



Indonesia Tax Info May 2022

VAT regulations updated to synchronize with Law on Harmonization of Tax Regulations

As from 1 April 2022, changes made by Law Number 7 of 2021 (Law on Harmonization of Tax Regulations (UU HPP)) related to VAT have come into effect (please refer to [Tax Info October 2021](#) and [Tax Alert November 2021](#)). To synchronize with the changes made by UU HPP, on 30 March 2022, Indonesia's Minister of Finance (MoF) issued several regulations to replace the existing VAT regulations.

The relevant regulations issued by the MoF are summarized below and all have come into effect as from 1 April 2022. Affected taxpayers should review the new regulations to evaluate the implications for their business.

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New MoF regulation number	Topic	Previous MoF regulation being revoked	Comments
60/PMK.03/2022 (PMK-60)	VAT treatment of transactions via electronic systems (<i>perdagangan melalui sistem elektronik (PMSE)</i>)	48/PMK.03/2020 (please refer to Tax Alert July 2020)	<p>The provisions of PMK-60 are broadly the same as those of the previous regulation. Key changes made by PMK-60 include:</p> <ul style="list-style-type: none"> The standard VAT rate is increased from 10% to the new standard rate of 11% as from 1 April 2022 (to be increased to 12% by 2025, at the latest). Subject to the readiness of online system of the Directorate General of Taxation (DGT), information required to be disclosed in the quarterly PMSE VAT return under PMK-60 has become more detailed. The PMSE VAT collector must now provide details of each transaction in the PMSE VAT return, including, at the very least, the following: <ul style="list-style-type: none"> Number and date of the proof of PMSE VAT collection; Amount of the tax base for each PMSE VAT collection; Amount of PMSE VAT for each PMSE VAT collection; and Name and tax identification number (<i>Nomor Pokok Wajib Pajak (NPWP)</i>) of the customer (if any). <p>Previously, such information was only required to be disclosed in the annual PMSE VAT return when requested by the DGT.</p> <p>The existing implementing regulation (PER-12/PJ/2020) continues to apply as long as it does not contradict PMK-60. The existing PMSE VAT collectors' appointment letters remain valid until the DGT replaces them with new decision letters.</p>
61/PMK.03/2022 (PMK-61)	Self-construction activity not in respect of a job or occupation by an individual or an organization, where the construction result will be used by the individual or organization itself or used by another party (<i>kegiatan membangun sendiri</i>)	163/PMK.03/2012 (PMK-163)	<p>The provisions of PMK-61 are broadly the same as those of the previous regulation. Key changes made by PMK-61 include:</p> <ul style="list-style-type: none"> The standard VAT rate is increased from 10% to 11% (to be increased to 12% by 2025, at the latest). The VAT is calculated using the following formula: (20% x standard VAT rate) x expenses incurred on construction activities (excluding the purchase price of the land). Self-construction activity is defined as either the construction of a new building or the expansion of an existing building, performed not in the ordinary course of business or activities for self-use or to be used by another party. This includes construction that is carried out by another party, however the VAT is not collected by the other party (with certain exception). A building is defined as a single or multiple engineering construction fixed to a piece of land and/or water that meets the following criteria: <ul style="list-style-type: none"> Mainly constructed from wood, concrete, bricks or similar materials, and/or steel; Intended as a residence or place of business activities; and Have a building area of at least 200 square meters. Self-construction activity may be carried out: <ul style="list-style-type: none"> In a single stage for a certain period of time; or In phases, provided the period between the construction phases is not more than two years. If the period is more than two years, the individual phases will be counted as separate self-construction activities. Provisions related to tax payment slip (treated as equivalent to a VAT invoice), settlement, and reporting of VAT related to self-construction are updated. For a non-PKP, i.e., an individual or entity that is not a VAT entrepreneur (<i>pengusaha kena pajak (PKP)</i>), the payment or settlement of VAT on self-construction activity is equivalent to VAT reporting. In any fiscal period where there is no VAT payable for self-construction activity, a PKP is exempted from the obligation to remit or report the VAT on self-construction activity.

