

**GOVERNMENT OF THE REPUBLIC OF INDONESIA REGULATION
NUMBER 44 OF 2022**

CONCERNING

**THE APPLICATION OF VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON
LUXURY GOODS**

**BY THE GRACE OF ALMIGHTY GOD
THE PRESIDENT OF THE REPUBLIC OF INDONESIA,**

Considering

- a. that with the promulgation of Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations, it is necessary to adjust the regulation of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods for further regulation concerning the rates, calculation method, the use of certain amounts in collecting and remitting Value Added Tax as well as the appointment of other parties to collect, remit and/or file taxes;
- b. that the regulation of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods stipulated under Government Regulation number 1 of 2012 concerning the Implementation of Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury

Goods and under Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business is no longer appropriate with the administrative needs of Value Added Tax and Sales Tax on Luxury Goods as well as the regulation under Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations, it is necessary to make improvements to implement Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations;

- c. that based on the considerations referred to in letter a and letter b, it is necessary to stipulate a Government Regulation concerning the Application of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods;

In view of

1. Article 5 paragraph (2) of the 1945 Constitution of the Republic of Indonesia;
2. Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 1983 Number 51, Supplement to the State Gazette of the Republic of Indonesia Number 3264) as amended several times, last amended by Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations (State Gazette of the Republic of Indonesia of 2021 Number 246, Supplement to the State Gazette of the Republic of Indonesia Number 6736);

HAS DECIDED:

To stipulate

GOVERNMENT REGULATION CONCERNING THE APPLICATION OF VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS.

CHAPTER I
GENERAL PROVISIONS

Article 1

Referred to herein this Government Regulation:

1. General Provisions and Tax Procedures Law is Law Number 6 of 1983 concerning General Provisions and Tax Procedures as amended several times, last amended by Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations.
2. Value Added Tax Law is Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations.
3. Value Added Tax is value added tax referred to in the Value Added Tax Law.
4. Sales Tax on Luxury Goods is sales tax on luxury goods referred to in the Value Added Tax Law.
5. Taxable Period is a period used as the basis for a taxpayer to calculate, remit and file tax payable in a certain period as determined under the General Provisions and Tax Procedures Law.
6. Customs Area is the territory of the Republic of Indonesia which includes land, waters and airspace above it as well as certain places in the exclusive economic zone and the continental shelf in which the law that stipulates customs is applicable.

7. Electronic Commerce is a trade in which transactions are carried out through a set of electronic devices and procedures.
8. Taxable Goods are goods subject to tax pursuant to the Value Added Tax Law.
9. Taxable Services are services subject to tax pursuant to the Value Added Tax Law.
10. Utilization of Taxable Services from outside the Customs Area is any utilisation of Taxable Services from outside the Customs Area within the Customs Area.
11. Utilization of Intangible Taxable Goods from outside the Customs Area is any utilisation of intangible Taxable Goods from outside the Customs Area within the Customs Area.
12. Entrepreneur is any individual or entity in whatever form that in the course of business or work produces goods, imports goods, exports goods, conducts trading business, utilises intangible goods from outside the Customs Area, conducts service businesses, including exporting services or utilises services from outside the Customs Area.
13. Taxable Persons for VAT Purposes are Entrepreneurs supplying Taxable Goods and/or supplying Taxable Services subject to tax pursuant to the Value Added Tax Law.
14. Buyer is an individual or entity that receives or should receive supplies of Taxable Goods and that pay or should pay for the price of the said Taxable Goods.
15. Service Recipient is an individual or entity that receives or should receive supplies of Taxable Services and that pay or should pay for the consideration of the said Taxable Services.
16. Electronic Commerce Operator is an entrepreneur providing electronic communication facilities used for trade transactions.

17. Selling Price is the value in money, including all costs, requested or should be requested by the seller due to a supply of Taxable Goods, excluding Value Added Tax collected under the Value Added Tax Law and discounts listed in the tax invoice.
18. Consideration is the value in money, including all costs charged or which should be charged by an Entrepreneur due to supplies of Taxable Services, exports of Taxable Services or exports of Intangible Taxable Goods but excluding Value Added Tax collected pursuant to the Value Added Tax Law and price discounts listed in the tax invoice or the value in money that is paid or should be paid by the Service Recipient due to Utilization of Taxable Services and/or by the beneficiary of intangible Taxable Goods due to Utilization of Intangible Taxable Goods from outside the Customs Area.
19. Tax Invoice is proof tax collection by Taxable Persons for VAT Purposes supplying Taxable Goods or supplying Taxable Services.
20. Input VAT is Value Added Tax that should have been paid by a Taxable Person for VAT Purposes due to an acquisition of Taxable Goods and/or acquisition of Taxable Services and/or Utilization of Taxable Goods from outside the Customs Area and/or Utilization of Taxable Service from outside the Customs Area and/or imports of Taxable Goods.
21. Output VAT is Value Added Tax payable that must be collected by Taxable Persons for VAT Purposes performing supplies of Taxable Goods, supplies of Taxable Services, exports of tangible Taxable Goods, exports of intangible Taxable Goods and/or exports of Taxable Services.
22. Minister is the minister who carries out government affairs in the field of state finance.

CHAPTER II

REGISTRATION OF TAXABLE PERSONS FOR VAT PURPOSES AND THE APPOINTMENT OF OTHER PARTIES TO COLLECT, REMIT AND/OR FILE VALUE ADDED TAX OR VALUE ADDED TAX AND SALES TAX ON LUXURY GOODS

Article 2

- (1) Entrepreneurs performing supplies as regulated under Article 4 paragraph (1) subparagraph a, subparagraph c, subparagraph f, subparagraph g and/or subparagraph h of the Value Added Tax Law, except for small-scale entrepreneurs whose threshold is determined by the Minister, must report their business to be registered as Taxable Persons for VAT Purposes.
- (2) Entrepreneurs originally intending to perform supplies as regulated under Article 4 paragraph (1) subparagraph a, subparagraph c, subparagraph f, subparagraph g and/or subparagraph h of the Value Added Tax Law may report their businesses to be registered as Taxable Persons for VAT Purposes.
- (3) Entrepreneurs that have been registered as Taxable Persons for VAT Purposes as referred to in paragraph (1) and paragraph (2) must collect, remit and file Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable.

Article 3

- (1) Joint arrangements in the form of joint operations are part of other forms of entities regulated under the definition of entities under the Value Added Tax Law.

- (2) Joint arrangements in the form of joint operations referred to in paragraph (1) must report their business to be registered as Taxable Persons for VAT Purposes in supplying Taxable Goods and/or Taxable Services on behalf of the joint operations.

Article 4

- (1) The Buyer or Service Recipient is collectively responsible for the payment of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods.
- (2) The provisions referred to in paragraph (1) apply if:
 - a. the tax payable cannot be collected from the seller of Taxable Goods or the provider of Taxable Services; and
 - b. the Buyer or Service Recipient cannot show evidence of having paid taxes to the seller of Taxable Goods or the provider of Taxable Services.
- (3) The collective responsibility for the payment of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) is carried out by the Buyer or Service Recipient by paying Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable using a tax payment slip.
- (4) The collective responsibility referred to in paragraph (1) may be collected through the issuance of notice of tax underpayment assessment or notice of additional tax underpayment assessment pursuant to statutory tax provisions if the Buyer or Service Recipient does not or underpays Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (3).

- (5) Further provisions on procedures and mechanisms for the implementation of the collective responsibility for the payment of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods are regulated in a Ministerial Regulation.

Article 5

- (1) The Minister appoints other parties to collect, remit and/or file Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods pursuant to statutory provisions.
- (2) Other parties referred to in paragraph (1) are parties directly involved in or facilitating transactions between transacting parties, including transactions conducted electronically.
- (3) Parties directly involved in or facilitating transactions between parties whose transactions are conducted electronically referred to in paragraph (2) are at least in the form of merchants, service providers and/or Electronic Commerce Operators.
- (4) If other parties that have been appointed as withholding agents of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods:
 - a. conduct transactions; or
 - b. facilitate transactions,with Value Added Tax withholding agents as regulated under Article 16A of the Value Added Tax Law, the collection, remittance and/or filing of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable are carried out by other parties that have been appointed as Value Added Tax withholding agents.

- (5) Merchants or service providers referred to in paragraph (3) are individuals or entities residing or domiciled outside the Customs Area that conduct transactions with the Buyer or Service Recipient within the Customs Area through their own electronic system.
- (6) Electronic Commerce Operators referred to in paragraph (3) are Electronic Commerce Operators residing or domiciled in the Customs Area or outside the Customs Area.
- (7) The appointment of other parties, procedures for the collection, remittance and/or filing of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods referred to in paragraph (1) are carried out pursuant to statutory provisions.

CHAPTER III

TAXABLE GOODS AND TAXABLE SERVICES

Article 6

- (1) Personal use and/or free-of-charge provision of Taxable Goods constitute supplies of Taxable Goods subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods.
- (2) Personal use and/or free-of-charge provision of Taxable Services constitute supplies of Taxable Services subject to Value Added Tax.
- (3) Personal use of Taxable Goods and/or Taxable Services referred to in paragraph (1) and paragraph (2) is the use or utilisation for the self-interest of an Entrepreneur, management or employees, either self-produced or non-self-produced goods.
- (4) The free-of-charge provision of Taxable Goods and/or Taxable Services referred to in paragraph

- (1) and paragraph (2) refers to provision without payment or remuneration in whatever name and form.
- (5) Further provisions on the threshold and procedures for the imposition of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods on:
 - a. personal use; or
 - b. free-of-charge provision,referred to in paragraph (1) and paragraph (2) are regulated by a Ministerial Regulation.

Article 7

Supplies of Taxable Services within the Customs Area by Entrepreneurs that are utilised within or outside the Customs Area are subject to Value Added Tax.

Article 8

- (1) Value Added Tax is imposed on supplies of Taxable Goods and/or Taxable Services within the Customs Area by Entrepreneurs as regulated under Article 4 paragraph (1) subparagraph a and subparagraph c of the Value Added Tax Law.
- (2) Supplies of Taxable Goods and/or Taxable Services are subject to Value Added Tax as referred to in paragraph (1) provided that the following requirements are fulfilled:
 - a. the supplies are performed within the Customs Area by Entrepreneurs; and
 - b. the supplies are performed in the context of business or work.

