

VAT Centralization – an update ^{P1}

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VAT Centralization – an update

VAT-able Entrepreneur (*Pengusaha Kena Pajak/PKP*) who have more than one place of business where VAT is collected may choose to centralize their VAT administration and reporting.

On 25 June 2020, the Directorate General of Taxes (DGT) issued Regulation No.PER-11/PJ/2020 (PER-11) updating several of the rules on this VAT centralization. PER-11 came into effect on 1 July 2020 and revokes PER-19/PJ/2010 (PER-19).

Key highlights are as follows:

1. Some new places were added to the list of places where VAT centralization is not allowed

The full list of prohibited places under PER-11 is now as follows:

- a. Bonded Stockpiling Areas including Bonded Zones;
- b. Special Economic Zones;
- c. Free Trade Zones – *new*;
- d. Other zones that have tax facilities – *new*;
- e. Locations with an Import Facility for Export Purposes (*Kemudahan Impor Tujuan Ekspor/KITE*); and/or
- f. Locations used for business activities in the field of transfer of land and/or buildings – *new*.

In addition, VAT centralization is also not applicable for locations that have no actual business activities or that do not carry out sales and financial administration.

2. Simplification in relation to the expiry date of the VAT Centralization Decision

Previously, PER-19 stipulated that the VAT Centralization Decision would be valid for five years, after which the PKP was required to apply for an extension or the permission would lapse.

PER-11 no longer contains this five-year validity period. This implies that any VAT Centralization Decision obtained by a PKP under the new

regulation will apply indefinitely as long as there are no changes or a revocation of the Decision. This indefinite validity is also reflected in the format of the DGT Decision which no longer states the expiry date of the Decision, as well as in the examples given in an attachment to the regulation.

However, to obtain a new approval and enjoy the indefinite validity of the Decision, a PKP needs to submit a re-notification (*Pemberitahuan Kembali*) to the DGT by 31 December 2020.

PER-11 provides the following guidance for taxpayers with different circumstances:

- a. For PKPs with a VAT Centralization Decision that has not expired:
 - ✓ If the PKP submits the re-notification by 31 December 2020, the DGT will issue a new Decision that will be applicable retroactively starting from the date of the existing Decision.
 - ✓ If the PKP does not submit a re-notification by 31 December 2020, the existing Decision is valid only until its expiry date.
- b. For PKPs with a VAT Centralization Decision that expired (or will expire) during the pandemic period and that has been extended automatically based on the relief under Ministry of Finance (MoF) Regulation No.29/PMK.03/2020:
 - ✓ If the PKP submits the re-notification by 31 December 2020, the DGT will issue a new Decision that will be applicable retroactively starting the month when the existing Decision expired.
 - ✓ If the PKP does not submit a re-notification by 31 December 2020, the existing Decision is valid for five years from the month in which the existing Decision expired. For instance, if the existing Decision expired in April 2020 and was automatically extended in that month, the extension will be valid only until March 2025.
- c. For PKPs with a VAT Centralization Decision that expired in January and February 2020:
 - ✓ If the PKP submits the re-notification by 31 December 2020, the DGT will issue a new Decision that will be applicable from the month in which the existing Decision expired.
 - ✓ If the PKP does not submit a re-notification by 31 December 2020, the existing Decision is valid only until its expiry date.

3. Others

Any administrative application by the PKPs related to VAT Centralization including initial applications, additions/reductions of new business locations to be centralized and revocation requests must be submitted electronically to the Head of the Regional Tax Office in the intended VAT Centralization location with a copy addressed to the Head of the Tax Office Service in the location where each of the VAT locations to be centralized are registered. If the electronic channels are not yet available, the application can be completed manually in writing.

Any application of PKP that was not yet given a decision based on PER-19 will be processed according to PER-11.

Customs Incentives in response to COVID-19 – an update

On 17 April 2020, the MoF issued Regulation No.34/PMK.04/2020 (PMK-34), which covers customs facilities for goods needed to handle the COVID-19 pandemic. Please refer to our [TaxFlash No.15/2020](#) for our discussion on this matter.

On 7 July 2020, the MoF issued Regulation No.83/PMK.04/2020 (PMK-83) as an expansion of PMK-34.

Key points stipulated in PMK-83 are as follows:

1. PMK-83 extends the validity of PMK-34 until there is a Government decision on ending the status of COVID-19 as a national disaster.
2. PMK-83 updates the detailed list of goods attached in PMK-34 by adding several goods from the list and removing others.

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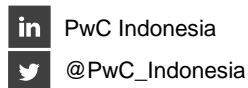
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