

Implementing rules for VAT changes under the HPP Law ^{P1}

Foreign e-Commerce ^{P1}

The use of "Other Value" for the VAT imposition base ^{P2}

Certain LPG products ^{P2}

Tobacco products ^{P3}

Subsidised fertiliser for the agricultural sectors ^{P4}

Non-VATable goods and services that are subject to Regional Taxes ^{P4}

Food and beverage ^{P5}

Catering services ^{P5}

Art and entertainment services ^{P5}

Hotel services ^{P5}

Parking services ^{P5}

Implementing rules for VAT changes under the HPP Law

On 30 March 2022, the Minister of Finance (MoF) issued several regulations to implement the Value-Added Tax (VAT) changes set out under the Harmonisation of Tax Regulations (*Harmonisasi Peraturan Perpajakan/HPP*) Law. The MoF Regulations mostly relate to the VAT rate increase being 11% starting 1 April 2022 and 12% at the latest by 2025.

This is the first of our TaxFlashes covering these regulations. Comments on the remaining MoF Regulations will be set out in our next TaxFlash.

Please refer to [TaxFlash No.20/2021](#) for our initial discussion on the HPP Law.

Foreign e-commerce

The VAT mechanism for foreign e-commerce supplies was introduced in Law No.2 Year 2020 and its implementing regulations (PMK-48¹ and PER-12²).

The MoF has now issued Regulation No.PMK-60³ providing more detail on the scope of VATable transactions and e-commerce rules for VAT Collectors as well as for VAT compliance (i.e. registration, collection, payment). These rules are largely the same as in PMK-48 and PER-12 (please see [TaxFlash No.09/2020](#), [TaxFlash No.21/2020](#), and [TaxFlash No.26/2020](#)) with the key changes set out below.

PMK-60 confirms that the VAT rate to be used for foreign e-commerce transactions follows the prevailing VAT rate. PMK-60 also stipulates that the MoF Decree regarding the appointment of foreign e-commerce VATable Entrepreneurs (*Pengusaha Kena Pajak/PKP*) as outlined in PMK-48 and PER-12 remain valid until a further MoF Decree.

PMK-60 also stipulates that the VAT due on transactions between foreign providers and users in Indonesia through a foreign or domestic e-commerce

¹ MoF Regulation No.48/PMK.03/2020 (PMK-48) dated on 5 May 2020 and effective from 1 July 2020

² Director General of Taxes (DGT) Regulation No.PER-12/PJ/2020 (PER-12) dated on 25 June 2020 and effective from 1 July 2020. PER-12 remain valid as long as it does not contradict with PMK-60.

³ MoF Regulation No.60/PMK.03/2022 (PMK-60) dated on 30 March 2022 and effective from 1 April 2022. PMK-60 revokes PMK-48.

marketplace can be collected by the foreign e-commerce players or domestic e-commerce marketplaces. This is where they are appointed as e-commerce VAT Collectors and are issuing commercial invoices, billings, order receipts, or similar documents.

VAT reporting

E-commerce VAT Collectors must submit a quarterly report which provides the following information:

- a) the number of users in Indonesia;
- b) the amount of payments (not including VAT);
- c) the amount of VAT collected; and
- d) details of the VAT transactions which covers at least the following information:
 - *new*
 - 1. the number and date of each VAT collection slip;
 - 2. the amount of payment (not including VAT) for each VAT collection slip;
 - 3. the amount of VAT collected for each VAT collection slip; and
 - 4. the name and Tax ID of users in Indonesia if the information is provided in the VAT collection slip.

Previously details of collected VAT transactions were only required when requested by the DGT. Under PMK-60, the DGT can still request these details where the DGT application/system is not ready although the details, as per point d above, will be replaced with the amount of VAT remitted.

The use of “Other Value” for the VAT imposition base (*Dasar Pengenaan Pajak/DPP Nilai Lain*)

The use of “Other Value” for the VAT imposition base is stipulated under Article 8A of the VAT Law. Three of the new MoF Regulations cover this aspect for certain Liquefied Petroleum Gas (LPG) products, tobacco products, and subsidised fertiliser for the agriculture sector.

A. Certain LPG products

MoF Regulation No.PMK-62⁴ updates the VAT calculation method for non-subsidised LPG products.

VAT on the delivery of subsidised LPG products was introduced in PMK-220⁵. The PMK-62 provisions on any subsidised portion (i.e. with VAT borne by the Government) and any non-subsidised portion (i.e. with VAT paid by the customer), VAT compliance, and Input VAT crediting remain as per PMK-220 (please see [TaxFlash No.01/2021](#)). The key changes under PMK-62 are as set out below.

The use of “Other Value” for the VAT imposition base applies at the point of delivery by a Government-appointed entity. The “Final” VAT however, applies at the point of delivery by a distribution agent or a sub-distribution agent.

