“GOVERNMENT POLICY ON FUTURE AUTOMOTIVE TECHNOLOGY”
THE 14TH GAIKINDO INTERNATIONAL AUTOMOTIVE CONFERENCE

TANGERANG, 24 JULY 2019

DIRECTOR GENERAL FOR METAL MACHINERY TRANSPORTATION EQUIPMENT AND ELECTRONIC INDUSTRY
1. Indonesia Auto Market & Industry Reports
ASEAN AUTOMOTIVE MARKET

ASEAN Automotive Market 2018
(3,56 Million Unit)

Indonesia : 1,151 (32%)
Thailand : 1,041 (29%)
Malaysia : 598 (17%)

ASEAN TOTAL SALES: 3,34 Million Unit

INDONESIA AUTOMOTIVE INDUSTRY OUTLOOK

POPULATION (2017)
264 Million People

CAR RATIO (2017)
87 Car /1000 People

PRODUCTION (2018)
1.34 Million Unit
13.76 Billion USD

NUMBER OF EMPLOYEE
1.5 Million People

INVESTMENT
Until 2018
5.4 Billion USD

Installed Capacity
more than 2,25 mio unit/year
MOTOR VEHICLE PRODUCTION STATISTICS

Source: GAIKINDO

Total Production Capacity: 2,252,131 Units

Source: GAIKINDO
## MOTOR VEHICLE EXPORT – IMPORT STATISTICS

### TOTAL (CBU, CKD & COMPONENT) (Million USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Jan-Apr 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>4,567.56</td>
<td>4,510.87</td>
<td>4,772.15</td>
<td>5,356.27</td>
<td>5,640.56</td>
<td>1,744.55</td>
</tr>
<tr>
<td>Import</td>
<td>5,410.16</td>
<td>4,492.17</td>
<td>4,467.36</td>
<td>5,843.46</td>
<td>6,958.39</td>
<td>2,061.23</td>
</tr>
<tr>
<td>Balance</td>
<td>-842.59</td>
<td>18.70</td>
<td>304.78</td>
<td>-487.19</td>
<td>-1,317.83</td>
<td>-316.68</td>
</tr>
</tbody>
</table>

Source: BPS

Note: Since 2008, Indonesia has become the CBU net exporter, where Indonesia’s automotive export market to more than 80 countries globally including the 5 main destination countries which are Filipina, Saudi Arabia, Jepang, Mexico dan Vietnam
2. Indonesia Auto Industry Roadmap
POLICY DIRECTION
Gov. Regulation No 14 year 2015 (National Industry Development 2015-2035)
Vision : To be major player in global automotive industry
Mission : Developing reliable, competitive and sustainable automotive industry

**S1 IMPROVING COMPETITIVENESS**
- Developing upstream industries (Steel, plastics, synthetic, rubber, metals, etc).
- Affordable energy cost (electricity+gas)
- Incentive : Tax Holiday, Mini Tax Holiday, dan Tax Allowance (PMK 150/2018)
- Income tax deductions up 300 percent for industry carrying R&D&D activities (PP45/2019)

**S2 ENCOURAGING EXPORT-ORIENTED PRODUCT DEVELOPMENT**
- Import duty incentives (CKD dan IKD) (Permenperin 34/2017 Jo 5/2018)
- Harmonization of luxury tax
- Implementation Euro 4 emission standard (Permen LHK P.20/2017)
- Acceleration standard harmonization in regional (eq. ASEAN MRA 2020)

**S3 DEVELOPING MARKET ACCESS**
- Extensification of the new export market through the acceleration of the FTA agreements with countries that have large market potential :
  1. Priority I : Gulf Cooperation Council, South and North Africa, and Australia
  2. Priority II : South America(Meksiko, Peru)
  3. Priority III : China (for component and part industries)

Autumotive Sector Toward 2030
- Strengthened local production of key auto components
- Locally produced high quality raw materials for automotive
- Regional leader in EV production
- Building regional automotive export hub
INDONESIA’S AUTO INDUSTRY AS REGIONAL AUTO EXPORT HUB

Indonesia Automotive 4.0

**Key initiatives**

**Horizon 1**
- 3-5 years
- Strengthen local production of ICE vehicles

- Enhance raw material production capabilities, i.e. steel and chemical
- Improve productivity in ICE vehicles by adopting technology
- Strengthen local components manufacturing capabilities by accelerating component production FDI and technology transfer

**Horizon 2**
- 5-10 years
- Initiate local production of electric motorcycles

- Set a clear phase out plan for fuel-based MC while building required infrastructure and incentivizing electric MC adoption
- Establish R&D centers for EV components, esp. battery, and perform rapid prototyping
- Build domestic production capabilities for electric MC along value chain

**Horizon 3**
- 10-15 years
- Initiate local production of electric vehicles

- Set a clear phase out plan for ICE cars while building infrastructure and incentivizing EV adoption
- Encourage continuous improvement of EV component production
- Build domestic production capabilities for 4W EV along value chain

