Is the PPnBM Incentive Useful? A Perspective from Business Actors

Agustina Prativi Nugraheni*, Nur Cahyonowati

Abstract:
This study aims to explore how employers view the provision of PPnBM incentives by the government. This research contributes to the entrepreneur’s perception of PPnBM incentives. This research uses an interpretive case study method using data in the form of reports on targets and sales in 2021 and 2022, as well as interviews related to the perceptions of business actors. The results show that, according to entrepreneurs, this PPnBM incentive does not provide enough stimulus for product sales. Therefore, there is a need for efforts from within the company itself in addition to the PPnBM incentive stimulus.

Keywords: Incentives, PPnBM, Perception.

INTRODUCTION

Economic growth during the Covid-19 pandemic has decreased and worsened throughout 2020 (Wang & Zhang, 2021). This is reflected in people’s purchasing power which has decreased during the pandemic. This decrease in purchasing power is due to a decrease in community activities or in demand for goods and services (Yuniati & Amini, 2020).

The automotive sector is one sector that protects against pandemics (Ojha et al., 2021). Based on data from the Association of Indonesian Automotive Industries (Gaikindo), car sales in 2020 amounted to 532,027 units. Meanwhile, car sales in 2019 amounted to 1,030,126 units. Car sales in 2020 when compared to sales in 2019 have decreased by around 48.32 percent. Efforts and various strategies to survive the impact of this pandemic have not only been carried out from within the company but also from the government (Nguyen et al., 2021).
The government issued several programs to help various business sectors expected to boost people’s purchasing power (Kollmann et al., 2013). The government issued PMK No 31.PMK.010/2021 concerning sales tax on luxury goods (R. Indonesia, 2021a). This regulation is expected to help the automotive sector survive in the face of this pandemic. The government provides incentives by reducing PPnBM on vehicles to increase people's purchasing power (Mersky et al., 2016).

Sales Tax on Luxury Goods (PPnBM) is borne by the government when it meets the criteria according to regulations. These criteria include certain specifications on motorized vehicles. This regulation provides PPnBM relief in accordance with the criteria for motorized vehicles and during the implementation period. The community responds positively to this regulation. Therefore, this regulation was not only given in 2021 but was extended until 2022. However, there are several differences between PPnBM incentives given in 2021 and incentives in 2022. The difference in these incentive regulations is in terms of the timing of the incentives. Apart from that, the difference also lies in the percentage of PPnBM borne by the government (R. Indonesia, 2021b; R. Indonesia, 2022).

Some previous studies have focused on tax incentives for electric vehicle sales. The results indicate that government policies such as tax incentives have an impact on vehicle sales (Østli et al., 2017; Q. Zhang et al., 2017; Ma & Mayburov, 2021; Santos & Davies, 2020). This is also supported by research by Lo et al. (2021), which shows that the government can provide tax incentives or subsidies to manufacturers and customers. This is done to encourage manufacturers to produce more and consumers to buy more. Ultimately, consumer behavior will be influenced by tax policies.

However, there are research findings that show that the tax incentives provided by the government cannot stimulate vehicle sales. Research by Jurlin (2023) shows that active tax incentives have a relatively low impact on electric vehicle sales in 31 European countries. This indicates that in the countries under review, incentives are not well designed. The incentives cannot stimulate sales due to poor planning and implementation. Strengthening this, Colombo & Cruz (2023) stated that there is no significant impact on the percentage of sales. Therefore, the shortcomings of the policy need to be addressed.

In addition, Lathief et al. (2021) used a normative approach to look at tax incentive regulations in Indonesia. The research findings show that with PPnBM incentives, the government will experience a decrease in tax revenue. However, it can be compensated by increasing production and demand. The potential for state revenue reflects the implications of providing PPnBM relaxation, increasing production and demand for new cars, and lowering the selling price of cars. The research is in line with Trimisu et al. (2017), which revealed that tax incentives are intended to attract incoming foreign income. The hope is to supplement domestic supply for economic growth, for example, through the manufacturing sector. Furthermore, Lier et al. (2021) conducted research related to stock investment decisions in implementing PPnBM incentives using quantitative analysis methods. The results of the study indicate hope for economic improvement in the automotive sector through the implementation of PPnBM incentive policies. Supporting this, Saidu (2014) argues that tax incentives are a tool that can help an industry to solve problems, encourage growth and economic development.

