

Policy Brief

High Import Tax: Assistive Devices Crisis for People with Disabilities in Indonesia

December 2024

Key points:

- Access to assistive devices for people with disabilities in Indonesia is severely hindered by high costs, reliance on imports, and limited domestic production. The financial burden, including taxes on imported devices, makes these essential tools inaccessible for most individuals and households, exacerbating economic disparities and social exclusion.
- Existing policies classify assistive devices as luxury goods, subjecting them to high taxes and complex customs procedures. Inadequate implementation of tax exemptions and unclear HS (Harmonized System) Code categorizations create significant barriers for Disabled People's Organizations (DPOs) and individuals in acquiring these devices, resulting in delays, additional costs, and unmet needs.
- To address these challenges, it is essential to reform tax regulations, simplify customs processes, and enhance coordination among stakeholders. This includes exempting assistive devices from taxes, providing incentives for local manufacturers, and improving awareness and accessibility of existing policies to ensure equitable access to assistive technology for all.



Background

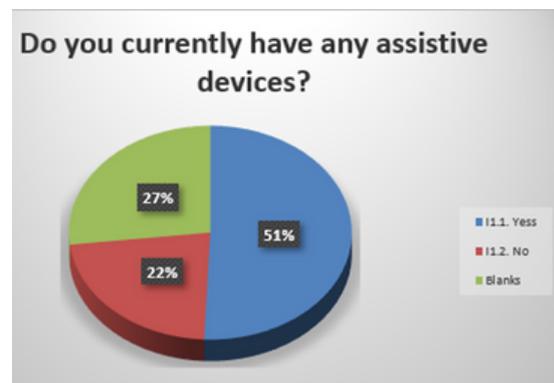
Assistive devices are a basic right that can support the life of people with disabilities. The need for assistive technology continues to grow. In Indonesia, the number of people with disabilities in 2022 reached 22.5 million or 8% of the total population of Indonesia that year, an increase from 16.5 million in 2021 (BPS, 2022). The types of assistive devices for people with disabilities vary, influenced by the type of disability and its severity. According to the WHO (2022), more than 50 types of assistive devices are essential for people with disabilities. These devices include mobility aids (manual and electric wheelchairs), vision aids (glasses and special contact lenses), hearing aids (hearing devices), communication aids (augmentative and alternative communication devices), cognitive aids (digital reminder devices/calendars or alarms), daily living aids (adjustable beds or chairs), and educational aids (learning applications for people with disabilities).

Unfortunately, these assistive devices are difficult to access due to unavailability or high prices. Assistive devices for people with disabilities affect the fulfilment of other basic rights such as education, social activities or participation in society, participation in work to build economic independence, and so on. If the assistive devices are not provided, all other basic rights will be disrupted, leading to the exclusion and marginalization of people with disabilities.

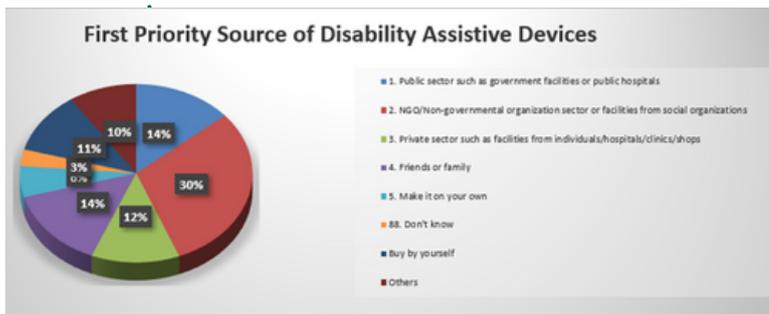
According to Katalis (2023), 23 million people with disabilities in Indonesia cannot access assistive devices, thus being excluded from other access to essential needs. As a result, people with disabilities cannot fully participate in work and lead a dignified life in society. A large proportion of people with disabilities in Indonesia have lower education levels, worse health conditions, limited access to public services, and fewer economic opportunities compared to those without disabilities. In the education sector, children with disabilities have less access to education compared to children without disabilities. According to UNICEF (2023), 36% of children with disabilities do not go to school, compared to only 8% of children without disabilities. The World Bank (2022) states that this could cost the economy up to 7% of GDP annually.

Ownership of Assistive Devices According to the OHANA and PRAKARSA Survey

In a survey conducted by Prakarsa and OHANA, it was found that the majority of persons with disabilities are unable to have assistive devices independently (See Graphics 1 and 2). Most of the assistive devices owned by respondents were obtained through donations, whether from NGOs (non-governmental organizations), friends or family, or public sources such as government programs or public hospitals. Specifically, 32% of respondents with assistive devices received them from NGOs or social organizations, while 15% received them from friends or family, and another 15% from public facilities like government programs or hospitals. In contrast, only a small proportion of respondents obtained their assistive devices by purchasing them independently or creating them themselves. This finding underscores that access to assistive devices for persons with disabilities still heavily depends on support from various stakeholders, including individuals and organizations.