- (3) Entrepreneurs referred to in paragraph (2) subparagraph a are Entrepreneurs that have been registered as Taxable Persons for VAT Purposes or Entrepreneurs that should be registered as Taxable Persons for VAT Purposes but have not been registered as Taxable Persons for VAT Purposes.
- (4) Supplies performed in the context of business or work referred to in paragraph (2) subparagraph b are all supplies of Taxable Goods and/or Taxable Services supplied either in operational activities or non-operational activities.

Article 9

- (1) Supplies of Taxable Goods through auctioneers constitute supplies of Taxable Goods subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods.
- (2) Supplies of Taxable Goods through auctioneers referred to in paragraph (1) are included in supplies of Taxable Goods where the owner is not known.
- (3) The provisions on procedures for the collection Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods on supplies of Taxable Goods through auctioneers referred to in paragraph (1) are regulated by a Ministerial Regulation.

Article 10

- (1) Supplies of the rights to Taxable Goods due to an agreement is included in the definition of supplies of Taxable Goods.
- (2) Included in the definition of supplies of the rights to Taxable Goods due to an agreement referred to in paragraph (1) are supplies of collateral by a creditor to the Buyer.

- (3) The collateral referred to in paragraph (2) constitutes Taxable Goods taken over by the creditor based on:
- a. mortgage rights over land and objects related to land;
 - b. fiduciary;
 - c. mortgage;
 - d. pawns; or
 - e. other similar encumbrances.
- (4) The provisions on the threshold of supplies of collateral taken over by the creditor, the time of being payable, procedures for the collection, remittance and filing of Value Added Tax payable on supplies of collateral taken over by the creditor are regulated by a Ministerial Regulation.

Article 11

The transfer of Taxable Goods for the purpose of paid-up capital in lieu of shares as regulated under Article 1A paragraph (2) subparagraph d of the Value Added Tax Law includes the transfer of Taxable Goods for the purpose of paid-up capital to entities as regulated under the Value Added Tax Law.

Article 12

- (1) Supplies of Taxable Goods for debt guarantees are not included in the definition of supplies of Taxable Goods.

- (2) The provisions referred to in paragraph (1) also apply to supplies of Taxable Goods in sharia financing transaction schemes, insofar as the Taxable Goods are eventually resupplied to the previously supplying party.

Article 13

- (1) The types of goods and types of services not subject to the Value Added Tax are the types of goods and types of services regulated under Article 4A of the Value Added Tax Law.
- (2) The provisions on the criteria and/or details of goods and services included in the types of goods and types of services not subject to Value Added Tax as referred to in paragraph (1) are regulated by a Ministerial Regulation.

CHAPTER IV TAX BASE

Article 14

- (1) Tax base includes the amount of:
- a. Selling Price;
 - b. Consideration;
 - c. import value;
 - d. export value; or
 - e. other values determined by the Minister,

used as the basis to calculate Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable.

- (2) If:
 - a. Taxable Persons for VAT Purposes that produce Taxable Luxury Goods use other Taxable Luxury Goods as part of the Taxable Luxury Goods they produce; and
 - b. for the acquisition of the other Taxable Luxury Goods, Sales Tax on Luxury Goods has been paid, the tax base in the form of the Selling Price referred to in paragraph (1) subparagraph a includes Sales Tax on Luxury Goods which has been paid for the acquisition of the other Taxable Luxury Goods.
- (3) The tax base for supplies of Taxable Luxury Goods by Taxable Persons for VAT Purposes that produce Taxable Luxury Goods or import Taxable Luxury Goods, does not include Value Added Tax and Sales Tax on Luxury Goods imposed on the supplies or imports of the said Taxable Luxury Goods.
- (4) The tax base for the calculation of Value Added Tax on supplies of Taxable Luxury Goods by Taxable Persons for VAT Purposes other than:
 - a. Taxable Persons for VAT Purposes that produce Taxable Luxury Goods; or
 - b. Taxable Persons for VAT Purposes that import Taxable Luxury Goods,is the Selling Price or other values, including Sales Tax on Luxury Goods imposed on the acquisition or on the import of the said Taxable Luxury Goods.

CHAPTER V

THE CALCULATION OF VALUE ADDED TAX OR VALUE ADDED TAX AND SALES TAX ON LUXURY

GOODS

Article 15

- (1) Taxable Persons for VAT Purposes that:
 - a. have business turnover in 1 (one) accounting year not exceeding a certain amount;
 - b. conduct certain business; and/or
 - c. supply certain Taxable Goods and/or certain Taxable Services,
may collect and remit Value Added Tax payable on supplies of Taxable Goods and/or Taxable Services using a certain amount.
- (2) The certain amount referred to in paragraph (1) is the multiplication product of a certain formula by the Value Added Tax rate regulated under Article 7 paragraph (1) of the Value Added Tax Law multiplied by the tax base in the form of the Selling Price, Consideration or a certain value.
- (3) Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods, and Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area, which are related to supplies by Taxable Persons for VAT Purposes as referred to in paragraph (1) is non-creditable.
- (4) If Taxable Persons for VAT Purposes referred to in paragraph (1) use a certain amount and supply Taxable Goods and/or Taxable Services on which Value Added Tax payable is not collected or exempt as regulated under Article 168 of the Value Added Tax Law, the following provisions apply:
 - a. Value Added Tax payable is calculated using a certain amount;
 - b. Value Added Tax payable referred to in subparagraph a is not collected or exempt; and

- c. Input VAT on acquisitions of Taxable Goods and/or Taxable Services, imports of Taxable Goods as well as the Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area, which are related to supplies on which Value Added Tax payable is not collected or exempt as referred to in subparagraph b, is non-creditable.

Article 16

If Taxable Persons for VAT Purposes referred to in Article 15 paragraph (1) supplying Taxable Goods using a certain amount perform:

- a. supplies from the head office to branches or vice versa; and/or
- b. interbranch supplies,

on the supplies of Taxable Goods, the Taxable Persons for VAT Purposes collect Value Added Tax payable with a tax base in the form of a certain value of IDR0.00 (zero rupiah).

Article 17

- (1) If Value Added Tax becomes part of the price or payment of a supply of Taxable Goods and/or supply of Taxable Services, Value Added Tax payable is calculated using the formula $T/(100\%+T)$ of the price or payment for the supply of Taxable Goods and/or supply of Taxable Services.
- (2) If the supply of Taxable Goods referred to in paragraph (1) is also subject to Sales Tax on Luxury Goods payable and has become part of the price or payment for the supply of Taxable Goods, the calculation of Value Added Tax and Sales Tax on Luxury Goods uses the following formula:
 - a. Value Added Tax =

; and

b. Sales Tax on Luxury Goods =

- (3) If based on audit findings, a Taxable Person for VAT Purposes does not carry out part or all of the obligations to collect Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, the tax base to determine the amount of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable is determined according to the audit findings.
- (4) The amount of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable referred to in paragraph (3) is calculated based on the rate multiplied by the tax base according to the audit findings.
- (5) If based on audit findings, the Entrepreneurs required to report their business to be registered as Taxable Persons for VAT Purposes do not carry out their obligations, the tax base and amount of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable shall be determined and calculated pursuant to the provisions referred to in paragraph (3) and paragraph (4).

Article 18

- (1) The contract or written agreement concerning a supply of Taxable Goods and/or Taxable Services must at least contain:

- a. the value of the contract or agreement;
 - b. the tax base; and
 - c. the amount of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable.
- (2) If the value of the contract or agreement referred to in paragraph (1) subparagraph a includes Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, the contract or written agreement must state that the value of the contract or written agreement includes Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods.
- (3) If the contract or written agreement does not state that the value of the contract or agreement referred to in paragraph (1) subparagraph a includes Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, the value of the contract or agreement is considered the tax base.

Article 19

- (1) Write-off of a receivable does not result in adjustments to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods that have:
- a. been filed by the seller Taxable Person for VAT Purposes or the service provider Taxable Person for VAT Purposes; and
 - b. been credited as Input VAT or expensed by the Buyer Taxable Person for VAT Purposes or Service Recipient Taxable Person for VAT Purposes.
- (2) Taxable Goods that are destroyed or damaged, thereby, can no longer be used because it is beyond the control of the Taxable Persons for VAT Purposes or force majeure do not result in adjustments to

Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods that have been credited as Input VAT or expensed for the acquisition of the destroyed or damaged Taxable Goods.

Article 20

(1) If:

a. there is an error in the collection that results in the collected Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods being greater than what should or should not be otherwise collected;
and

b. incorrectly collected Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods as referred to in subparagraph a has been remitted and filed,

for the incorrectly collected Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, an application for tax refunds may be submitted by the party subject to collection, insofar as it has not been credited as Input VAT, has not been expensed and has not been capitalised in the acquisition price.

(2) The parties subject to collection referred to in paragraph (1) consist of:

a. the importer;

b. the Buyer;

c. the Service Recipient;

d. the party utilising intangible goods from outside the Customs Area; and/or

e. the party utilising services from outside the Customs Area.

Article 21

If the transactions of:

- a. imports of Taxable Goods;
- b. supplies of Taxable Goods within the Customs Area;
- c. supplies of Taxable Services within the Customs Area;
- d. Utilization of Intangible Taxable Goods from outside the Customs Area; and/or
- e. Utilization of Taxable Services from outside the Customs Area,

are carried out using a currency other than Rupiah, the calculation of the amount of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable must be converted into Rupiah currency using the exchange rate determined by the Minister in force when the Tax Invoice or certain documents equivalent to Tax Invoices should be prepared.

CHAPTER VI

THE PLACE OF INPUT VAT CREDITING

Article 22

- (1) Input VAT paid for an acquisition of Taxable Goods and/or Taxable Services must be credited against Output VAT where the Taxable Persons for VAT Purposes are registered.
- (2) In the event of an import of Taxable Goods, the Director General of Taxes *ex officio* or based on a written application from the Taxable Persons for VAT Purposes may determine a place other than the place of import of Taxable Goods the place of Input VAT crediting as referred to in paragraph (1).

- (3) The provisions on procedures for the determination of a place other than the place of import of Taxable Goods as the place of Input VAT crediting as referred to in paragraph (2) are regulated by a Ministerial Regulation.

