

indonesia: Rejecting 12% VAT hike, Labour Party wants government to increase tax on the rich

Sunday 24 November 2024, by [BALOWSKI James](#), [CNN Indonesia](#) (Date first published: 19 November 2024).

Jakarta — The Labour Party and the Confederation of the Indonesian Trade Union (KSPI) is opposed to the government's plan to raise Value Added Tax (VAT) from 11 to 12 percent in 2025. Labour Party President and KSPI President Said Iqbal has threatened that they will hold demonstrations if the plan is not cancelled.

"If the government goes ahead and increases the VAT to 12 percent and does not increase the minimum wage in accordance with [our] demands, the KSPI together with other trade unions will hold a national strike involving 5 million workers throughout Indonesia", Iqbal said in a written statement on Tuesday November 19.

He believes that the government's plan will worsen the economic condition of small communities. Workers predict a 12 percent VAT increase will significantly reduce purchasing power and result in deeper social inequalities.

In addition to this, it will make it more difficult to reach President Prabowo Subianto's economic growth target of 8 percent (from the current 5 percent). Iqbal believes that the 12 percent VAT increase will also have a direct impact on the prices of goods and services.

Meanwhile, he said, the increase in the minimum wage for 2025 that may only be around 1-3 percent is not enough to cover the basic needs of the community.

"For the Labour Party and the KSPI, this policy is similar to a colonial style that burdens the little people for the benefit of a handful of parties", he said.

In relation to this, the Labour Party is asking the government to raise the 2025 minimum wage by 8-10 percent and set a sectoral minimum wage that is in accordance with the needs of each sector.

Next, increase the tax ratio, not by burdening the little people, but by expanding the number of taxpayers and increasing tax collection from large corporations and rich individuals.

The VAT increase from 11 percent to 12 percent will begin next year and is in line with Law Number 7/2021 on the Harmonisation of Tax Regulations (HPP). Under the law, VAT increased to 11 percent starting in 2022 and is set to increase to 12 percent starting in 2025. (thr/tsa)

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