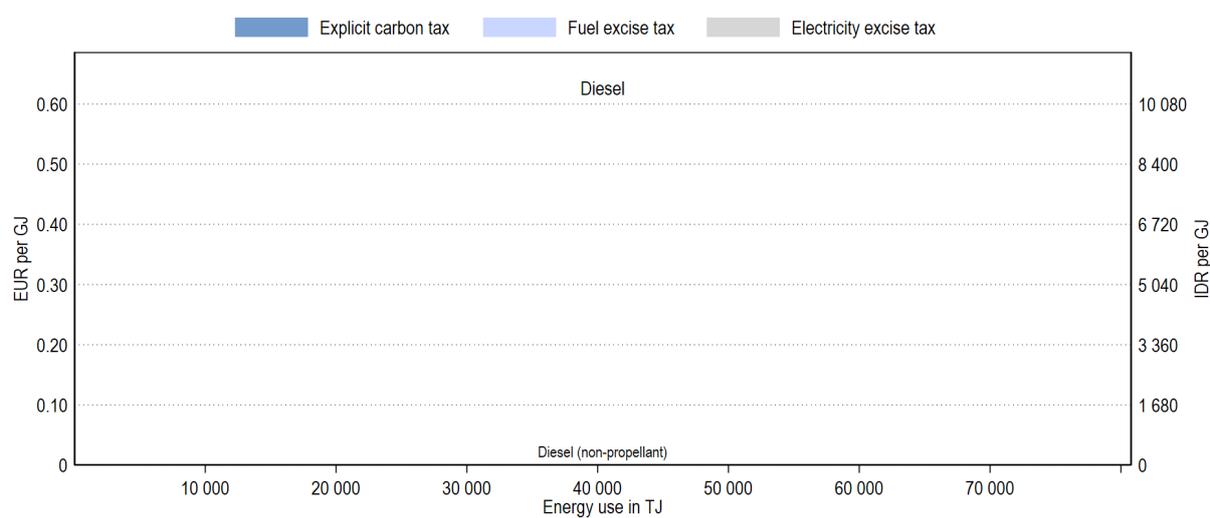


Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector’s energy consumption are grouped into “misc. energy use” and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into “misc. rates” using the same threshold.

### *Agriculture and fisheries*

Energy use in the agriculture and fisheries sector is not subject to excise or carbon taxes (Figure 5).

