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COMMERCE

Indonesia eliminates luxury tax on most goods

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Fendi store in Jakarta, Indonesia

By STAFF REPORTS

To combat slow growth in its economy and encourage consumers to purchase more merchandise at home, Indonesia has removed the luxury tax on most goods.

In an announcement on June 11, the finance minister of the country said that the majority of items would now be exempt from the previous up to 75 percent luxury tax. Domestic consumption had slowed, but this tax relief is aiming to boost shopping spree sales before the period of fasting during Ramadan.

Pre-holiday push

Reuters reports that the luxury tax will no longer apply to electric appliances and branded goods, but that this merchandise will still be subject to value-added tax. In exchange, 10 percent of the purchase price of imported goods will be taken as part of income tax, up from 7.5 percent.

The luxury tax will remain in tact for high priced automobiles, yachts, aircraft, alcoholic beverages and properties.

Bentley Indonesia fashion event

In a statement, finance minister Bambang Brodjonegoro said, "We want to push up people's purchasing power and spur industrial growth. We also want to reduce people's tendency to buy goods abroad."

Indonesia is one of the "Next 15" nations, expected to drive 80 percent of emerging market growth by 2025 (see story).

This could have the most impact on neighboring nations, since Indonesians most frequently listed Hong Kong as their most popular tourism destination (see story).