CHAPTER VII

THE TIME AND PLACE WHERE VALUE ADDED TAX OR VALUE ADDED TAX AND SALES TAX ON LUXURY GOODS BECOME PAYABLE

Article 23

- (1) Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods become payable upon:
- a. a supply of Taxable Goods within the Customs Area;
 - b. an import of Taxable Goods;
 - c. a supply of Taxable Services within the Customs Area;
 - d. Utilization of Intangible Taxable Goods from outside the Customs Area;
 - e. Utilization of Taxable Services from outside the Customs Area;
 - f. an export of tangible Taxable Goods;
 - g. an export of intangible Taxable Goods; or
 - h. an export of Taxable Services.
- (2) If:
- a. payment is received before a supply of Taxable Goods or before a supply of Taxable Services; or

b. payment is made before the start of the Utilization of Intangible Taxable Goods from outside the Customs Area or Utilization of Taxable Services from outside the Customs Area, Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods becomes payable upon payment.

(3) The supply of Taxable Goods referred to in paragraph (1) subparagraph a for:

a. a supply of tangible Taxable Goods which, according to their nature or law, are in the form of movable goods other than a supply of by the owner of the goods or referred to as the consignor to the recipient of the goods or referred to as the consignee on consignment, occurs when:

1. the tangible Taxable Goods are supplied directly to the Buyer or a third party for and on behalf of the Buyer;
2. the tangible Taxable Goods are supplied directly to the recipient of the goods for personal use, free-of-charge provision and a supply of from the head office to a branch or vice versa and/or interbranch a supply of;
3. the tangible Taxable Goods are handed over to the forwarder or transport service entrepreneur; or
4. the price of the supply of tangible Taxable Goods is recognised as a receivable or income or when an invoice is issued by the Taxable Person for VAT Purposes, according to generally applicable and consistently applied accounting principles;

b. a supply of tangible Taxable Goods which, according to their nature or law, are in the form of immovable goods, occur upon the supply of the right to use or control the tangible Taxable Goods, legally or in reality, to the Buyer;

c. a supply of intangible Taxable Goods, occurs when:

1. the price of the supply of intangible Taxable Goods is recognised as a receivable or income or when an invoice is issued by the Taxable Person for VAT Purposes, according to generally applicable and consistently applied accounting principles; or
 2. the contract or agreement is signed or when the facilities or conveniences are actually used, in part or in whole, if the time referred to in number 1 is not known;
- d. Taxable Goods in the form of inventories and/or assets which, according to their original purpose, are not for sale, remaining upon the dissolution of the company, namely the event occurring the earliest of the following:
1. the deed of dissolution is signed by a notary;
 2. the expiration of the establishment period of the company as stipulated in the articles of association;
 3. the date of the court decision declaring the dissolution of the company; or
 4. the company is known to have clearly stopped conducting business or to have been dissolved, based on audit findings or based on existing data or documents;
- and
- e. the transfer of Taxable Goods in the context of a merger, consolidation, spin-off, split-off and business acquisition as well as the transfer of Taxable Goods for the purpose of paid-up capital in lieu of shares as referred to in Article 11, which do not comply with the provisions regulated under Article 1A paragraph (2) subparagraph d of the Value Added Tax Law or change of business organization, occurs when:
1. the merger, consolidation, spin-off, split, business acquisition or change of business organization is agreed upon or determined according to the results of the general meeting of shareholders as

stated in the agreement on the merger, consolidation, spin-off, split, business acquisition or change of business organization;

2. the deed concerning the merger, consolidation, spin-off, split-off or business acquisition or change of business organization is signed by a notary;

3. the transfer of Taxable Goods for the purpose of paid-up capital in lieu of shares as referred in Article 11 as stated in the agreement on the transfer of Taxable Goods for the purpose of paid-up capital; or

4. the deed concerning the transfer of Taxable Goods for the purpose of paid-up capital in lieu of shares as referred to in Article 11 is signed by a notary.

(4) An import of Taxable Goods referred to in paragraph (1) subparagraph b occurs when the said Taxable Goods are admitted into the Customs Area.

(5) A supply of Taxable Services referred to in paragraph (1) subparagraph c occurs when:

a. the price of a supply of Taxable Services is recognised as a receivable or income or when an invoice is issued by the Taxable Person for VAT Purposes, according to generally applicable and consistently applied accounting principles;

b. the contract or agreement is signed, if the time referred to in subparagraph a is unknown; or

c. the facilities or conveniences are available for actual use, either in part or in whole, for personal use or free-of-charge provision of Taxable Services.

(6) Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area referred to in paragraph (1) subparagraph d and subparagraph e, occurs at the earliest of the following:

- a. the acquisition price of intangible Taxable Goods and/or Taxable Services is stated as debt by the utilising party;
 - b. the Consideration for the intangible Taxable Goods and/or Taxable Services is billed by the supplying party; or
 - c. the acquisition price of intangible Taxable Goods and/or Taxable Services is paid either in part or in whole by the utilising party.
- (7) Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area occurs on the date the contract or agreement is signed, if the time the Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area referred to in paragraph (6) occurs is unknown.
- (8) An export of tangible Taxable Goods referred to in paragraph (1) subparagraph f occurs when tangible Taxable Goods are released from the Customs Area.
- (9) An export of intangible Taxable Goods referred to in paragraph (1) subparagraph g occurs when the Consideration of the exported intangible Taxable Goods is recorded or recognised as a receivable or income.
- (10) The export of Taxable Services referred to in paragraph (1) subparagraph h occurs when the Consideration for the exported Taxable Services Goods is recorded or recognised as a receivable or income.

Article 24

- (1) The supply of Taxable Goods referred to in Article 23 paragraph (1) subparagraph a for a supply of tangible Taxable Goods which, according to their nature or law, are movable goods carried out on consignment, for the consignor, occurs when the price of the supply of Taxable Goods is recognised as a receivable or income or when an invoice is issued by the consignor Taxable Person for VAT Purposes, according to generally accepted and consistently applied accounting principles.
- (2) A supply of Taxable Goods referred to in Article 23 paragraph (1) subparagraph a for a supply of tangible Taxable Goods which, according to their nature or law, are movable goods carried out on consignment, for the consignee, occurs when:
 - a. the tangible Taxable Goods are supplied directly to the Buyer or a third party for and on behalf of the Buyer;
 - b. the tangible Taxable Goods are supplied directly to the recipient of the goods for personal use, free-of-charge provision and a supply from the head office to a branch or vice versa and/or an interbranch supply;
 - c. the tangible Taxable Goods are handed over to the forwarder or transport service entrepreneur; or
 - d. the price of the supply of tangible Taxable Goods is recognised as a receivable or income or when an invoice is issued by the consignee Taxable Person for VAT Purposes, according to generally accepted and consistently applied accounting principles.

Article 25

- (1) Taxable Persons for VAT Purposes subject to Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable in more than 1 (one) place of business, in fulfilling their tax obligations may submit

written notification to the Director General of Taxes to choose 1 (one) place or more as the place where Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods is payable.

- (2) Taxable Persons for VAT Purposes referred to in paragraph (1) must carry out sales administration and financial administration centrally in 1 (one) or more selected places of business.

CHAPTER VIII

TAX INVOICES

Article 26

- (1) Tax Invoices must be prepared by Taxable Persons for VAT Purposes upon supplies of or exports of Taxable Goods and/or Taxable Services pursuant to the provisions referred to in Article 23 paragraph (3), paragraph (5), paragraph (8), paragraph (9) and paragraph (10) as well as Article 24.
- (2) Tax invoices prepared by Taxable Persons for VAT Purposes after a period of 3 (three) months from the time the Tax Invoices should be prepared are not treated as Tax Invoices.
- (3) Taxable Persons for VAT Purposes that prepare Tax Invoices referred to in paragraph (2) are deemed not to have prepared Tax Invoices.
- (4) Value Added Tax listed in the Tax Invoices referred to in paragraph (2) is a non-creditable VAT Input.

Article 27

- (1) Tax invoices referred to in Article 26 paragraph (1) must contain information concerning the supplies of Taxable Goods and/or supplies of Taxable Services.

- (2) The information referred to in paragraph (1) at least contains:
- a. name, address and taxpayer identification number of the supplier of Taxable Goods or Taxable Services;
 - b. identity of the Buyer or Service Recipient which includes:
 - 1. name, address and taxpayer identification number, for resident corporate taxpayers and government agencies;
 - 2. name, address and taxpayer identification number or single identity number, for resident tax subjects pursuant to statutory provisions;
 - 3. name, address and passport number, for non-resident individual tax subjects; or
 - 4. name and address, for non-resident corporate tax subjects or non-tax subjects pursuant to statutory provisions in the field of income tax;
 - c. the types of goods or services, the amount of Selling Price or Consideration and discount;
 - d. collected Value Added Tax;
 - e. collected Sales Tax on Luxury Goods;
 - f. the code, serial number and date of preparation of the Tax Invoice; and
 - g. the name and signature of the party entitled to sign the Tax Invoice.
- (3) The single identity number referred to in paragraph (2) subparagraph b number 2 is equivalent to the taxpayer identification number in the context of preparing Tax Invoices and Input VAT crediting.
- (4) Tax Invoices prepared by including the identity of the Buyer or Service Recipient in the form of the name, address and single identity number, for resident individual tax subjects pursuant to statutory provisions

referred to in paragraph (2) subparagraph b number 2 are Tax Invoices that fulfil the provisions regulated under Article 13 paragraph (5) subparagraph b number 1 of the Value Added Tax Law.

- (5) Value Added Tax listed in the Tax Invoices referred to in paragraph (4) constitutes Input VAT that may be credited by the Buyer or Service Recipient Taxable Person for VAT Purposes insofar as it fulfils the provisions on Input VAT crediting pursuant to statutory tax provisions.

Article 28

- (1) The Director General of Taxes may determine certain documents equivalent to Tax Invoices.
- (2) Certain documents equivalent to the Tax Invoices referred to in paragraph (1) must be prepared upon a supply or export of Taxable Goods and/or Taxable Services, import of Taxable Goods or Utilization of Intangible Taxable Goods from outside the Customs Area and/or Utilization of Taxable Services from outside the Customs Area, pursuant to the provisions referred to in Article 23 paragraph (3), paragraph (4), paragraph (5), paragraph (6), paragraph (7), paragraph (8), paragraph (9) and paragraph (10) as well as Article 24.
- (3) The provisions referred to in Article 26 paragraph (2), paragraph (3) and paragraph (4) apply *mutatis mutandis* to certain documents equivalent to the Tax Invoices referred to in paragraph (1).

