

VAT exemption on the delivery of certain residences <sup>P1</sup>

## VAT exemption on the delivery of certain residences

The Minister of Finance (MoF) issued PMK-60<sup>1</sup> to stipulate certain types of residences that are exempted from Value-Added Tax (VAT) imposition. PMK-60 is effective from 12 June 2023 and revokes PMK-81<sup>2</sup> which stipulated similar provisions.

The types of residences covered by PMK-60 can be categorised as houses for low-income individuals and community residences.

### A. Houses for low-income individuals

There are two types of houses under this category, namely:

- **Public houses** – houses designated for low-income Indonesian citizens, with a house identity code provided by the Ministry of Public Works and Public Housing (*Pekerjaan Umum dan Perumahan Rakyat/PUPR*).
- **Worker's houses** – houses that are financed and built by the employer, either by themselves or by hiring a construction company, for their low-income Indonesian employees. In addition, to enjoy the VAT exemption, the employer must have a Tax ID (*Nomor Pokok Wajib Pajak/NPWP*).

#### Criteria of eligible public houses and worker's houses

Public houses/workers' houses must meet the following criteria:

- a) building area of 21 up to 36 m<sup>2</sup>;
- b) land area of 60 up to 200 m<sup>2</sup>;
- c) selling price does not exceed the selling price limit. This is currently set at IDR 162 million to IDR 234 million for 2023 and IDR 166 million to IDR 240 million for 2024 and onwards. If the worker's house is given for free, the tax base limit must not exceed the selling price limit; and
- d) is the first house owned by the low-income individual, is only used for residential purpose, and is not transferred within four years of ownership.

#### Criteria of eligible individuals

To be eligible to enjoy VAT exemption on the delivery of public houses/workers' houses, the individuals must:

<sup>1</sup> MoF Regulation No.60 Year 2023 (PMK-60) dated and effective from 12 June 2023

<sup>2</sup> MoF Regulation No.81/PMK.010/2019 (PMK-81) dated on 22 May 2019 and effective from 6 June 2019

- fulfil their tax compliance obligation (if any) and have no tax arrears;
- meet the low-income threshold which is determined either by their average monthly income or by referring to provisions as stipulated by the Ministry of PUPR for individuals under the government financing program.

This VAT exemption facility can only be enjoyed for one house per family as a tax unit.

## **B. Community residences**

There are two types of community residences under this category, i.e. boarding houses (*pondok boro*) for low-income workers and student dormitories. The recipient of these residences must have NPWP and cannot transfer the residences within four years.

### **Notification requirements**

To enjoy the VAT exemption, a party who receives these residences must notify the use of the facility via electronic channels provided by the Directorate General of Taxes. VATable Entrepreneurs (*Pengusaha Kena Pajak/PKPs*) who deliver the houses can make this notification on behalf of individuals who have no NPWP.

For beneficiaries of the government's public housing ownership programme, this notification can be substituted by the document proving that they have passed the selection process.

### **Failure to comply with the requirements**

The PKP who delivers the residences must collect VAT if the requirements are not met, otherwise they may also be subject to sanctions.

If the four years retention requirement is breached, the recipient of the residences must pay the VAT within one month, and this VAT cannot be credited. This is not applicable if the taxable goods are transferred by the creditor in the context of non-performing loan recovery.

### **Transitional provisions**

- For taxable goods delivered by PKP from 12 June 2023 to 31 July 2023, VAT exemption can be enjoyed as long as the PKP who conducts the delivery submit the notification and obtain the notification receipt no later than 30 September 2023.
- For the delivery of public houses, *pondok boro*, student dormitories, and other housing that was carried out prior to 12 June 2023, provisions in PMK-81 apply.
- For public houses, *pondok boro*, student dormitories, as well as other housing which was originally exempt from VAT under PMK-81 but breaching the four years requirements (as mentioned in the previous section) after 12 June 2023, provisions in PMK-60 apply.

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