**Focus products**

**ICE Vehicles**
- Accelerate export, starting from MPV and LCGC
- Start 2W electric MC export for emerging countries
- Start 4W EV export for emerging markets

**Electric Vehicles**

1. Internal Combustion Engine
Source: A.T. Kearney
Note:
This roadmap is compiled according to the mandate of PP 14/2015 concerning National Industrial Development 2015-2035/RIPIN and to support the government’s commitment at COP 21 to reduce 29% CO2 emission w/o international support, and reduce 41% CO2 emission with international support until 2030.
<table>
<thead>
<tr>
<th>ITEM</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MOTOR VEHICLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (Unit)</td>
<td>1.500.000</td>
<td>2.000.000</td>
<td>3.000.000</td>
<td>4.000.000</td>
</tr>
<tr>
<td>Percentage LCEV(%)</td>
<td>10</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Percentage LCGC (%)</td>
<td>25</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (unit)</td>
<td>1.250.000</td>
<td>1.690.000</td>
<td>2.100.000</td>
<td>2.500.000</td>
</tr>
<tr>
<td>Export</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (unit)</td>
<td>250.000</td>
<td>310.000</td>
<td>900.000</td>
<td>1.500.000</td>
</tr>
<tr>
<td><strong>MOTOR CYCLE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (unit)</td>
<td>8.000.000</td>
<td>10.000.000</td>
<td>12.500.000</td>
<td>15.000.000</td>
</tr>
<tr>
<td>Percentage Electric Motorcycle (%)</td>
<td>10</td>
<td>20</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (unit)</td>
<td>6.750.000</td>
<td>7.700.000</td>
<td>8.400.000</td>
<td>9.000.000</td>
</tr>
<tr>
<td>Export</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (unit)</td>
<td>750.000</td>
<td>1.100.000</td>
<td>1.400.000</td>
<td>1.750.000</td>
</tr>
</tbody>
</table>
3. Low Carbon Emission Vehicle (LCEV) Program
Vehicle technology must be adjusted to the characteristics of mileage, vehicle size and fuel.

**Note:**
- **HEV** : Hybrid Electric Vehicle, **PHEV** : Plug-In Hybrid Electric Vehicle, **BEV** : Battery Electric Vehicle, **FCEV** : Fuel Cell Electric Vehicle

**Challenges:**
- Technology (Prize, Weight, Charging Time)
- Infrastructure
- Environment (Recycling, Second Life Battery)
- Sustainability
Implementation of LCEV Program is intended to support achievement of the government targets to reduce GHGs according to Paris COP-21’s, to support achievement of the National Energy Mix targets in 2025 & 2050, and to support the development of auto industry in accordance with global trends.

### Vehicles under LCEV Scheme

<table>
<thead>
<tr>
<th>Overview</th>
<th>Existed</th>
<th>Next: Electrified Vehicle</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LCGC</strong></td>
<td>Low Carbon Emission Vehicle</td>
<td>FLEXY ENGINE (B100/E100)</td>
</tr>
<tr>
<td><strong>HEV</strong></td>
<td>Mostly fuel-powered, but use small battery packs to improve fuel efficiency</td>
<td>Internal Combustion Engine designed to run on more than one fuel</td>
</tr>
<tr>
<td><strong>PHEV</strong></td>
<td>Optimize battery powered, but use a fuel-powered generator (Range Externder)</td>
<td>Gasoline or Diesel blended with Ethanol or Biodiesel</td>
</tr>
<tr>
<td><strong>BEV/FCEV</strong></td>
<td>Full-electric vehicles that are completely battery powered/Fuel Cell</td>
<td>None</td>
</tr>
</tbody>
</table>

**Energy Source**
- **LCGC**: Gasoline/Diesel
- **HEV**: Gasoline/Diesel
- **PHEV**: Gasoline/Diesel, Electricity
- **BEV/FCEV**: Electricity/Hydrogen

**Infrastructure Requirements**
- **LCGC**: Pump station (Available)
- **HEV**: Pump station (Available)
- **PHEV**: Pump station+Charging Station (Alternative)
- **BEV/FCEV**: Charging station/Hydrogen Station (Required)
From the study results, the utilization of biofuel in Indonesia give greatest impact in terms of fuel reduction.
4. Supporting Policies
The deduction of corporate income tax on income from main business activities amounts to 100% of the total corporate income tax payable.

Period for deduction:
- 5 years (investment value IDR 500 billion - 1 trillion);
- 7 years (investment value IDR 1 - 5 trillion);
- 10 years (investment value IDR 5 - 10 trillion);
- 15 years (investment value IDR 15 - 30 trillion);
- 20 years (investment value ≥ IDR 30 trillion).

After enjoying a 100% discount on corporate income tax, can be given another 50% discount for the next 2 years.