Article 29

- (1) In the event of a change in the applicable Value Added Tax rate, to the calculation of Value Added Tax payable listed in the Tax Invoices or certain documents equivalent to the Tax Invoices, the following provisions shall apply:

- a. using the Value Added Tax rate prior to the enactment of the Value Added Tax rate change, if:
 - 1. the time Value Added Tax referred to in Article 23 becomes payable or another time when Value Added becomes payable as regulated under Article 11 paragraph (4) of the Value Added Tax Law, occurs before the effective date of the Value Added Tax rate change; and
 - 2. the Tax invoices or certain documents equivalent to Tax Invoices are prepared before the effective date of the Value Added Tax rate change;

or

- b. using the Value Added Tax rate change if:
 - 1. the time the Value Added Tax referred to in Article 23 becomes payable or another time when Value Added Tax becomes payable as regulated under Article 11 paragraph (4) of the Value Added Tax Law, occurs from the effective date of the Value Added Tax rate change; or
 - 2. the Tax invoices or certain documents equivalent to Tax Invoices are prepared from the effective date of the Value Added Tax rate change.

- (2) Tax invoices or certain documents equivalent to the Tax Invoices referred to in paragraph (1) are prepared pursuant to statutory tax provisions.

Article 30

- (1) Taxable Persons for VAT Purposes supplying Taxable Goods and/or Taxable Services to Buyers and/or Service Recipients with the end consumer characteristics, including those conducted through Electronic Commerce, are retailer Taxable Persons for VAT Purposes.

- (2) The provisions on procedures for the collection, remittance and filing of Value Added Tax Law, by Taxable Persons for VAT Purposes supplying Taxable Goods and/or Taxable Services to Buyers and/or Service Recipients with the end consumer characteristics referred to in paragraph (1) are regulated by a Ministerial Regulation.

CHAPTER IX CLOSING PROVISIONS

Article 31

When this Government Regulation comes into force, all statutory provisions constituting the implementing regulations of:

- a. Government Regulation Number 1 of 2012 concerning the Implementation of Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 2012 Number 4, Supplement to the State Gazette of the Republic of Indonesia Number 5271); and
- b. Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business (State Gazette of the Republic of Indonesia of 2021 Number 19, Supplement to the State Gazette of the Republic of Indonesia Number 6621), are declared to remain valid insofar as they do not contradict the provisions under this Government Regulation.

Article 32

When this Government Regulation comes into force:

- a. Government Regulation Number 1 of 2012 concerning the Implementation of Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette of the Republic of Indonesia of 2012 Nomor 4, Supplement to the State Gazette of the Republic of Indonesia Number 5271); and
- b. Article 5 of Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business (State Gazette of the Republic of Indonesia of 2021 Nomor 19, Supplement to the State Gazette of the Republic of Indonesia Number 6621), are revoked and declared invalid.

Article 33

This Government Regulation comes into force on the date of promulgation.

For public cognizance, this Government shall be promulgated by placement in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta
on 2 December 2022

PRESIDENT OF THE REPUBLIC OF INDONESIA,

signed

JOKO WIDODO

Promulgated in Jakarta

on 2 December 2022

MINISTER OF THE STATE SECRETARIAT OF THE REPUBLIC OF INDONESIA,

signed

PRATIKNO

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2022 NUMBER 217

ELUCIDATION

OF

GOVERNMENT OF THE REPUBLIC OF INDONESIA REGULATION

NUMBER 44 OF 2022

CONCERNING

THE APPLICATION OF VALUE ADDED TAX ON GOODS AND SERVICES AND SALES TAX ON LUXURY GOODS

I. GENERAL

To increase sustainable economic growth and support the acceleration of economic recovery; optimise state revenues to independently finance national development towards a just, well-off and prosperous Indonesian society; realise a more equitable and legally certain tax system; implement administrative reforms, consolidative tax policies and tax base expansion; and increase voluntary tax compliance, Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations has been promulgated.

The regulations under Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations include general provisions and tax procedures, income tax, Value Added Tax and Sales Tax on Luxury Goods, taxpayer voluntary disclosure programs, carbon tax and excise.

With the promulgation of Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations, the regulation of rates, calculation methods, the use of certain amounts in collecting and remitting Value Added Tax as well as the appointment of other parties to collect, remit and/or file taxes needs to be further stipulated. In addition, the regulation of Value Added Tax and Sales Tax on Luxury Goods stipulated under Government Regulation Number 1 of 2012 concerning the Implementation of Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods and

Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business no longer complies with the administrative needs of Value Added Tax and Sales Tax on Luxury Goods as well as the regulation under Law Number 7 of 2021 concerning the Harmonisation of Tax Regulations.

Therefore, to provide legal certainty, simplify administration, provide convenience and fairness in the field of Value Added Tax and Sales Tax on Luxury Goods to taxpayers and simplify regulations, it is necessary to stipulate a Government Regulation concerning the Application of Value Added Tax on Goods and Services and Sales Tax on Luxury Goods which replaces Government Regulation Number 1 of 2012 concerning the Implementation of Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended several times, last amended by Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods as amended by Government Regulation Number 9 of 2021 concerning the Tax Treatment to Support Ease of Doing Business.

This Government Regulation provides further regulation, affirmations and explanations of the regulation of joint operations, collective responsibility for the payment of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods, personal use and/or free-of-charge provision, supplies subject to Value Added Tax, supplies of Taxable Goods through auctioneers, supplies of Taxable Goods in the form of collateral taken over by creditors, supplies of Taxable Goods in sharia financing transaction schemes, provisions on the calculation of Value Added Tax using a certain amount, exchange rate conversion for transactions with currencies other than Rupiah, Input VAT crediting stated in certain documents equivalent

to Tax Invoices and appointment of other parties to collect, remit, and/or file Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Registration as Taxable Persons for VAT Purposes has broad legal consequences, among others, relating to the preparation of Tax Invoices, the application of the 0% (zero percent) rate, Input VAT crediting and refunds for the overpayment of Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods. For Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods to be effectively collected, Entrepreneurs originally intending to supply Taxable Goods, supply Taxable Services, export tangible Taxable Goods, export intangible Taxable Goods, and/or export Taxable Services should report their business to be registered as Taxable Persons for VAT Purposes.

Paragraph (3)

Sufficiently clear.

Article 3

Paragraph (1)

A joint arrangement is an arrangement between 2 (two) or more parties that have joint control consisting of joint operations and joint ventures.

Paragraph (2)

An example of joint operations that must be registered as Taxable Persons for VAT Purposes:

PP ABC and PT DEF establish a joint operation under the name JO A-D to implement the project for the customer (project owner). The work agreement with the customer stipulates that all transactions of supplies of Taxable Goods and/or Taxable Services to the customer are carried out on behalf of JO A-D.

Based on the above:

- a. JO A-D must be registered as a Taxable Person for VAT Purposes;
- b. JO A-D must prepare Tax Invoices for supplies of Taxable Goods and/or Taxable Services to customers; and
- c. if in the context of the joint operation, PT ABC or PT DEF directly supplies to the customer, the supplies are considered supplies from PT ABC or PT DEF to JO A-D, thereby, PT ABC or PT DEF must prepare Tax Invoices for JO A-D and JO A-D prepares Tax Invoices for the customers.

An example of joint operations not required to be registered as Taxable Persons for VAT Purposes:

PT X and PT Y establish a joint operation under the name JO X-Y to implement the project for the customer. The work agreement with the customer stipulates that all transactions of supplies of Taxable Goods and/or Taxable Services to the customer are carried out on behalf of PT X.

Based on this, in the context of implementing this project, JO X-Y is not required to be registered as a Taxable Person for VAT Purposes because it does not actually supply Taxable Goods and/or Taxable Services to customers.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

An example of free-of-charge provision of Taxable Goods is the provision of goods for promotion by a company to business relations or other parties.

On the other hand, an example of free-of-charge provision of Taxable Services is the provision of aid in the use of heavy equipment by a heavy equipment rental service company to the community.

Paragraph (5)

Sufficiently clear.

Article 7

Pursuant to the elucidation of Article 4 paragraph (1) subparagraph c of the Value Added Tax Law, taxable supplies of services must fulfil the following conditions:

- a. the supplied services are Taxable Services;
- b. the supplies are performed within the Customs Area; and
- c. the supplies are performed in the course of business or work,

the Value Added Tax being payable does not require whether the services must be consumed or utilised within the Customs Area or not.

Example 1:

A Corp. domiciled in Japan sends a song to PT B in Indonesia for the writing of the musical notes of the song. The completed musical notes are sent back to Japan. The musical note writing service performed by PT B is subject to Value Added Tax payable.

Example 2:

Z Corp. domiciled in South Korea plans to market its products in Indonesia. Therefore, Z Corp. hires PT DEF in Indonesia to conduct a market survey in Indonesia. The survey service performed by PT DEF is subject to Value Added Tax payable.

Article 8

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

"Operational activities" refer to Entrepreneurs' principal revenue-producing activities and other activities that are not investment activities and financing activities. Included in the category of operational activities are transactions and events or occurrences whose effects are considered in determining operating income.

"Non-operational activities" refer to activities other than the operational activities referred to above.

Example:

PT DEF is a construction service company. In addition to supplying construction services, PT DEF also leases out part of its office space for the cafeteria to another party. The supply of construction services is included in the definition of operational activities, whereas the supply of space lease services for the cafeteria is included in the definition of non-operational activities.

Article 9

Sufficiently clear.

Article 10

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Example 1:

In respect of the failure to settle the obligations of Mr. A as the debtor to Bank B as the creditor, Bank B executes the collateral in the form of a land plot owned by Mr. A based on the mortgage rights to the land. Bank B sells the land plot to Mr. C as the Buyer through a public auction and settles its receivable from the proceeds of the sale.

The sale of the land plot by Bank B to Mr. C is included in a supply of Taxable Goods subject to Value Added Tax.

Example 2:

PT D as the creditor is a financing company that executes the object of financing in the form of a motorcycle from Mr. E as the debtor based on fiduciary. PT D sells the motorcycle to Mr. F as the Buyer through an underhand sale based on the price agreement between PT D and Mr. E before the collateral is sold.

