

Tax News Flash

February 2023

Key highlights on the new VAT Law implementing regulation

To support the implementation of the amended provisions of the VAT Law (after the implementation of the Harmonization of Tax Regulations Laws (“HPP Law”)), the Government issued three implementing regulations in December 2022 in addition to the ones issued in 2022 (please refer to our [tax news flash July 2022 edition “New implementing regulations of VAT Law”](#)). The first one is Government Regulation No. 44 Year 2022¹ which provides further guidance on the amended general provisions of the VAT Law (“GR-44”). The second one, Government Regulation No. 49 Year 2022 (“GR-49”), is specific to the provisions of Article 16B regarding VAT facilities, which includes shifting certain goods and services that were formerly grouped as “non-VAT-able” goods and services into the group of VAT-able-goods/services that are subject to “VAT exempt” or “VAT due but not-collected” facilities. The third provision, Ministry of Finance Regulation No. 186 Year 2022² (“MoFR-186”), shares guidance on how to credit Input VAT.

In this publication, we shall discuss the key takeaways for GR-44, and briefly touch on the notable points of MoFR-186. For GR-49, we will discuss in separate publication.

GR-44 revokes the former general implementing regulation of the VAT Law, i.e., Government Regulation No. 1 Year 2012 and its amendments.³

Notable amended provisions on VAT treatments and administrative compliance (based on GR-44)

Contents of the regulations	Remarks
A. VAT administration and compliance	
Joint responsibility mechanism (<i>tanggung jawab renteng</i>)	Buyer/recipient of the VAT-able goods/services shall be jointly responsible for the payment of VAT payable if: <ol style="list-style-type: none"> i. The VAT payable cannot be collected from the seller/provider of the VAT-able goods/services; and ii. The buyer/recipient of the VAT-able goods/services cannot provide proof that the VAT payable has been paid to the seller/provider of the VAT-able goods/services.
	Before this tax underpayment was collected through a tax underpayment assessment issued by the tax office. Further guidance will be issued through a Ministry of Finance (“MoF”) regulation.

¹ Dated and in effect as of 2 December 2022.

² Dated and in effect as of 12 December 2022.

³ In addition, GR-44 also revokes the provision of Article 5 of the Government Regulation No. 9 Year 2021 regarding tax implications supporting the ease of carrying out business activities.

Contents of the regulations	Remarks
	<p>The settlement of the VAT payable can be:</p> <ul style="list-style-type: none"> i. Self-paid using a tax payment slip by the buyer/recipient of the VAT-able goods/services; or ii. Collected by the tax office using a tax underpayment assessment (or an additional tax underpayment assessment).
VAT rate prevails	<p>In the case of a change in the VAT rate, the new rate shall be applicable under the following circumstances:</p> <ul style="list-style-type: none"> – The new VAT rate becomes effective before the VAT is due and payable; or – A VAT invoice (or an equivalent document) is issued after the effective date of the new VAT rate.
B. VAT treatments	
VAT on the sales of foreclosed assets	<p>With respect to the foreclosed assets (defined as assets taken over by a creditor based on a fiduciary guarantee, pawn, or a similar arrangement), the VAT payable is due at the time the assets are sold by the creditor (specifically mentioning the bank and multi-finance entity) to the buyer.</p> <p>The handover of the VAT-able goods to the creditor by the debtor does not constitute the sale of VAT-able goods.</p>
VAT on the handover of assets as collateral in respect to a sharia transaction scheme	<p>The handover of VAT-able goods as collateral during a sharia transaction scheme is not a VAT-able event, provided that the respective goods are eventually returned to the original owner.</p>
Grouping of non-VAT-able goods/services	<p>Not regulated yet.</p>
Output-Input VAT credit mechanism	<p>The implementation of the Output-Input VAT credit mechanism for VAT entrepreneurs who are subject to the “other VAT-base” regime or “VAT final” regime (please refer to our tax news flash July 2022 edition “New implementing regulations of VAT Law” who also sell VAT-able goods/services that are subject to the normal regime or certain VAT facilities (e.g., VAT exempt, VAT due but not collected) are as follow:</p>

Contents of the regulations	Remarks
<ul style="list-style-type: none"> – Input VATs occurring in “other VAT-base” regimes or “VAT final” are not creditable – Internal transfer of VAT-able goods/ services between the head office and its branches (or vice versa) or between branches constitutes a VAT-able event. Reporting-wise, the transaction is to be reported with a NIL VAT base – Own use of VAT-able goods/services and free of charge transfer (free gifts) of VAT-able goods/services are also determined as VAT-able transactions which must be reported with a NIL VAT base 	

MoFR-186 in this regard provides further guidance on the (re)-calculation of the Input VAT that can be credited under the Output-Input VAT credit mechanism if the VAT entrepreneur sells both VAT-able goods/services and non-VAT-able goods/services. MoFR-186 was issued to provide clearer guidance on a related matter which was formerly regulated under Ministry of Finance Regulation No. 78 Year 2010.

KPMG notes:

GR-44 generally provides more thorough and comprehensive guidance than GR-1. Like other tax regulations, some provisions cannot be read using only the literal meaning of the text. These provisions should be interpreted by considering the background surrounding the regulation of the specific issue, as well as common industrial practice. Therefore, having a good understanding of these matters is important. Please connect with your KPMG contacts for further guidance on how to read or interpret these regulations.

Contact us

KPMG Advisory Indonesia

Tax Services

33rd Floor, Wisma GKBI
 28, Jl. Jend. Sudirman
 Jakarta 10210, Indonesia
 T: +6221 570 4888
 F: +6221 570 5888

Abraham Pierre

Head of Tax Services

Abraham.Pierre@kpmg.co.id

kpmg.com/id

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

©2023 KPMG Advisory Indonesia, an Indonesian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.