“Other Value” for the VAT imposition base

For deliveries by a Government-appointed entity the “Other Value” for the VAT imposition base is $100/(100+t)$ of the retail selling price. This is where ‘t’ is the

⁴ MoF Regulation No.62/PMK.03/2022 (PMK-62) dated on 30 March 2022 and effective from 1 April 2022. PMK-62 revokes PMK-220.

⁵ MoF Regulation No.220/PMK.03/2020 (PMK-220) dated and effective from 28 December 2020

prevailing VAT rate. The VAT payable is calculated by multiplying the VAT rate by the “Other Value”.

Final VAT

The general VAT rate is multiplied by the designated percentage resulting in an effective Final VAT rate. The Final VAT rates are:

- a) 1.1/101.1 (starting 1 April 2022); and
- b) 1.2/101.2 (starting once the 12% VAT rate is applicable).

This is multiplied by the margin of the distribution agent or sub-distribution agent (i.e. the margin is deemed to be the VAT base).

Input VAT credit

The Input VAT crediting rules remain the same. Input VAT related to deliveries by a Government-appointed entity can be credited whilst the Input VAT related to deliveries by a distribution agent or a sub-distribution agent cannot be credited.

B. Tobacco products

MoF Regulation No.PMK-63⁶ updates the VAT rate used to calculate the VAT payable on tobacco products as well as adding other provisions.

VAT on the delivery of tobacco products was introduced in PMK-174⁷. The PMK-63 provisions on VAT compliance and Input VAT crediting remain as per PMK-174 (please see [TaxFlash No.26/2015](#)). The key changes under PMK-63 are as set out below.

“Other Value” for the VAT imposition base

For deliveries by producers/importers the “Other Value” for the VAT imposition base is $100/(100+t)$ of the retail selling price. This is where ‘t’ is the prevailing VAT rate. The VAT payable is calculated by multiplying the VAT rate by the “Other Value”.

PMK-63 stipulates that, based on the applicable VAT rate and the “Other Value”, VAT on the delivery of tobacco products is rounded so as to be payable at:

- a) 9.9% of the retail selling price for deliveries starting 1 April 2022; and
- b) 10.7% of the retail selling price for deliveries starting when the 12% VAT rate is applicable.

Other provisions

These include:

- a) that VAT is only collected at the producer/importer level upon the delivery of tobacco products;
- b) that distributors who deliver to other distributors, or to final consumers, do not need to collect and pay the VAT;
- c) that distributors who only deliver tobacco products do not need to be appointed as PKPs.

⁶ MoF Regulation No.63/PMK.03/2022 (PMK-63) dated on 30 March 2022 and effective from 1 April 2022. PMK-63 revokes PMK-174 as lastly amended by PMK-207.

⁷ MoF Regulation No.174/PMK.03/2015 (PMK-174) as lastly amended by MoF Regulation No.207/PMK.010/2016 (PMK-207)

Input VAT credit

The Input VAT crediting rules remain the same. Input VAT related to deliveries by producers/importers can be credited whilst Input VAT related to deliveries by distributors cannot be credited.

C. Subsidised fertiliser for the agriculture sectors

MoF Regulation No.PMK-66⁸ updates the VAT imposition base on subsidised fertiliser and add other provisions.

VAT on the delivery of subsidised fertilisers was introduced in PMK-62/2015⁹. The PMK-66 provisions on VAT compliance and Input VAT crediting remain as per PMK-62/2015 (please see [TaxFlash No.12/2015](#)). The key changes under PMK-66 are as set out below.

VAT on the delivery of subsidised fertilisers is calculated by multiplying the VAT rate with the “Other Value” (for the VAT imposition base).

“Other Value” for the VAT imposition base

“Other Value” for fertilisers is:

- a) the subsidised portion calculated under the formula $100/(100+t)$ multiplied by the amount of the subsidy payment (VAT included); and
- b) the non-subsidised portion calculated under the formula $100/(100+t)$ multiplied by the highest retail price.

This is where ‘t’ is the applicable VAT rate.

Other provisions

These include:

- a) that VAT is only collected by producers upon delivery of subsidised fertilisers;
- b) that distributors who deliver to retailers or retailers who deliver to farmers do not need to collect and pay the VAT;
- c) that distributors and retailers who only deliver subsidised fertilisers do not need to be appointed as PKPs.

Input VAT credit

The Input VAT crediting rules remain the same. Input VAT related to deliveries by producers can be credited whilst Input VAT related to deliveries by distributors and retailers cannot be credited.

Non-VATable goods and services that are subject to Regional Taxes

MoF Regulation No.PMK-70¹⁰ outlines those deliveries of food and beverages (“F&B”), catering services, art and entertainment services, hotel services, and parking services which are not subject to VAT.

⁸ MoF Regulation No.66/PMK.03/2022 (PMK-66) dated on 30 March 2022 and effective from 1 April 2022. PMK-66 revokes PMK-62/2015.