The sale of the motorcycle by PT D to Mr. F is included in a supply of Taxable Goods subject to Value Added Tax.

Paragraph (3)

Subparagraph a

Sufficiently clear.

Subparagraph b

Sufficiently clear.

Subparagraph c

Sufficiently clear.

Subparagraph d

Sufficiently clear.

Subparagraph e

“Other similar encumbrances” refer to encumbrances that have the same or similar function as a mortgage, fiduciary, mortgage or pawn.

Paragraph (4)

Sufficiently clear

Article 11

Sufficiently clear.

Article 12

Paragraph (1)

Sufficiently clear.

Paragraph (2)

“Supplies of Taxable Goods in sharia financing transaction schemes”, refer to, among others:

- a. supplies of Taxable Goods in the context of the issuance of sharia bonds, including supplies of Taxable Goods to and from special purpose entities; and

b. supplies of Taxable Goods in commodity trading schemes based on sharia principles in commodity exchanges with trading mechanisms with further sales in the sharia commodity market, which occur to fulfil sharia principles.

Taxable Goods supplied in the context of the issuance of sharia bonds are assets as regulated under statutory provisions in the field of sharia capital market.

Example of a supply of Taxable Goods in the context of the issuance of sharia bonds:

PT A as the issuer issues *ijarah* sharia bonds based on the *ijarah* object in the form of a vehicle as the underlying and at the same time, the investor submits a sum of funds to PT A. Upon the issuance of the sharia bonds, PT A transfers the vehicle to the investor and the investor receives the benefits of the *ijarah* object from PT A. PT A performs rental payments in the form of *ijarah* fee installments periodically according to the agreed time along with the remaining *ijarah* fee at the maturity of the sharia bonds. The investor transfers the vehicle to PT A at the maturity date of the sharia bonds.

Based on the above description, the supply of the vehicle constituting an *ijarah* object in the context of the issuance of sharia bonds by:

- a. PT A to the investor upon the issuance of the sharia bonds; and
 - b. the investor to PT A upon the maturity of the sharia bonds,
- is not included in the definition of a supply of Taxable Goods.

An example of trading with further sales in the sharia commodity market:

Mr. A as a customer of Bank Syariah B applies for a loan of IDR100,00,000.00 (one hundred million rupiah) to Bank Syariah B which is a commercial participant in the sharia commodity market. Based on this application, to fulfil sharia principles, Bank Syariah B purchases Crude Palm Oil (CPO) from the members of merchant group C consisting of merchant 1, merchant 2 and merchant 3 that constitute commodity merchant participants in the sharia commodity market. One of the members of merchant group C supplies the CPO to Bank Syariah B and Bank Syariah B makes a payment of IDR100,000,000.00 (one hundred million rupiah) to the members of merchant group C. Next, Bank Syariah B sells the CPO for IDR110,000,000.00 (one hundred and ten million rupiah) to Mr. A, and Mr. A pays in installments for 1 (one) year as agreed in the *murabahah* contract. Subsequently, Mr. A sells the CPO to members of merchant group C for IDR100,000,000.00 (one hundred million rupiah), thereby, the CPO which constitutes the object of commodity trading based on sharia principles returns to the same party, namely members of merchant group C.

Based on the above description, the supply of CPO by:

- a. members of merchant group C to Bank Syariah B;
 - b. Bank Syariah B to Mr. A; and
 - c. Mr. A to members of merchant group C,
- is not included in the definition of a supply of Taxable Goods.

If the original owner of the CPO does not retrieve the CPO in the same quantity and value, the transaction is included in the definition of a supply of Taxable Goods subject to Value Added Tax payable.

Article 13

Sufficiently clear.

Article 14

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Example:

PT ABC is a producer of Taxable Luxury Goods A. In producing Taxable Goods A, PT ABC also purchases Taxable Luxury Goods B which will be installed on Taxable Goods A it produces. For the acquisition of Taxable Goods B, PT ABC has paid Sales Tax on Luxury Goods amounting to IDR450,000.00 (four hundred and fifty thousand rupiah). If the production price of Taxable Goods A is IDR160,000,000.00 (one hundred and sixty million rupiah) and the profit desired by PT ABC is IDR40,000,000.00 (forty million rupiah), the Selling Price of Taxable Goods A is IDR200,450,000.00 (two hundred million and four hundred and fifty thousand rupiah). On 1 September 2022, PT ABC supplied Taxable Goods A. Thus, the tax payable on the supply:

Value Added Tax (applicable rate according to Article 7 paragraph (1) of the Value Added Tax Law)

= 11% X IDR200,450,000.00 = IDR22,049,500.00

Sales Tax on Luxury Goods (rate of 20%)

= 20% X IDR200,450,000.00 = IDR40,090,000.00

Paragraph (3)

Example 1:

PT X which produces Taxable Luxury Goods sold the Taxable Goods to PT A with a Selling Price of IDR100,000,000.00 (one hundred million rupiah) on 1 September 2022. The sale is subject to Value Added Tax at the applicable rate and Sales Tax on Luxury Goods at 20% (twenty percent). The tax base on the supply of Taxable Luxury Goods is IDR100,000,000.00 (one hundred million rupiah), excluding Value Added Tax and Sales Tax on Luxury Goods imposed on the supply of Taxable Goods. Thus, the amount paid by PT A is as follows:

Description	Amount (IDR)		
Tax base (Selling Price)	=	100,000,000.00	
Value Added Tax	=	11,000,000.00	
Sales Tax on Luxury Goods	=	<u>20,000,000.00</u>	+
The amount paid by PT A	=	131,000,000.00	

Example 2:

PT C imported Taxable Luxury Goods with an import value of IDR200,000,000.00 (two hundred million rupiah) on 1 September 2022. The import is subject to Value Added Tax at the applicable rate and Sales

Tax on Luxury Goods at 30% (thirty percent). Tax base on the import of Taxable Luxury Goods is IDR200,000,000.00 (two hundred million rupiah), excluding Value Added Tax and Sales Tax on Luxury Goods imposed on the import of Taxable Goods. Thus, the amount paid by C is as follows:

Description	Amount (IDR)		
Tax base (import value)	=	200,000,000,00	
Value Added Tax	=	22,000,000,00	
Sales Tax on Luxury Goods	=	<u>60,000.000,00</u>	+
The amount paid by PT C	=	282,000.000,00	

Ayat (4)

Example 1 referred to in the elucidation of paragraph (3), PT A sold the Taxable Goods to PT B with an expected profit of IDR15,000,000.00 (fifteen million rupiah) on 30 September 2022. The tax base on the sale includes Sales Tax on Luxury Goods paid on the acquisition of the Taxable Goods. Thus, the amount paid by PT B is as follows:

Description	Amount (IDR)
-------------	-----------------

PT A's Purchase Price	=	100,000,000.00	
Sales Tax on Luxury Goods that has been paid	=	20,000,000.00	
Expected profit	=	<u>15,000,000.00</u>	+
Tax base	=	135,000,000.00	
Value Added Tax 11% x IDR135.000.000,00	=	<u>14,850,000.00</u>	+
The amount paid by PT B	=	149,850,000.00	

Example 2 referred to in the elucidation of paragraph (3), PT C sold the Taxable Goods to PT D with an expected profit of IDR40,000,000.00 (forty million rupiah) on 30 September 2022. The tax base of the sale includes the Sales Tax on Luxury Goods paid on the import of the Taxable Goods. Thus, the amount paid by PT D is as follows:

Description		Amount (IDR)	
PT C's import value	=	200,000,000.00	

Sales Tax on Luxury Goods that has been paid	=	60,000,000.00	
Expected profit	=	<u>40,000,000.00</u>	+
Tax base	=	300,000,000.00	
Value Added Tax 11% x IDR300,000,000,00	=	<u>33,000,000.00</u>	+
The amount paid by PT D	=	333,000,000.00	

Article 15

Paragraph (1)

To provide convenience and simplification of tax administration as well as a sense of fairness, the Minister may determine the amount of Value Added Tax collected and paid by:

- a. Taxable Persons for VAT Purposes whose business turnover in 1 (one) accounting year does not exceed a certain amount;
- b. Taxable Persons for VAT Purposes that conduct certain business, that among others:
 1. experience difficulties in administering Input VAT;
 2. conduct transactions through third parties, both supplies of Taxable Goods and/or Taxable Services and payments; or
 3. have business process complexities, thereby, the imposition of Value Added Tax is infeasible under the normal mechanisms;

and/or

- c. Taxable Persons for VAT Purposes that supply certain Taxable Goods and/or certain Taxable Services.

“Certain Taxable Goods and/or certain Taxable Services” refer to:

- a. Taxable Goods and/or Taxable Services subject to Value Added Tax in the context of tax base expansion; and
- b. Taxable Goods that are needed by the public at large.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

The non-creditable Input VAT has in principle been taken into account or deemed to have been credited in the calculation of Output VAT using a certain amount.

Buyer or Service Recipient Taxable Persons for VAT Purposes that should have paid Value Added Tax using a certain amount may credit Input VAT pursuant to the provisions on Input VAT crediting.

Paragraph (4)

Example 1:

KLM is a Taxable Person for VAT Purposes that uses a certain amount in collecting and remitting Value Added Tax payable on supplies of certain Taxable Goods. If PT KLM supplies certain Taxable Goods to Entrepreneurs located in certain areas, thereby, Value Added Tax payable is not collected:

- a. Value Added Tax payable on supplies of certain Taxable Goods is calculated using a certain amount;
- b. Value Added Tax payable referred to in subparagraph a is not collected; and
- c. Input VAT obtained by PT KLM on the acquisition of Taxable Goods and/or Taxable Services related to the supplies of certain Taxable Goods on which Value Added Tax payable is not collected, is non-creditable.

Example 2:

PT CDE is a Taxable Person for VAT Purposes whose business turnover in 1 (one) accounting year does not exceed a certain amount and uses a certain amount in collecting and remitting Value Added Tax payable. PT CDE supplies strategic Taxable Goods that are exempt from Value Added Tax. On the said supplies:

- a. Value Added Tax payable on the supplies of strategic Taxable Goods that are exempt from Value Added Tax is calculated using a certain amount;
- b. the supplies of Taxable Goods are exempt from Value Added Tax; and
- c. Input VAT obtained by CDE on the acquisition of Taxable Goods and/or Taxable Services related to the supplies of strategic Taxable Goods that are exempt from Value Added Tax, is non-creditable,

Article 16

To provide fairness, legal certainty and avoid double Value Added Tax imposition for Taxable Persons for VAT Purposes that collect Value Added Tax on supplies of Taxable Goods and/or Taxable Services using

a certain amount, it is necessary to regulate the use of tax base in the form of a certain value of IDR0.00 (zero rupiah).