Previous studies have focused on the impact of tax incentives on electric vehicle sales. Some findings suggest tax incentives may not significantly impact sales (Østli et al., 2017; Lo et al., 2021; Santos & Davies, 2020). However, there are also research results stating that tax incentives may not significantly impact sales (Jurlin, 2023)(Colombo & Cruz, 2023). Furthermore, research on the impact of tax incentives, specifically PPnBM incentives in Indonesia, is still limited. There has been no research conducted on the perspective of business actors.
regarding PPnBM incentives during the COVID-19 pandemic. As explained above, incentives are given to increase purchasing power and help businesses survive and get through the pandemic. Research on the perspective of business actors regarding PPnBM incentives is needed to determine whether these incentives have a significant impact on business actors.

Therefore, this study aims to fill the gap in previous research by exploring how business actors view PPnBM incentives. This research is expected to contribute to the literature on business actor's perceptions and responses to tax incentives. This study was conducted at one of the companies engaged in the retail of motorized vehicles. The choice of the company is because it provides products not only for passenger vehicles but also for commercial vehicles.

**RESEARCH DESIGN**

This interpretive case study was conducted to explore events based on the perspectives and experiences of business actors to understand how they perceive the provision of PPnBM incentives. This study uses data, namely sales target data and sales realization for 2021 and 2022, at one of the branches of PT X. PT X is a company engaged in the retail sector of motorized vehicles.

Furthermore, interviews were conducted to obtain information that could not be explained based on sales data related to the entrepreneur's view of PPnBM incentives. The interviews conducted were semi-structured. The selection of a semi-structured interview type was intended to allow flexibility in following the flow of information from participants while still staying within the predetermined topic. This was done to gather as much information as possible from the participants. The interviews were conducted with informants representing each line: sales, sales supervisor, and management. Interviews from various lines were necessary to confirm the information provided. This entrepreneur's view includes the extent to which PPnBM incentives impact business continuity, whether PPnBM incentives have been helped, and whether there are policies or other regulations that are felt to impact business continuity.

**RESULT AND DISCUSSION**

**Tax Incentives**

Philip (2018) states that tax incentives are intended to reduce tax obligations intentionally by the government in encouraging a group of economies to move as desired. Incentives can increase or provide benefits by increasing motivation to increase investment, production capacity, employment, and pollution.

The government gives PPnBM incentives to encourage people to purchase products in the manufacturing industry, namely motor vehicles. The hope is to increase people's purchasing power to make purchases so that it will increase the company's sales so that the company earns income and survives during the pandemic. When the company survives during the pandemic, it will continue to employ employees and will later be able to contribute to state revenue, namely through paying taxes.

Measurement of business growth can be assessed from several aspects, namely from sales, increase in workforce, increase in profits, and increase in assets. This business growth can be used as a benchmark in assessing the development of a business (Bontis, 2001). The growth of this business sees the amount of income earned is greater than in the previous stage. Higher income indicates that the company has a clear market share and positive operating cash flow (Brush et al., 2000). In this study, business growth is seen from sales to the company.
Incentive Tax Sale of Goods Luxury (PPnBM)

Sales Tax on Luxury Goods (PPnBM) is a tax imposed on the delivery of Taxable Goods classified as luxury based on the VAT Law. The government issued regulations for the automotive industry in order to increase people's purchasing power during a pandemic. The government issued PMK 120/PMK010/2021, which contains regulations for providing motor vehicle PPnBM incentives starting in March 2021 (Indonesia, 2021). After observing progress, the government extended the period for providing incentives.