**Figure 5. Effective tax rates on energy use in the agriculture & fisheries sector**

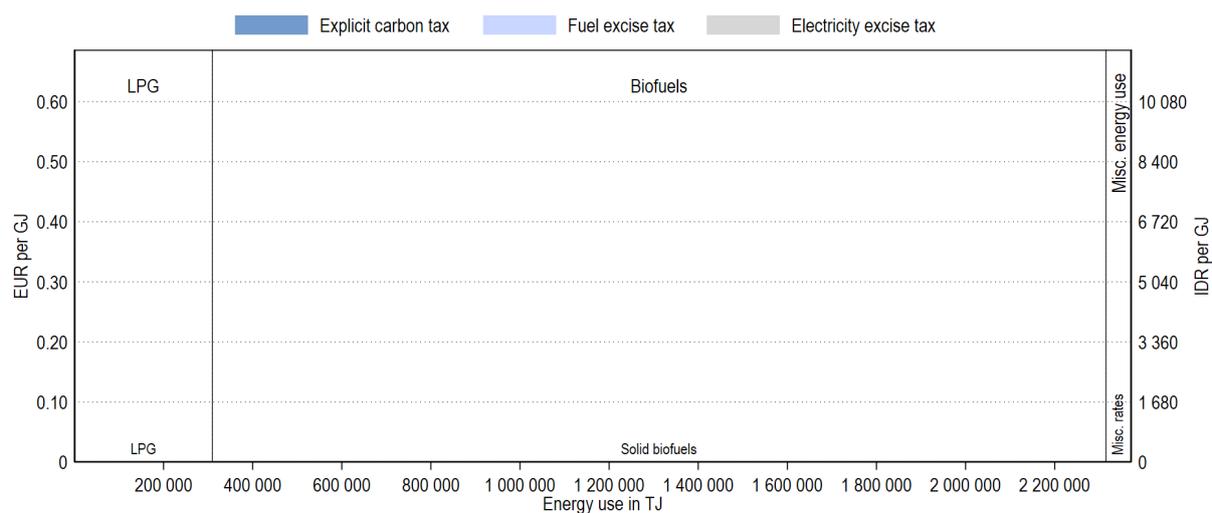


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

### *Residential and commercial*

Energy use in the residential and commercial sector is not subject to excise or carbon taxes (Figure 6). Notice that TEU reports the energy use associated with electricity consumption in the industry and electricity sector as that is where the primary energy consumption occurs.

**Figure 6. Effective tax rates on energy use in the residential & commercial sector**

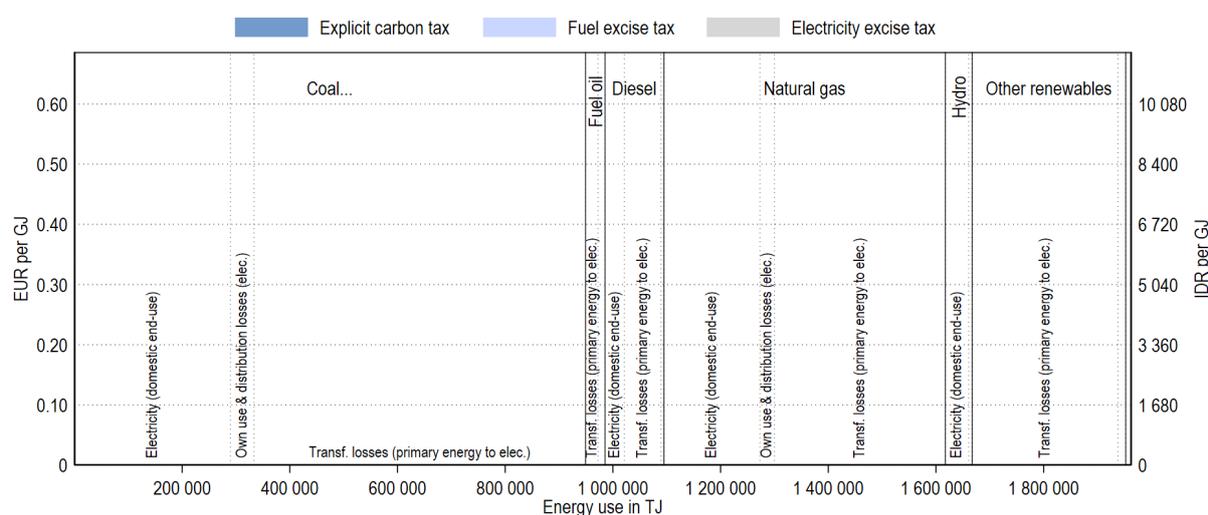


*Note:* Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

## Electricity

Figure 7 shows how the electricity sector, as defined in TEU, is taxed in Indonesia. The fuels used to generate electricity are not subject to excise or carbon taxes.<sup>1</sup>

**Figure 7. Effective tax rates on energy use in the electricity sector**



Note: Tax rates applicable on 1 July 2018. Energy use data is for 2016 and adapted from IEA (2018<sup>[2]</sup>), *World Energy Statistics and Balances*. Energy categories (labelled at the top) that represent less than 1% of a sector's energy consumption are grouped into "misc. energy use" and may not be labelled. Similarly, rate labels (shown at the bottom) are grouped into "misc. rates" using the same threshold.

## References

- IEA (2018), "Extended world energy balances", *IEA World Energy Statistics and Balances* (database), <http://dx.doi.org/10.1787/data-00513-en> (accessed on 16 October 2018). [2]
- OECD (2018), *Effective Carbon Rates 2018: Pricing Carbon Emissions Through Taxes and Emissions Trading*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264305304-en>. [1]

<sup>1</sup> The final consumption of electricity by households may be subject to the Street Lighting Tax, but this small local tax is not included in TEU.