Graphic 1.



Graphic 2

The survey also reveals that the primary reason for not owning the required assistive devices is financial unaffordability, with 46.4% of respondents citing that they cannot afford to buy them. Other significant barriers include lack of awareness about assistive devices (9.0%), issues categorized as "others" (20.6%), and limited availability (7.3%). Additional challenges reported include unsuitability of devices (6.9%), transportation difficulties or distance (4.3%), lack of support (3.9%), stigma or embarrassment (0.9%), and lack of time (0.9%). These findings emphasize that affordability and awareness are critical factors influencing access to assistive devices (graphic 3)

A survey conducted by The PRAKARSA and OHANA (2024) found that on average, people with disabilities and households with disabilities bear higher expenses compared to their income. Based on the survey results, the average income of households with people with disabilities is less than IDR 2 million per month, and the average expenses range from IDR 3 million to IDR 5 million per month. The high costs that people with disabilities and households with disabilities must bear remain a significant challenge, especially with the high cost of acquiring adaptive assistive devices for people with disabilities with limited financial ability. Here are some of the barriers faced by people with disabilities in accessing health assistive devices.

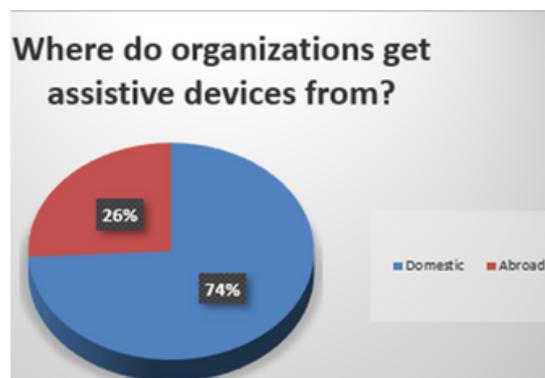
Import Tax and Costs Due to Bureaucratic Barriers

One of the main factors contributing to the high cost of assistive devices for people with disabilities is that assistive device that suit their specific needs are not available in the domestic market, so that they have to find alternatives through imports. However, many governments impose high import taxes on these products (Global Report on Assistive Technology, 2022). Most imported assistive devices are subject to import taxes, including VAT, import duties, and income tax, substantially increasing the final prices.



Graphic 3

Regarding sources of assistive devices, the survey shows that out of a total of 31 organizations that responded, 23 organizations (74.2%) reported that they obtained assistive devices from domestic sources (within the country), while 8 organizations (25.8%) sourced assistive devices from international sources. Organizations that provide assistive devices stated that those obtained from international sources were primarily due to their unavailability within the country. This indicates that while the majority of assistive devices are procured locally, a significant portion still relies on international sources to address gaps in domestic supply.



Graphic 4

The import process becomes more challenging because the Indonesian government categorizes adaptive assistive technology for people with disabilities as luxury goods. Consequently, DPOs committed to ensuring the availability of assistive devices must bear substantial import duties, VAT, and income tax on these products. Another issue stemming from the complexity of policies is the high tax levies imposed on importing such devices. These items are not explicitly exempt from the luxury goods classification under the Harmonized System (HS) Code by the Directorate General of Customs and Excise, further increasing the tax burden. This combination of import dependency and high taxes makes assistive devices increasingly unaffordable, particularly in Indonesia, where local production remains insufficient to meet demand.

Table 1. Types of Levies in the Goods Import Notification for DPOs issued by the Directorate General of Customs and Excise.

No	Types of levies	Amount paid (IDR)
1	Bea Masuk BM Impor Duty	2.000.000
	Bea Masuk Kemudahan Impor Tujuan Ekspor (BM KITE) Export Purpose Import Facility Duty	0
3	Bea Masuk Tambahan (BMT) Additional Import duty	0
4	Cukai Excise	0
5	Pajak Pertambahan Nilai (PPN) Value Added Tax/VAT	43.535.000
6	Pajak Penjualan Atas Barang Mewah (PPnBM) Luxury Goods Tax	0
7	Pajak Penghasilan (PPh) Income Tax	11.414.000
	TOTAL	56.949.000

The import process for assistive devices often becomes more complicated when goods arrive at the provincial or district-level customs office. This is due to factors such as a lack of understanding by local officers due to insufficient socialization of special rules for assistive devices for people with disabilities, unclear HS code references, incorrect product valuation even for donated goods, and long bureaucratic procedures requiring many additional documents. Additionally, poor coordination between involved agencies can extend the process, causing delays in distributing the much-needed devices. One DPO representation stated:

""There is no clear regulation regarding the HS Code for disability assistive devices like wheelchairs, leading to their classification as vehicles or bicycles, making them ineligible for duty exemptions. Additionally, the Ministry of Social Affairs overlooks the need for adaptive wheelchairs and fails to address the specific needs of people with disabilities. The electric wheelchairs provided are often unsuitable for the types of disabilities or the mobility conditions in Indonesia." (RU, OHANA)

The procurement process for assistive devices through imports faces bureaucratic obstacles, where disability organizations as the applicants must submit requests through several relevant ministries and agencies, resulting in a lengthy process, including delays at customs, where the assistive devices are held, and the importer must provide proof that the items qualify for tax and duty exemptions. This lack of socialization regarding the special rules for disability assistive devices, as outlined in the Ministry of Finance Regulation No. 70/PMK.04/2012, causes delays in distribution and additional costs for Disability Organizations (OPDis) or individuals in need of these devices.

The government has provided a guide book for customs duty exemption for imported goods used in health services, which includes specific provisions for importing products for persons with disabilities. The government offers several fiscal facilities, such as customs duty exemptions, VAT and luxury goods tax elimination, and exemptions from Article 22 Import Income Tax (Directorate General of Customs and Excise, Ministry of Finance, 2018). However, this tax exemption is not directly accessible to all DPOs. The tax exemption process involves several stages, including the issuance of a recommendation letter from various technical ministries before applying for customs duty exemption to the Directorate General of Customs and Excise. This application may be approved or rejected, which contradicts the principle of accessibility established by the WHO.

In the Goods Import Notification (PIB) document, it is evident that the tax burden imposed on DPOs is very high. This tax is levied on the import of three types of adaptive wheelchairs, with a total weight of 5,346 kg, packaged in 270 cartons in March 2022. This tax imposition contradicts the policy that should be enforced by the Ministry of Finance, as stipulated in Article 326, paragraph 4 of the Health Law. This article outlines the facilities that need to be provided by the Central and Regional Governments to issue policies, including providing incentives to businesses that aim to achieve resilience in health equipment (adaptive aids). These incentives can take the form of both fiscal and non-fiscal measures.

Many DPOs experienced difficulties in obtaining tax exemptions for importing adaptive technology. This is exacerbated by a lack of information on contacts or websites for submitting application letters in the technical guidelines from the Directorate General of Customs and Excise. Furthermore, the government stipulates that tax exemptions for adaptive technology products can only be granted for social assistance purposes. In this case, DPOs are prohibited from selling these products, even though they fully bear the import costs and taxes.

An informant from DPOs shared several challenges related to receiving assistive devices from abroad, highlighting issues such as high taxes, complicated customs processes, and difficulties with spare parts. One respondent stated,

"Adaptive wheelchair assistance from OHANA requires a fee of 500,000 IDR a year for customs taxes. High taxes, sometimes undisclosed on receipts, and overly complex customs procedures are significant challenges. Additionally, spare parts are costly, exceeding 2 million IDR per part, with delays of up to three months, placing a financial burden on families." NN. Informant.



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Perkumpulan OHANA It is an organization led by women with disabilities in Yogyakarta. OHANA focuses its work on disability policy advocacy, policy studies relevant to social justice and inclusive development, and providing adaptive wheelchairs for people with disabilities
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Based on the current challenges, it is essential to implement policy improvements and enhance coordination among relevant authorities. Therefore, OHANA and Prakarsa put forward several recommendations, particularly to the Ministry of Finance, as the authority responsible for tax policy, with the goal of improving access to assistive devices and ensuring that persons with disabilities can fully exercise their fundamental rights. The proposed recommendations are as follows:

- Evaluate and Adjust Tax Regulations: Review the implementation of Regulation No. 26/PMK.010/2022 and amend Government Regulation No. 49 of 2022 to exempt assistive devices, such as wheelchairs and hearing aids, from import duties, VAT, and income tax, as mandated by Article 326, paragraph 4 of the Health Law.
- Enhance Tax Incentives: Provide tax incentives for local manufacturers of assistive devices and eliminate import duties on raw materials for domestic production. Offer tax deductions or tax credits to individuals or families who purchase these devices to reduce the burden of high taxes.
- Simplify Customs Procedures: Establish clear HS Code categorization for assistive devices as medical equipment, not luxury goods, and streamline customs processes to reduce administrative delays and costs.
- Improve Awareness and Coordination: Increase socialization efforts and inter-agency coordination to inform DPOs and relevant stakeholders about tax exemptions and import procedures for assistive devices, ensuring accessibility and transparency.

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