In principle, the imposition of Value Added Tax on personal use and/or free-of-charge provision of Taxable Goods and/or Taxable Services also adheres to the principle of avoiding double Value Added Tax imposition. Therefore, the use of tax base in the form of a certain value of IDR0.00 (zero rupiah) is basically also applied to personal use and/or free-of-charge provision of Taxable Goods and/or Taxable Services for Taxable Persons for VAT Purposes that collect Value Added Tax on supplies of Taxable Goods and/or Taxable Services using a certain amount.

Example:

PT KZL, registered with the Rantau Prapat Small Taxpayer Office, is a Taxable Person for VAT Purposes conducting certain business in the form of supplies of used motor vehicles that collects and remits Value Added Tax payable on the supplies of used motor vehicles using a certain amount. In addition to the supplies of used motor vehicles, PT KZL also conducts business in the form of supplies of motor vehicle accessories.

PT KZL has 1 (one) branch registered with the Meulaboh Small Taxpayer Office but does not centralise Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods payable.

PT KZL supplies used motor vehicles and motor vehicle accessories to its branch which is registered with the Meulaboh Small Taxpayer Office. The cost of goods sold or the acquisition price of the supplied used

motor vehicles is IDR100,000,000.00 (one hundred million rupiah) and the cost of goods sold or the acquisition price of the supplied motor vehicle accessories is IDR1,500,000.00 (one million and five hundred thousand rupiah). Therefore, for supplies of in the form of:

- a. used motor vehicles, PT KZL collects Value Added Tax using a certain amount with a tax base in the form of a certain value of IDR0.00 (zero rupiah); and
- b. motor vehicle accessories, PT KZL collects Value Added Tax at the applicable Value Added Tax rate multiplied by the tax base in the form of another value amounting to the cost of goods sold or acquisition price of IDR1,500,000.00 (one million and five hundred thousand rupiah).

Article 17

Paragraph (1)

“T” refers to the amount of the applicable Value Added Tax rate pursuant to Article 7 of the Value Added Tax Law or a certain formula multiplied by the applicable Value Added Tax rate pursuant to Article 7 of the Value Added Tax Law.

Paragraph (2)

“t” refers to the amount of the Sales Tax on Luxury Goods rate.

Paragraph (3)

Based on known audit findings:

Description	Amount (IDR)
--------------------	-------------------------

Selling Price	=	10,000,000.00
Tax base in this example is	=	10,000,000.00

Paragraph (4)

The example referred to in the elucidation of paragraph (3), Value Added Tax payable is $11\% \times \text{IDR}10,000,000.00 = \text{IDR}1,100,000.00$.

The supply is also subject to Sales Tax on Luxury Goods payable, for example at a rate of 20% (twenty percent), the Sales Tax on Luxury Goods payable is $20\% \times \text{IDR}10,000,000.00 = \text{IDR}2,000,000.00$.

Paragraph (5)

Sufficiently clear.

Article 18

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Example:

On 1 September 2022, PT A entered into a contract for a supply of Taxable Goods. If the contract or written agreement states that the contract value of $\text{IDR}131,000,000.00$ (one hundred and thirty-one million rupiah) includes Value Added Tax at a rate of 11% (eleven percent) and Sales Tax on Luxury Goods at a rate of 20% (twenty percent), the calculation of Value Added Tax and Sales Tax on Luxury Goods is as follows:

Value Added Tax =

Sales Tax on Luxury Goods =

Paragraph (3)

As per the example in the elucidation of paragraph (2), if the contract or written agreement does not state that Value Added Tax and Sales Tax on Luxury Goods are included in the contract value, the amount of tax base to calculate Value Added Tax is IDR131,000,000.00 (one hundred and thirty-one million rupiah), thereby, the calculation of Value Added Tax and Sales Tax on Luxury Goods is as follows:

Description		Amount (IDR)
Tax base	=	131,000,000.00
Value Added Tax (11% x IDR131,000,000.00)	=	14,410,000.00
Sales Tax on Luxury Goods (20% x IDR131,000,000.00)	=	26,200,000.00

Article 19

Paragraph (1)

“Receivable” refers to a receivable arising from supplies of Taxable Goods and/or Taxable Services. Value Added Tax is imposed on the consumption of Taxable Goods and/or Taxable Services.

Example:

In September 2022, PT A sold Taxable Goods with a value of IDR100,000,000.00 (one hundred million rupiah) to PT B with a credit sales mechanism. The transaction is recorded by PT A as a receivable, whereas it is recorded by PT B as a debt. To fulfil Value Added Tax obligations, PT A prepares a Tax Invoice with a Value Added Tax value of IDR11,000,000.00 (eleven million rupiah) and submits the Tax Invoice to PT B. Further, the Tax Invoice prepared by PT A has been filed by both PT A and PT B in the periodic Value Added Tax return for the September 2022 Taxable Period.

In December 2022, PT A issued a policy to write off all of PT B’s receivables. The write-off of receivables does not affect the filing of Value Added Tax that has been carried out by both PT A and PT B in the periodic Value Added Tax return for the September 2022 Taxable Period.

Paragraph (2)

“Force majeure” refers to an event that occurs beyond human ability and cannot be avoided, thereby, an activity cannot be carried out or cannot be carried out as it should, which includes natural disasters, non-natural disasters and social disasters. The force majeure must be declared by the competent authority/agency.

Article 20

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Subparagraph a

Sufficiently clear.

Subparagraph b

Example 1:

PT A supplies non-taxable goods to PT B with a value of IDR1,000,000,000.00 (one billion rupiah). For the transaction that should not be subject to Value Added Tax, PT A has collected from PT B and has remitted the Value Added Tax it collected with a value of IDR110,000,000.00 (one hundred and ten million rupiah) to the state treasury. For the error in the collection of Value Added Tax, an application for tax refunds may be submitted by PT B as the party subject to the collection insofar as it has not been credited as Input VAT, has not been expensed and has not been capitalised in the acquisition price.

Example 2:

PT A supplies Taxable Goods with a value of IDR20,000,000.00 (twenty million rupiah) to government agency B which constitutes a withholding agent. For the transaction, government agency B as the withholding agent has collected and remitted Value Added Tax amounting to IDR2,500,000.00 (two million and five hundred thousand rupiah) to the state treasury. Based on this, it is known that the collected Value Added Tax is greater than it should otherwise be with the following calculation:

Description	Amount (IDR)
--------------------	-------------------------

Value Added Tax that has been collected and remitted to the state treasury	=	2,500,000.00	
Value Added Tax that should have been collected and remitted to the state treasury	=	<u>2,200,000.00</u>	-
Difference	=	300,000.00	

For the error in the collection of Value Added Tax, an application for tax refunds may be submitted by government agency B as the party subject to collection insofar as it has not been credited as Input VAT, has not been expensed and has not been capitalised in the cost of acquisition.

Subparagraph c

Example 1:

PT A supplies non-taxable services to PT B with a value of IDR1,000,000,000.00 (one billion rupiah). For the transaction that should not be subject to Value Added Tax, PT A has collected from PT B and has remitted the Value Added Tax it collected with a value of IDR110,000,000.00 (one hundred and ten million rupiah) to the state treasury. For the error in the collection of Value Added Tax, an application for tax refunds may be submitted by B as the party subject to collection insofar as it has not been credited as Input VAT, has not been expensed and has not been capitalised in the acquisition price.

Example 2:

PT A supplies Taxable Services with a value of IDR20,000,000.00 (twenty million rupiah) to government agency B which is the withholding agent. For the transaction, government agency B as the withholding agent has collected and remitted Value Added Tax amounting to IDR2,500,000.00 (two million five hundred thousand rupiah) to the state treasury. Based on this, it is known that the collected Value Added Tax is greater than what it should otherwise be with the following calculation:

Description	Amount (IDR)		
Value Added Tax that has been collected and remitted to the state treasury	=	2,500,000.00	
Value Added Tax that should have been collected and remitted to the state treasury	=	<u>2,200,000.00</u>	-
Difference	=	300,000.00	

For the error in the collection of Value Added Tax, an application for tax refunds may be submitted by government agency B as the party subject to collection insofar as it has not been credited as Input VAT, has not been expensed and has not been capitalised in the cost of acquisition.

Subparagraph d

Sufficiently clear.

Subparagraph e

Sufficiently clear.

Article 21

Example 1:

PT A which is a Taxable Person for VAT Purposes supplies Taxable Goods to PT B with a value of US\$10,000.00 (ten thousand United States dollars). The supply was performed on 1 September 2022 at an exchange rate determined by the Minister applicable at that time of IDR14,500.00 (fourteen thousand and five hundred rupiah) for every US\$1.00 (one United States dollar).

For the transaction, PT A has issued an invoice but has not prepared a Tax Invoice. The Tax Invoice was prepared by PT A on 20 September 2022. The exchange rate used by PT A for the Tax Invoice issued on 20 September 2022 must use the exchange rate determined by the Minister applicable at the time the Tax Invoice should be prepared, namely the exchange rate of IDR14,500.00 (fourteen thousand and five hundred rupiah) for every US\$1.00 (one United States dollar) applicable on 1 September 2022.

Example 2:

PT A which constitutes a Taxable Person for VAT Purposes supplies Taxable Goods to PT B with a value of US\$10,000.00 (ten thousand United States dollars). The supply was performed on 1 September 2022 at an exchange rate determined by the Minister applicable at that time of IDR14,500.00 (fourteen thousand and five hundred rupiah) for every US\$1.00 (one United States dollar).

On 20 September 2022, it was discovered that the Tax Invoice prepared for the transaction contained an error in the inclusion of the types of Taxable Goods. Based on the error, PT A rectified the Tax Invoice by preparing a replacement Tax Invoice on 20 September 2022 by continuing to include the exchange rate determined by the Minister applicable at the time the replacement Tax Invoice should be prepared, namely the exchange rate of IDR14,500.00 (fourteen thousand and five hundred rupiah) for every US\$1.00 (one United States dollar) applicable on 1 September 2022.