⁹ MoF Regulation No.62/PMK.03/2015 (PMK-62/2015) dated on 26 March 2015 and effective from 25 April 2015

¹⁰ MoF Regulation No.70/PMK.03/2022 (PMK-70) dated on 30 March 2022 and effective from 1 April 2022

This treatment is because these goods and services are already subject to Regional Tax and so the VAT exemption is to avoid double taxation. The criteria are as follows:

A. Food and beverage

This includes F&B served (either dine-in or takeaway) in hotels, restaurants, etc., and F&B served pursuant to catering services.

The restaurant must provide F&B serving facilities such as tables, chairs, and/or tableware for dine-in purposes.

A catering services provider must:

- a) carry out material procurement, preparation, storage, and serving based on a customer order;
- b) serve at a location instructed by the customer that is different from the location of the preparation and storage; and
- c) provide the service with or without tableware, etc.

F&B provided by F&B factories, airport lounges, supermarkets, etc. (which do not sell only F&B) are VATable.

B. Catering services

The criteria for non-VATable catering services are as per the requirements listed above.

C. Art and entertainment services

PMK-70 provides 12 types of non-VATable art and entertainment services. These include exhibitions, art performances, and game sports with a dedicated gaming areas and equipment.

The following is excluded from non-VATable art and entertainment services:

- a) the provision of golf areas and equipment;
- b) the provision of movie or other audio-visual streaming through the internet or electronic channels.

D. Hotel services

Non-VATable hotel services are those involving room or space rental in hotels, villas, resorts, etc. Room rental includes accommodation and incidentals such as room service, extra beds, laundry, sport facilities, hotel transportation, etc. Space rental under this category includes rental for events or meetings.

Not included as non-VATable hotel services include:

- a) space rentals other than for events or meetings such as rental for ATMs, offices, banking facilities, etc.;
- b) unit or space rental (including related facilities) in apartments, condominiums, etc. – which is differentiated from general hotel services based on licensing; and
- c) travel services provided by hotel management.

E. Parking services

Non-VATable parking services are the provision of parking spaces and valet parking. Parking space management services provided to parking space owners for a fee are subject to VAT.

Your PwC Indonesia Contacts:

Abdullah Azis
abdullah.azis@pwc.com

Hasan Chandra
hasan.chandra@pwc.com

Runi Tusita
runi.tusita@pwc.com

Adi Poernomo
adi.poernomo@pwc.com

Hendra Lie
hendra.lie@pwc.com

Ryuji Sugawara
ryuji.sugawara@pwc.com

Adi Pratikto
adi.pratikto@pwc.com

Hisni Jesica
hisni.jesica@pwc.com

Soeryo Adjie
soeryo.adjie@pwc.com

Alexander Lukito
alexander.lukito@pwc.com

Hyang Augustiana
hyang.augustiana@pwc.com

Sujadi Lee
sujadi.lee@pwc.com

Ali Widodo
ali.widodo@pwc.com

Kianwei Chong
kianwei.chong@pwc.com

Sukma Alam
sukma.alam-c@pwc.com

Amit Sharma
amit.xz.sharma@pwc.com

Lukman Budiman
lukman.budiman@pwc.com

Surendro Supriyadi
surendro.supriyadi-c@pwc.com

Andrias Hendrik
andrias.hendrik@pwc.com

Mardianto
mardianto.mardianto@pwc.com

Susetiyo Putranto
susetiyo.putranto@pwc.com

Anton Manik
anton.a.manik@pwc.com

Margie Margaret
margie.margaret@pwc.com

Sutrisno Ali
sutrisno.ali@pwc.com

Antonius Sanyojaya
antonius.sanyojaya@pwc.com

Marlina Kamal
marlina.kamal@pwc.com

Suyanti Halim
suyanti.halim@pwc.com

Avinash Rao
a.rao@pwc.com

Nicholas Sugito
nicholas.sugito@pwc.com

Tim Watson
tim.robert.watson@pwc.com

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

Nikolas Handradjid
nikolas.handradjid@pwc.com

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

Brian Arnold
brian.arnold@pwc.com

Oki Octabiyanto
oki.octabiyanto@pwc.com

Turino Suyatman
turino.suyatman@pwc.com

Dexter Pagayonan
dexter.pagayonan@pwc.com

Omar Abdulkadir
omar.abdulkadir@pwc.com

Yessy Anggraini
yessy.anggraini@pwc.com

Enna Budiman
enna.budiman@pwc.com

Otto Sumaryoto
otto.sumaryoto@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

Gerardus Mahendra
gerardus.mahendra@pwc.com

Raemon Utama
raemon.utama@pwc.com

www.pwc.com/id



PwC Indonesia



@PwC_Indonesia

If you would like to be removed from this mailing list, please reply and write UNSUBSCRIBE in the subject line, or send an email to id_contactus@pwc.com.

DISCLAIMER: This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

© 2022 PT Prima Wahana Caraka. All rights reserved. PwC refers to the Indonesian member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.