<table>
<thead>
<tr>
<th>Incentive Amount According to Article 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sedan or station wagon</td>
</tr>
<tr>
<td>Transportation of less than 10 people (other than sedans/station wagons)</td>
</tr>
<tr>
<td>1 mover (4x2)</td>
</tr>
<tr>
<td>More than 1,500cc up to 2,500cc</td>
</tr>
<tr>
<td>- 100% PPnBM for April to May 2021</td>
</tr>
<tr>
<td>- 50% PPnBM for June to August 2021</td>
</tr>
<tr>
<td>- 25% PPnBM for September to December 2021</td>
</tr>
<tr>
<td>Transportation of less than 10 people (other than sedans/station wagons)</td>
</tr>
<tr>
<td>2 mover (4x4)</td>
</tr>
<tr>
<td>More than 1,500cc up to 2,500cc</td>
</tr>
<tr>
<td>- 25% PPnBM for April to August 2021</td>
</tr>
<tr>
<td>- 12.5% PPnBM for September to December 2021</td>
</tr>
</tbody>
</table>

Table 1 is elaborated as follows. Vehicles with sedan or station wagon types and vehicles with less than 10 passengers, with cylinder capacity greater than 1,500cc are given incentives as follows: 100% in the period from April to May 2021; 50% in the period from June to August 2021; and 25% in the period from September to December 2021. Passenger vehicles with less than 10
passengers and cylinder capacity between 1,500cc to 2,500cc with 1 propulsion are given incentives as follows: 50% from April to August 2021 and 25% from September to December 2021. Passenger vehicles with less than 10 passengers and cylinder capacity between 1,500cc to 2,500cc with 2 propulsion are given incentives as follows: 25% from April to August 2021 and 12.5% from September to December 2021.

PMK No. 120/PMK.010/2021 September 2021

This regulation was issued in September 2021. There are several changes from the previous regulation, especially in the period and the percentage of PPnBM incentives provided by the government. Changes to PMK regulation No. 120 are to amend the provisions in article 5 (Indonesia, 2021) to become:

Table 2. Criteria for Vehicles and the Amount of Incentives based on PMK No. 120

<table>
<thead>
<tr>
<th>Section</th>
<th>Transportation type</th>
<th>Axle System</th>
<th>Cylinder Capacity</th>
<th>Incentive Amount According to Article 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>Sedan or station wagon</td>
<td>-</td>
<td>Up to 1,500 cc</td>
<td>100% PPnBM for April to May 2021</td>
</tr>
<tr>
<td>b</td>
<td>Transportation of less than 10 people (other than sedans/station wagons)</td>
<td>1 mover (4x2)</td>
<td>Up to 1,500 cc</td>
<td>100% PPnBM for June to August 2021</td>
</tr>
<tr>
<td>c</td>
<td>Transportation of less than 10 people (other than sedans/station wagons)</td>
<td>1 mover (4x2)</td>
<td>More than 1,500cc up to 2,500cc</td>
<td>50% PPnBM for September to December 2021</td>
</tr>
<tr>
<td>d</td>
<td>Transportation of less than 10 people (other than sedans/station wagons)</td>
<td>2 mover (4x4)</td>
<td>More than 1,500cc up to 2,500cc</td>
<td>25% PPnBM for September to December 2021</td>
</tr>
</tbody>
</table>

Table 2 shows the incentives based on PMK No 120. The change from PMK No 31 to PMK No 120 is in the amount of incentives provided. Sedan or station wagon vehicles and passenger vehicles with less than 10 passengers receive a 100% incentive from April to December 2021. Passenger vehicles with less than 10 passengers and cylinder capacity between 1,500cc to 2,500cc with 1 propulsion receive incentives as follows: 50% from April to December 2021. Passenger vehicles with less than 10 passengers and cylinder capacity between 1,500cc to 2,500cc with propulsion receive incentives as follows: 25% from April to December 2021.

