

## ONE YEAR OF PRABOWO–GIBRAN ADMINISTRATION: Taxes Intensified, VAT May Be Lowered, Coretax Still Sluggish

Published on 22 October 2025

✦ **Entering the first year of President Prabowo Subianto and Vice President Gibran Rakabuming Raka’s administration, the issue of tax revenue has become the main focus of the national economic agenda.** In a limited cabinet meeting of the Merah Putih Cabinet at his residence on Jalan Kertanegara (October 16, 2025), President Prabowo gave special instructions to **strengthen state revenue performance, particularly from the tax sector under the leadership of the new Finance Minister, Purbaya Yudhi Sadewa.** The Head of State instructed each ministry to take concrete steps to reinforce the national economic foundation, both through optimizing tax revenue and improving the foreign exchange proceeds (DHE) policy.

✦ **Purbaya, who had just assumed the position of Finance Minister replacing Sri Mulyani a few weeks ago, faces a dual challenge: achieving tax revenue targets amid economic slowdown while maintaining household purchasing power that is starting to come under pressure.** In the APBN KiTa press conference (October 14, 2025), he revealed that the government is studying **the possibility of reducing the Value Added Tax (VAT) rate from 11% back to 10%,** taking into account economic conditions and revenue realization by year-end. According to him, such a policy could provide consumption space for households without compromising the medium-term fiscal direction.

✦ Another step taken by Purbaya is **the launch of a public complaint channel “Lapor Pak Purbaya” via WhatsApp (0822-4040-6600) to collect public grievances related to tax and customs services.** This policy signals a bureaucratic culture reform toward transparency and openness amid the government’s effort to rebuild public trust in tax authorities.

✦ However, the tax reform agenda still faces technical challenges on the ground. **The Coretax digitalization program has been progressing slowly** — only 2.6 million taxpayers have activated their accounts out of the 14 million individual targets, and only 1.2 million have obtained electronic certificates for digital signatures. This condition underscores that structural reform within the DJP (Directorate General of Taxes) still requires acceleration for the new system to operate fully.

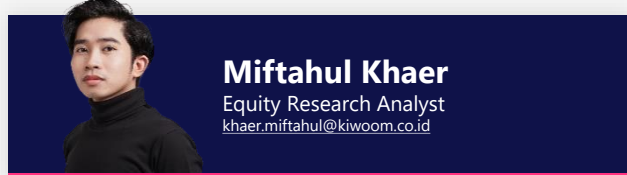
✦ On the other hand, **the Directorate General of Taxes recorded a significant increase in the number of high-income taxpayers paying 35% income tax (PPh), up about 10% compared to last year.** Nevertheless, the government believes this group’s contribution does not yet reflect their actual wealth, as much of the investment income remains outside the progressive income tax scheme.

✦ **In the context of non-tax revenue**, the government also places major attention on excise, **particularly tobacco excise**, which has long been a key pillar of state revenue. The plan to adjust cigarette excise rates is under review to avoid triggering consumption inflation, **while new excise options — such as on sugary beverages, ultra-processed foods, and plastic-based products —** are resurfacing as potential additional revenue sources. However, industry players have requested that such new policies be implemented gradually, considering ongoing cost pressures in production and consumer demand that has not yet fully recovered.

✦ Digital tax policy is also being approached more cautiously. **The Finance Minister has delayed the implementation of the 0.5% PPh Article 22 levy on online merchants operating on e-commerce platforms until economic growth reaches 6%.** The Indonesian E-Commerce Association (idEA) welcomed this move positively, as it provides adaptation space for digital MSMEs that are still in the growth phase.

✦ Overall, the first year of the Prabowo–Gibran administration shows **an interesting fiscal direction: the President seeks to boost state revenue to support large-scale national development, while Purbaya—who is just beginning his tenure—aims to restructure tax policy to be more inclusive, digital, and pro-growth.** *The challenge now lies in how to accelerate the tax system transformation, expand the revenue base without suppressing consumption, and balance fiscal needs with national economic stability.*

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