Eligible given for pioneer industries: manufacturing of motor vehicle and main components of motor vehicle.

<table>
<thead>
<tr>
<th>No</th>
<th>Indonesia Standard Industrial Classification (KBLI)</th>
<th>Type of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29100</td>
<td>Manufacturing of 4-wheeled or more electric vehicle that integrated with battery and electric motor.</td>
</tr>
</tbody>
</table>
| 2  | 29300                                               | - Manufacturing of battery for 4-wheeled or more electric motor vehicle;  
|    |                                                     | - Manufacturing of electric motor for 4-wheeled or more electric motor vehicle;  
|    |                                                     | - Manufacturing of flexy engine that compatible with 100% biodiesel for 4-wheeled or more motor vehicle;  
|    |                                                     | - Manufacturing of 2 main components minimum for engine of 4-wheeled or more motor vehicle (i.e. piston, cylinder head, cylinder block, camshaft, crankshaft, and connecting rod, that integrated with manufacturing of 4-wheeled or more motor vehicle;  
|    |                                                     | - Manufacturing of electric power control unit (PCU) for 4-wheeled or more electric motor vehicle. |
| 3  | 30912                                               | - Manufacturing of battery for 2-wheeled or 3-wheeled electric motor vehicle;  
|    |                                                     | - Manufacturing of electric motor for 4-wheeled or 3-wheeled electric motor vehicle;  
|    |                                                     | - Manufacturing of electric power control unit (PCU) for 4-wheeled or 3-wheeled electric motor vehicle. |
**Tax Allowance**

(Government Regulation No. 9 of 2016)

- 30% of investment value.
- Reduction of corporate net income tax for 6 years, 5% each year.

<table>
<thead>
<tr>
<th>Eligible to</th>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 4 or more wheel vehicle industry</td>
<td>29100</td>
<td>Public transportation for &gt; 42 passengers and/or trucks</td>
</tr>
<tr>
<td>2 Carosery industry for 4 or more wheel vehicle industry and trailer and semi trailer industry</td>
<td>29200</td>
<td>Manufacturing of parts of car or vehicle carosery</td>
</tr>
<tr>
<td>3 Manufacturing of spare parts and accessories for 4 or more wheeled vehicles</td>
<td>29300</td>
<td>Engine and engine part, brake system, axle &amp; propeller shaft, transmission/clutch systems, steering system, injector, water pump, oil pump, fuel pump, forging component, die casting component, stamping part, etc</td>
</tr>
<tr>
<td>4 Manufacturing of component and equipment for two or three wheeled motorcycle</td>
<td>30912</td>
<td>Engine and engine part, die casting component, brake system, transmission system</td>
</tr>
</tbody>
</table>

**Super Deductible Tax**

(Government Regulation No. 45 of 2019)

- Domestic corporate taxpayers do new investments or expansion business in certain business sectors which are labor intensive industries and do not get the facilities as intended in the Income Tax Law can be given income tax facilities for reduction of net income by 60% of the total investment for tangible fixed assets including land used for main business activities.

- Domestic taxpayers who organize work practice activities, apprenticeship, and/or learning in order development and development of resources certain competency-based humans can be given the most gross income reduction high of 200% of the total cost incurred for work practice activities, apprenticeship, and/or learning.

- Domestic taxpayers who conduct research and development activities certain in Indonesia, can be given the highest gross income reduction of 300% of the total costs incurred for research activities and certain developments in Indonesia.
INVESTMENT INCENTIVES ON AUTOMOTIVE INDUSTRY (3)

✓ Harmonization of Luxury Tax/PPnBM through revision of PP 41/2013

<table>
<thead>
<tr>
<th>PP 41/2013</th>
<th>RPP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax Base</strong></td>
<td>Engine Capacity</td>
</tr>
<tr>
<td>Engine capacity categories</td>
<td>Diesel: 3 categories</td>
</tr>
<tr>
<td></td>
<td>≤ 1500, 1500-2500, &gt;2500 cc</td>
</tr>
<tr>
<td></td>
<td>Gasoline: 4 categories</td>
</tr>
<tr>
<td></td>
<td>≤ 1500, 1500-2500, 2500-3000, &gt;3000 cc</td>
</tr>
<tr>
<td>Vehicle Type Categories</td>
<td>Distinguish between sedan and non-sedan</td>
</tr>
<tr>
<td>Taxation Principle</td>
<td>The greater engine capacity (cc), the higher tax rate</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Program (incentive)</td>
<td>KBH2</td>
</tr>
</tbody>
</table>

✓ Other support

1. Special credit for electric vehicles by PT. BRI Persero with an interest rate of 3,8 percent per year and a tenor of 6 years
2. PT. PLN Persero provides a 100 percent discount for electricity upgrade for the owner of electric cars and a 75 percent discount for the owner of electric motorcycle
3. Promo provided by APM in the form of free charger unit for the purchase of electric vehicle and free insurance for 1 year
Terima kasih!

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