PMK No. 5/PMK.010/2022 February 2022

PPnBM borne by the government for the 2022 fiscal year, according to article 2 (Indonesia, 2022), are as follows:
Table 3 shows the amount of tax incentive based on PMK No 5. Energy-efficient 4-wheeled vehicles at affordable prices with engine sparks fire and diesel or semi-diesel compression receive the incentive as follows: 100% for the period from January to March 2022; 55 2/3% for the period from April to June 2022; and 33 1/3% for the period from July to September 2022. The next criteria are for motor vehicles with less than 10 passengers, both diesel or semi diesel and spark fire engines with more than 1,500cc, which receive an incentive of 100% for the period January to March 2022.

Certain motorized vehicles, as referred to in Article 2, must meet the requirements covering the amount of local purchases, including the fulfillment of the use of components from domestic production of at least 80% (in article 2 letter a), or a minimum of Rp. 200,000,000 and a maximum of Rp. 250,000,000 for motorized vehicles for transporting people with less than 10 people, including the driver for all cylinder capacity up to 1,500 cc (in article 2 letter b).

Luxury Goods

Companies engaged in the production of goods such as cars, cruise ships, accessories, jewelry, and cosmetics are included in the luxury industry category. Apart from goods, the luxury industry also has services such as luxury spas and hotels. But there is no special analysis or distinction to categorize something as luxury. Is luxury goods based on premium quality or from a certain brand? The benefits and price of a product are also not the only tools to categorize a product into a luxury product. It is important to define and provide boundaries with the concept of luxury, following a structured and rigorous approach (Brun, 2017).

Luxury is not categorized and refers to certain things, but is symbolic, which is identified with the cultural values of society in a certain period. The term 'luxury' is defined by experts, but there is no definite interpretation formulated by experts and researchers, so the definition of 'luxury' is still ambiguous. According to Ng (1987), Luxury goods are determined by the price of these goods, which are relatively expensive or high. But otherwise, Prendegast & Wong (2003) argues that luxury cannot be defined simply because it costs more. Also, Dubois & Czelalr (2002)
stated that expensive products are not necessarily seen by someone as something that is considered luxurious. So that, in the end, someone appreciates what it means to own luxury (Brun, 2017).

**PPnBM Incentives on PT. X**

Based on data from PT.X, the sales achievements before and during the PPnBM incentive period were as follows:

![Figure 2. Realization of Sales for Each Period](source: Processed Data)

The data shows fluctuations in sales results during the PPnBM incentive period. It can be seen that sales during giving incentives in 2021 can reach at least half of the set sales target. At its peak, in December 2021, there was a sharp increase in sales. Even the company is able to exceed the sales target that has been set.

This percentage of sales achievement shows that the existence of PPnBM incentives is able to increase people’s purchasing power. This PPnBM incentive is helpful for companies because it can show performance during a pandemic. But in 2022, sales have decreased. This possibility is due to the new PPnBM incentive policy issued in February 2022. Therefore, it appears that in March 2022, an increase in sales has started because the public knows there are still incentives that will be extended in 2022.

When viewed from the overall sales data, this PPnBM incentive can indeed increase sales in each period. The company was able to get half of the target, even exceeding the target. However, the benefits of this incentive cannot be seen from the total sales. It is necessary to evaluate whether the vehicle products that consumers are interested in are products that are given incentives. This can be seen from the sales data for each product as presented in the following figure:
Realization of sales between before and after incentives tend to have differences. When compared, indeed, after the launch of the PPNBM incentives, it had an impact on the realization of increased sales. However, is this sales increase really due to PPNBM incentives? If we look at the picture above, it can be seen that consumers tend to be more interested and interested in commercial vehicles. Based on regulations, this commercial vehicle product is not included in the category that receives PPNBM incentive facilities. This is in accordance with research by Zhang et al. (2017), which states that the incentives provided by the government have little impact on market share.

Furthermore, we can consider the perceptions and perspectives of business actors. In fact, according to the entrepreneur's point of view, this PPNBM does not have a significant impact. Because if you look at the products sold, they are more in the category of commercial cars compared to passenger cars. As we know, tax incentives are only given to certain cars with certain criteria. When viewed monthly, sales of vehicles that utilize PPNBM incentives tend to be lower than commercial vehicles.

