

The use of “Other Value”
as the VAT imposition
base on the delivery of
subsidised LPG products
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The Minister of Finance (MoF) recently issued Regulation No.PMK-220¹ to provide guidance in relation to the procedure for calculating and collecting Value Added Tax (VAT) on the delivery of subsidised Liquefied Petroleum Gas (LPG) products.

In general, the delivery of subsidised LPG products by a VAT-able Entrepreneur is subject to VAT. As many LPG products are subsidised, the VAT due on subsidised portion is paid by the Government whilst the VAT due on the non-subsidised portion is paid by the customer.

The VAT payable on the non-subsidised portion is now to be determined with reference to the “Other Value” (*Dasar Pengenaan Pajak/DPP Nilai Lain*). The basis of the other value may vary depending on the point of delivery within the distribution chain (i.e. delivery by a Government-appointed entity, a distribution agent, or a sub-distribution agent).

The Other Values as regulated in PMK-220 are as follows:

- a. 100/110 of the selling price where charged by a Government-appointed entity (i.e. the selling price is deemed to be VAT-inclusive); or
- b. 10/101 of the margin of a distribution agent or a sub-distribution agent (i.e. the margin is deemed to be the VAT base).

PMK-220 also regulates that the input VAT in relation to the delivery of certain LPG products conducted by a Government-appointed entity can be credited, whilst the input VAT of the distribution agent or sub-distribution agent cannot be credited.

¹ MoF Regulation No.220/PMK.03/2020 (PMK-220) dated and effective from 28 December 2020

Your PwC Indonesia Contacts:

Abdullah Azis
abdullah.azis@pwc.com

Gerardus Mahendra
gerardus.mahendra@pwc.com

Raemon Utama
raemon.utama@pwc.com

Adi Poernomo
adi.poernomo@pwc.com

Hasan Chandra
hasan.chandra@pwc.com

Runi Tusita
runi.tusita@pwc.com

Adi Pratikto
adi.pratikto@pwc.com

Hendra Lie
hendra.lie@pwc.com

Ryuji Sugawara
ryuji.sugawara@pwc.com

Alexander Lukito
alexander.lukito@pwc.com

Hisni Jesica
hisni.jesica@pwc.com

Soeryo Adjie
soeryo.adjie@pwc.com

Ali Widodo
ali.widodo@pwc.com

Hyang Augustiana
hyang.augustiana@pwc.com

Sujadi Lee
sujadi.lee@pwc.com

Amit Sharma
amit.xz.sharma@pwc.com

Kianwei Chong
kianwei.chong@pwc.com

Susetiyo Putranto
susetiyo.putranto@pwc.com

Andrias Hendrik
andrias.hendrik@pwc.com

Lukman Budiman
lukman.budiman@pwc.com

Sutrisno Ali
sutrisno.ali@pwc.com

Anton Manik
anton.a.manik@pwc.com

Mardianto
mardianto.mardianto@pwc.com

Suyanti Halim
suyanti.halim@pwc.com

Antonius Sanyojaya
antonius.sanyojaya@pwc.com

Margie Margaret
margie.margaret@pwc.com

Tim Watson
tim.robert.watson@pwc.com

Ay Tjhing Phan
ay.tjhing.phan@pwc.com

Oki Octabiyanto
oki.octabiyanto@pwc.com

Tjen She Siung
tjen.she.siung@pwc.com

Brian Arnold
brian.arnold@pwc.com

Omar Abdulkadir
omar.abdulkadir@pwc.com

Turino Suyatman
turino.suyatman@pwc.com

Dexter Pagayonan
dexter.pagayonan@pwc.com

Otto Sumaryoto
otto.sumaryoto@pwc.com

Yessy Anggraini
yessy.anggraini@pwc.com

Enna Budiman
enna.budiman@pwc.com

Parluhutan Simbolon
parluhutan.simbolon@pwc.com

Yuliana Kurniadjaja
yuliana.kurniadjaja@pwc.com

Gadis Nurhidayah
gadis.nurhidayah@pwc.com

Peter Hohtoulas
peter.hohtoulas@pwc.com

Yunita Wahadaniah
yunita.wahadaniah@pwc.com

www.pwc.com/id



PwC Indonesia

@PwC_Indonesia

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