Article 22

Paragraph (1)

"The place of Input VAT crediting" refers to the place where an Entrepreneur is administered by the Directorate General of Taxes office as a Taxable Person for VAT Purposes.

Example:

PT A, which is domiciled in Gresik Regency and has been administered as a Taxable Person for VAT Purposes at Gresik Small Taxpayer Office, imports Taxable Goods through Tanjung Perak port in Surabaya City. For the import of Taxable Goods, PT A credits Input VAT in Gresik Regency and does not need to be registered as a Taxable Person for VAT Purposes in Surabaya City.

Paragraph (2)

Example:

A Taxable Person for VAT Purposes A whose head office is in Central Jakarta City and has been registered at the Jakarta Gambir Satu Small Taxpayer Office has a factory located in Surakarta City and is registered as a Taxable Person for VAT Purposes at the Surakarta Small Taxpayer Office. The import declaration of the Taxable Goods uses the taxpayer identification number of the head office in Central Jakarta City. With the approval of the Director General of Taxes, the Taxable Person for VAT Purposes in Surakarta City may credit the Input VAT stated in the import declaration

The Director General of Taxes may *ex officio* determine other places other than the place of import of Taxable Goods as the place of Input VAT crediting. This provision is necessary to provide convenience for Taxable Persons for VAT Purposes registered at certain tax offices whose Value Added Tax obligations are determined centrally.

Paragraph (3)

Sufficiently clear.

Article 23

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Subparagraph a

The time of a supply of movable goods is the basis for determining the time Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods become payable and the basis for preparing Tax Invoices. This provision is intended to synchronise the time Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods become payable with business common practice reflected in the practice of recording or bookkeeping based on generally accepted and consistently applied accounting principles by Taxable Persons for VAT Purposes. In business practice and based on generally accepted accounting principles:

- a. a supply of movable goods may occur when the goods are released from the control of the Taxable Persons for VAT Purposes (seller) with the direct or indirect intention of being supplied to another party. Therefore, Value Added Tax and Sales Tax on Luxury Goods are payable when the control right to the goods has been transferred to the Buyer or a third party for and on behalf of the Buyer; and
- b. the transfer of control right to the goods may also occur when the goods are supplied to the second party or the Buyer or when the goods are supplied through the forwarder, transport service entrepreneurs or another third party. Therefore, Value Added Tax and Sales Tax on Luxury Goods are payable at the time the goods are supplied to the forwarder, transport service entrepreneur or another third party.

The time of the supply of goods referred to in subparagraph a and subparagraph b is reflected in generally accepted accounting principles in the form of recognition as a receivable or income with the issuance of an invoice as the source document. In business, the time a receivable or income is recognised or the time an invoice is issued may not coincide with the time of the physical supply of goods as referred to in

subparagraph a and subparagraph b. Therefore, to provide administrative convenience related to the time the Tax Invoice is prepared, the time the invoice is issued is determined as the time of the supply of goods which constitutes the basis for when Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods become payable.

“Invoice” refers to, among others, other documents that have the same function or position as an invoice.

Subparagraph b

A supply of Taxable Goods for immovable Taxable Goods occurs when the letter or deed of agreement that results in the transfer of rights to the goods is signed by the parties concerned. This time constitutes the basis for determining when Value Added Tax or Value Added Tax and Sales Tax on Luxury Goods become payable. However, if a supply of rights to immovable goods has actually occurred even though the letter or deed of agreement resulting in the transfer of rights has not been signed, the supply of Taxable Goods is deemed to have occurred.

Subparagraph c

Sufficiently clear.

Subparagraph d

“Inventory” refers to the inventory of raw materials, inventory of auxiliary materials, inventory of goods in process, inventory of semi-finished goods and/or inventory of finished goods.

Subparagraph e

“Merger, consolidation, spin-off, split-off and business acquisition” refers to a merger, consolidation, acquisition and split-off as regulated under the law concerning limited liability companies.

“Business spin-off and split-off” refer to the split-off referred to in the law stipulating limited liability companies.

“Change of business organization” refers to the change of business organization used by Taxable Persons for VAT Purposes, for example, a Taxable Person for VAT Purposes’ business which was originally in the form of a limited partnership (*commanditaire vennootschap*) is changed to a limited liability company.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

A supply of Taxable Services occurs when the facilities or conveniences are made available for actual use, either in part or in whole. The time of the supply of Taxable Services is the basis to determine the time Value Added Tax becomes payable and also the basis for the preparation of Tax Invoices. However, in business practice and based on generally accepted accounting principles, the time a receivable or income is recognised or the time an invoice is issued may not coincide with the time the facilities or conveniences become available for actual use, either in part or in whole. To provide administrative convenience in respect of the time the Tax Invoice is prepared, the time the invoice is issued may be determined as the time of the supply of services that constitutes the basis of the time Value Added Tax becomes payable. This provision is intended to synchronise the time Value Added Tax becomes payable with the common practice in business reflected in the practice of recording or bookkeeping based on generally accepted and consistently applied accounting principles by Taxable Persons for VAT Purposes.

Paragraph (6)

Sufficiently clear.

Paragraph (7)

Sufficiently clear.

Paragraph (8)

Sufficiently clear.

Paragraph (9)

Sufficiently clear.

Paragraph (10)

Sufficiently clear.

Article 24

Paragraph (1)

A supply of tangible Taxable Goods which, according to their nature or law, are movable goods performed on consignment is a supply of Taxable Goods performed by:

- a. the consignor consigns the Taxable Goods to the consignee; and
- b. the consignee supplies the consigned Taxable Goods as referred to in subparagraph a to the said Buyer.

Under this provision, a supply of Taxable Goods on consignment by the consignor does not occur when the Taxable Goods are directly supplied to the consignee but occurs when the consignor recognises them as a receivable or income or when an invoice is issued by the consignor Taxable Person for VAT Purposes, according to generally accepted and consistently applied accounting principles.

Paragraph (2)

Sufficiently clear.

Article 25

Sufficiently clear.

Article 26

Paragraph (1)

The time the Tax Invoice is prepared is determined to harmonise the recognition of income in calculating the business turnover used to calculate income tax against the business turnover used to calculate Value Added Tax. Thus, the time the Tax Invoice is prepared is determined according to sound business principles and must comply with generally accepted and consistently applied accounting principles.

For legal certainty and to provide administrative convenience to Taxable Persons for VAT Purposes in fulfilling Value Added Tax obligations, it is necessary to clarify or confirm in the form of illustrations when Tax Invoices are prepared by Taxable Persons for VAT Purposes for supplies of Taxable Goods and/or Taxable Services and exports of Taxable Goods.

Examples of the time the Tax Invoice is prepared:

1. Supplies of movable Taxable Goods.

Example 1:

PT Aman directly supplied Taxable Goods to Mr. Igna on 15 September 2022. For the transaction of the supply of Taxable Goods, PT Aman prepared a Tax Invoice on 15 September 2022, i.e. at the time of direct supply to the Buyer or a third party for and on behalf of the Buyer.

Example 2:

PT Berkah, which is domiciled in Jakarta, sold Taxable Goods to PT Ceria in Surabaya with the free on board shipping point term of delivery. The Taxable Goods are released from PT Berkah's warehouse and delivered to PT Ceria's warehouse on 12 September 2022 using a forwarder company with a delivery order (DO) dated 12 September 2022. The goods were received by PT Ceria on 14 September 2022. For the transaction of the supply of Taxable Goods, PT Berkah prepared a Tax Invoice on 12 September 2022, i.e. the time the goods were handed over to the forwarder or the transport service entrepreneur. The date is the time the Tax Invoice is prepared because the transaction uses the free on board shipping point term of delivery.

If in example 1 and example 2 above, the invoices are issued not on the date of the direct supply or when handed over to the forwarder or transport service entrepreneur due to certain conditions, Tax Invoices must be generated upon the issuance of invoices. Such invoices must be issued according to generally accepted and consistently applied accounting principles.

Example 3:

PT Cantik in Jakarta sold Taxable Goods to PT Sentosa in Semarang with the free on board destination term of delivery at the Buyer's warehouse. The goods were released from PT Cantik's warehouse and delivered to PT Sentosa's warehouse on 12 September 2022 using a forwarder company. The goods were received by PT Sentosa

on 13 September 2022. PT Cantik issued an invoice on 16 September 2022. For the supply of Taxable Goods, PT Cantik must prepare a Tax Invoice on 13 September 2022, i.e. when received by the Buyer or no later than 16 September 2022, i.e. when the invoice is issued by the seller Taxable Person for VAT Purposes.

2. Supplies of immovable Taxable Goods.

Example 1:

The sale and purchase agreement of a house was signed on 1 September 2022. The agreement of the transfer to the right to use or control the house was prepared or signed on 1 December 2022. The Tax Invoice must be prepared on 1 December 2022. If before the letter or deed is executed or signed, the immovable goods have been supplied or are under the control of the Buyer or the recipient, the Tax Invoice must be prepared when the goods are actually supplied or under the control of the Buyer or the recipient.

Example 2:

A turn-key house was sold and actually supplied on 1 September 2022. The Tax Invoice must be prepared on 1 September 2022. If before the letter or deed is executed or signed, the immovable goods have been supplied or are under the control of the Buyer or the recipient, the Tax Invoice must be prepared when the goods are actually supplied or under the control of the Buyer or the recipient.

Example 3:

A turn-key house was sold and actually supplied on 1 September 2022. The sale and purchase agreement was signed on 1 October 2022. The Tax Invoice should have been prepared on 1 September 2022.

3. Supplies of Taxable Services.

Example 1:

PT Semangat leases 1 (one) shophouse unit to PT Diatetupa with a contract period of 12 (twelve) years. In the contract, the following are agreed upon:

- a. PT Diatetupa started using the shophouse on 1 September 2022.
- b. The lease contract value for 12 (twelve) years is IDR120,000,000.00 (one hundred and twenty million rupiah).
- c. Lease payments are annual and agreed to be paid every 29 September with a payment of IDR10,000,000.00 (ten million rupiah) per year.

On 29 September 2022, PT Diatetupa performed lease payments for the first year. For the supply of Taxable Services, PT Semangat is required to prepare a Tax Invoice on 29 September 2022 with a tax base of IDR10,000,000.00 (ten million rupiah).