"In our place, what is more in demand is commercial vehicles. Thus, indeed, those who take advantage of PPNBM incentives are limited."

The entrepreneur also socializes the existence of this government program. Efforts have been made to create PPNBM incentive promo taglines through promo price catalogs and banners. However, it turns out that not many people know that the government launches PPNBM incentives. Not even a few don't know if certain vehicles are also subject to PPNBM.

"The average person doesn't even know that vehicles are subject to PPNBM, so they even know since the existence of PPNBM incentives. We do socialization by using it as a promo for PPNBM incentives."

It was also stated by one of the sales divisions that prior to the PPNBM incentives, sales were indeed very difficult. The impact of this pandemic is being felt. However, he also stated that it seemed that what had an impact was the implementation of the Large-Scale Social Restrictions (PSBB) policy in March 2020. Based on this regulation, activities or activities were...
restricted. Activities that are limited are at least school and workplace closures, restrictions on religious activities, and restrictions on activities in public places or facilities (Indonesia, 2020).

"Yes, during the pandemic, sales decreased. It really went down during PPKM (which is meant during PSBB) because all activities were restricted. Even the office has to be closed, there is no canvas (door-to-door promotional activities) too... Now I'm afraid that the interest rate will go up, and I'm afraid I won't be able to pay."

Seeing this phenomenon, it can be interpreted that the pandemic has indeed had a great impact on sales of motorized vehicles. The existence of a social restriction policy will certainly have an impact on decreasing business transactions. When there is a PSBB policy, people are limited in their space for movement and activities. This has an impact on sales activities in a business. However, it is getting better after the New Normal policy, so product promotion activities can be carried out.

Furthermore, as long as the PPnBM incentives are in place, sales have also improved. However, when viewed in terms of utilization, PT. X did not particularly feel it because the buyer buys products facilitated by PPnBM, not as many as the buyer who purchases products that are not facilitated by PPnBM, so, it can be said that in addition to PPnBM incentives, business actors must also carry out strategies to boost sales. This is done by conducting low Down Payment (DP) promos, light installments, and DP reduction raffle. Therefore, PPnBM incentive is indeed helpful, but this phenomenon at PT.X is not very helpful for sales and business growth.

**CONCLUSION**

This study aims to explore how entrepreneurs view the PPnBM incentives provided by the government. Hopefully, this research can contribute to employers' perceptions of PPnBM incentives. This research uses an interpretive case study method using data in the form of reports on targets and sales in 2021 and 2022. Interviews were conducted to obtain information related to entrepreneur perceptions and data that cannot be conveyed through sales and target reports.

The results show that from the point of view of entrepreneurs, this PPnBM incentive does not provide an adequate stimulus for product sales. At PT X, PPnBM incentives are less attractive to consumers. This is evidenced by the fact that product sales are more than products not provided with PPnBM incentive facilities, especially commercial vehicles. The change that business actors feel is that when the PSBB restrictions were in place, they experienced a drastic decrease in sales, and along with the New Normal, sales increased because sales activities gradually returned to normal.

The theoretical implication of this research are as follows. First, it highlights the importance of understanding business actors perception of government incentives, especially PPnBM incentives. Second, it suggests that the provision of PPnBM incentives may not significantly impact consumer behaviour in terms of product sales. Third, it identifies other factors affecting sales, such as PSBB restriction and the transition to the new normal. Overall, this research contributes to the theoretical understanding of how business actors perceives and responds to PPnBM incentives. It also indicates the need for a comprehensive approach in designing and implementing policies like PPnBM incentives to align with user needs.

This research has several limitations. This research was conducted at PT X, one of Indonesia’s many automotive companies. Correspondingly, this study presents from the
point of view of providing PPnBM incentive stimulus from one company. Accordingly, future research can examine the point of view of business actors in different companies. Second, this study examines from the point of view of business actors. Suggestions for further research can use the consumer's point of view as the party who also benefits from the PPnBM incentives.

**REFERENCE**