Example 2:

PT Toryung contracts Firma CeraH Konsultan to provide management consulting services and training to PT Toryung's marketing staff for 6 (six) months with a contract value of IDR60,000,000.00 (sixty million rupiah). Consulting services will be paid

monthly. Firma Cerah Konsultan started providing consulting services on 1 September 2022. On 10 October 2022, Firma Cerah Konsultan issued an invoice to collect the payment for consulting services for September 2022 amounting to IDR10,000,000.00 (ten million rupiah). PT Toryung paid the invoice on 20 October 2022. Based on the transaction, Firma Cerah Konsultan must prepare a Tax Invoice on 10 October 2022 with a tax base of IDR10,000,000.00 (ten million rupiah) (according to the invoice value) even though the payment was only received on 20 October 2022.

Example 3:

PT Setiyakom is a telecommunication service company. PT Setiyakom bills customers according to the usage period for 1 (one) month. The collection of usage data from customers takes several days, thereby, invoices may only be issued several days later.

For example, for customer usage from 1 to 30 September 2022, PT Setiyakom issues an invoice for collection on 5 October 2022. In this case, the Tax Invoice is prepared when the supply of services is declared or recorded as a receivable or income, i.e. at the end of the usage period (30 September 2022) or no later than when the invoice is issued (5 October 2022). The time the said Tax Invoices are prepared shall be consistently applied.

The matrix of the time the Tax Invoices are prepared for several examples of supplies in the field of telecommunication services is as follows:

No.	The Period of Use/Supply of Taxable Services	The Period of Income Recognition	When Income is Recognised	The issuance of the Invoice	Preparation Deadline of the Tax Invoice
1a	1-30 September 2022	1-30 September 2022	September 2022	30 September 2022	30 September 2022
1b	1-30 September 2022	1-30 September 2022	September 2022	5 October 2022	5 October 2022
1e	1-30 September 2022	1-30 September 2022	September 2022	31 October 2022	31 October 2022
2	26 August-25 September 2022	26 August-25 September 2022	September 2022	5 October 2022	5 October 2022

3	16 August-15 September 2022	16 August-15 September 2022	August 2022	20 September 2022	20 September 2022
4	16 August-15 September 2022	16 August-15 September 2022	September 2022	20 September 2022	20 September 2022
5	16 August-15 September 2022	16-31 August 2022	August 2022	31 August 2022	31 August 2022
		1-15 September 2022	September 2022	15 September 2022	15 September 2022

4. Supplies of part of work phases (term payment).

For supplies of part of work phases, such as supplies of building contracting services or other immovable goods, the time the Tax Invoices are prepared may be explained as follows:

Generally, contracting services of buildings and other immovable goods are completed within a certain period. Before the contracting services are completed and ready to be

supplied, advance payment is received before the contracting work begins or payment for partial completion of the service work according to the phase or progress of completion of the work. In this case, Value Added Tax is payable when such payment is received by the contractor, pursuant to the provisions regulated under Article 11 paragraph (2) of the Value Added Tax Law. Furthermore, after the building or immovable goods are completed, the contracting services are entirely supplied to the Service Recipient. In this case, Value Added Tax is payable upon the supply of Taxable Services even though the full payment of the contracting services has not been received by the contractor, pursuant to the provisions regulated under Article 11 paragraph (1) of the Value Added Tax Law.

Example:

1. On 1 September 2022, the contracting agreement was signed and an advance payment of 20% (twenty percent) was received.
2. On 3 October 2022, 20% (twenty percent) of the work was completed, phase 1 payment was received.
3. On 1 November 2022, 50% (fifty percent) of the work was completed, phase 2 payment was received.
4. On 21 November 2022, 80% (eighty percent) of the work was completed, phase 3 payment was received.

5. On 25 January 2023, 100% (one hundred percent) of the work was completed, the building or immovable goods were supplied.
6. On 1 February 2023, the final (4th) phase payment of 95% (ninety-five percent) of the lump sum was received.
7. On 1 August 2023, payment for all contracting services was received.

In number 1 to number 4, Value Added Tax is payable on the date of receipt of payment (advance payment and term payments), whereas in number 5 to number 7, Value Added Tax is payable on 25 January 2023 or when the contracting services (buildings or immovable goods) are completed and supplied to the owner. The payment dates mentioned in number 6 and number 7 do not need to be considered because they are not included in the time that determines when Value Added Tax is payable according to the accrual basis adopted in the Value Added Tax Law. The above method to determine the time the Tax Invoice is prepared also applies to a supply of Taxable Goods and/or Taxable Services for which payment is received before the supply of Taxable Goods and/or before the supply of Taxable Services.

Paragraph (2)

Basically, Taxable Persons for VAT Purposes are obliged to prepare Tax Invoices pursuant to the provisions regulated under Article 13 paragraph (1a) and paragraph (2a) of the Value Added Tax Law. Therefore, if Taxable Persons for VAT Purposes are late in preparing Tax Invoices, Taxable Persons for VAT Purposes are subject to penalties pursuant to the provisions of Article 14 paragraph (l) subparagraph d in connection with Article 14 paragraph (4) of the General Provisions and Tax Procedures Law, but without the provisions on the time limit for the delay. Thus, to ensure the certainty of the collection of Value

Added Tax on supplies of Taxable Goods and/or Taxable Services subject to Value Added Tax payable, it is necessary to limit the period for the preparation of Tax Invoices. In addition, this provision is also intended to harmonise income recognition in calculating business turnover used to calculate income tax with business turnover used to calculate Value Added Tax.

Example 1:

PT A which is a Taxable Person for VAT Purposes supplies Taxable Goods to Mr. B for which the Tax Invoice should have been prepared on 1 September 2022. However, the date of preparation of the Tax Invoice stated in the Tax Invoice is 1 December 2022. Pursuant to the provisions under this paragraph, the Tax Invoice is not treated as a Tax Invoice because it is prepared after a period of 3 (three) months from the time the Tax Invoice should have been prepared, i.e. prepared after 30 November 2022.

Example 2:

CV C which is a Taxable Person for VAT Purposes received advance payment from PT D on 20 September 2022 for a supply of Taxable Services to be carried out in October 2022. However, the date of preparation of the Tax Invoice stated in the Tax Invoices is 20 December 2022. Pursuant to the provisions of this paragraph, the Tax Invoice is not treated as a Tax Invoice because it is prepared after a period of 3 (three) months from the time the Tax Invoice should have been prepared, i.e. prepared after 19 December 2022.

Example 3:

PT E which is a Taxable Person for VAT Purposes performs several supplies of Taxable Goods to CV F during September 2022. For these supplies of Taxable Goods, PT E chooses to prepare a combined Tax Invoice, thereby, the combined Tax Invoice should have been prepared no later than 30 September 2022. However, the date of preparation of the Tax Invoice stated in the combined Tax Invoice is 30 December 2022. Pursuant to the provisions of this paragraph, the Tax Invoice is not treated as a Tax Invoice because it is prepared after a period of 3 (three) months from the time the Tax Invoice should have been prepared, i.e. prepared after 29 December 2022.

Paragraph (3)

A Tax Invoice is proof of tax collection prepared by Taxable Persons for VAT Purposes supplying Taxable Goods and/or Taxable Services. Thus, Tax Invoices prepared by Taxable Persons for VAT Purposes exceeding the deadline referred to in paragraph (2) are deemed not prepared. However, Tax Invoices that are deemed not prepared must continue to be filed by the Taxable Persons for VAT Purposes that prepare such Tax Invoices in the periodic Value Added Tax returns.

Paragraph (4)

Sufficiently clear.

Article 27

Paragraph (1)

Sufficiently clear.

Paragraph (2)

A Tax Invoice is proof of tax collection and may be used as a means to credit Input VAT. Tax Invoices must be filled in correctly, completely and clearly and signed by the party appointed by the Taxable Persons for VAT Purposes to sign them. However, the information concerning Sales Tax on Luxury Goods

is only filled in if the supply of Taxable Goods is subject to Sales Tax on Luxury Goods. Tax Invoices that are not filled according to the provisions of this article result in the Value Added Tax stated therein being non-creditable pursuant to the provisions regulated under Article 9 paragraph (8) subparagraph f of the Value Added Tax Law.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

Tax Invoices that include the identity of the Buyer or Service Recipient in the form of the name, address and single identity number for resident individual tax subjects pursuant to statutory provisions, excluding Tax Invoices that do not include the name, address and taxpayer identification number of the Buyer or Service Recipient are regulated under Article 9 paragraph (8) subparagraph f of the Value Added Tax Law. Thus, the Value Added Tax stated in a Tax Invoice is Input VAT that may be credited by individual Taxable Persons for VAT Purposes insofar as it fulfils the provisions on Input VAT crediting pursuant to statutory tax provisions.

Article 28

Sufficiently clear.

Article 29

Paragraph (1)

Subparagraph a

Example:

PT X which is a Taxable Person for VAT Purposes actually supplies Taxable Goods to Mr. V on 31 December 2024. The Tax Invoice is prepared by PT X on 31 December 2024. Supposed that starting 1 January 2025, the Value Added Tax rate increases from 11% (eleven percent) to 12% (twelve percent), the Value Added Tax rate stated in the Tax Invoice continues to use the 11% (eleven percent) rate because it is subject to Value Added Tax before the effective date of the Value Added Tax rate change and the Tax Invoice is prepared before the effective date of the Value Added Tax rate change.

Subparagraph b

Example:

PT Z which is a Taxable Person for VAT Purposes actually supplies Taxable Goods to Mr. Y on 31 December 2024. However, the Tax Invoice is prepared by PT X on 1 January 2025. Supposed that from 1 January 2025, the Value Added Tax rate increases from 11% (eleven percent) to 12% (twelve percent), the Value Added Tax rate stated in the Tax Invoice uses the 12% (twelve percent) rate because the Tax Invoice is prepared from the effective date of the Value Added Tax rate change, even though it is subject to Value Added Tax payable before the effective date of the Value Added Tax rate change.

Paragraph (2)

Sufficiently clear.

Article 30

Paragraph (1)

“End consumer” refers to a buyer of goods and/or recipient of services that directly consumes the purchased or received goods and/or services and does not use or utilise the goods and/or services for business.

Paragraph (2)

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Sufficiently clear.

Article 33

Sufficiently clear.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 6830