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			<ul style="list-style-type: none"> Under PMK-163, the DGT will issue a warning letter (<i>surat teguran</i>) if the individual or corporate carrying out self-construction activity does not settle and/or report the VAT, and will issue an advice letter (<i>surat himbauan</i>) if the amount of VAT settled and/or reported is "unusual." Under PMK-61, the DGT will issue an advice letter in either case. <p>PMK-61 provides the following transitional provisions for self-construction activities carried out before April 2022:</p> <ul style="list-style-type: none"> Where the VAT has been settled before PMK-61 comes into effect, the VAT treatment will follow PMK-163; and Where the VAT is settled after PMK-61 comes into effect, the VAT treatment will follow PMK-61.
62/PMK.03/2022 (PMK-62)	VAT treatment of delivery of subsidized liquefied petroleum gas (LPG) products	220/PMK.03/2020	<p>The provisions of PMK-62 are broadly the same as those of the previous regulation. Key changes made by PMK-62 include:</p> <ul style="list-style-type: none"> The standard VAT rate is increased from 10% to 11% (to be increased to 12% by 2025, at the latest). The government will bear the VAT that corresponds to the portion of the LPG's price subsidized by the government. The VAT on the remaining portion of the price will be borne by the buyer. The formula to calculate the VAT on certain nonsubsidized LPG is as follows: <ul style="list-style-type: none"> At the point of delivery by a government appointed entity, the VAT is calculated using the following formula: standard VAT rate x 100/(100 + applicable standard VAT rate) x retail selling price. Input VAT related to the delivery of certain LPG is creditable for the government appointed entity. At the point of delivery by a distribution agent, the VAT is calculated as follows: <ul style="list-style-type: none"> As from 1 April 2022: 1.1/101.1 x excess of the distribution agent's selling price over the retail selling price; or When the new VAT rate is implemented by 2025, at the latest: 1.2/101.2 x excess of the distribution agent's selling price over the retail selling price. <p>Input VAT related to the delivery of certain LPG is not creditable for the distribution agent.</p> At the point of delivery by a subdistribution agent, the VAT is calculated as follows: <ul style="list-style-type: none"> As from 1 April 2022: 1.1/101.1 x excess of the subdistribution agent's selling price over the distribution agent's selling price; or When the new VAT rate is implemented by 2025, at the latest: 1.2/101.2 x excess of the subdistribution agent's selling price over the distribution agent's selling price. <p>Input VAT related to the delivery of certain LPG is not creditable for the subdistribution agent.</p> PMK-62 provides examples for the calculation of VAT on delivery by a government appointed entity, distribution agent, and subdistribution agent, as well as the procedures for completing the VAT invoice.
63/PMK.03/2022 (PMK-63)	VAT treatment of tobacco products	174/PMK.03/2015 as amended by 207/PMK.010/2016	<p>The provisions of PMK-63 are broadly the same as those of the previous regulation. Key changes made by PMK-63 include:</p> <ul style="list-style-type: none"> Tobacco products now include electric cigarettes. The standard VAT rate on PMSE is increased from 10% to 11% (to be increased to 12% by 2025, at the latest). This results in an

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			<p>effective VAT of 9.9% x the retail price (10.7% when the 12% VAT rate is implemented).</p> <ul style="list-style-type: none"> PMK-63 deletes the provision related to the delivery of tobacco products as a gift. VAT is imposed once at the level of producer or importer of tobacco products. A distributor delivering only tobacco products is not required to register as a PKP.
64/PMK.03/2022 (PMK-64)	VAT treatment of delivery of certain agricultural products (plantation, crops, and forestry)	89/PMK.010/2020	<p>The provisions of PMK-64 are broadly the same as those of the previous regulation. Key changes made by PMK-64 include:</p> <ul style="list-style-type: none"> The standard VAT rate is increased from 10% to 11% (to be increased to 12% by 2025, at the latest). PMK-64 changes the VAT mechanism from using other VAT imposition base to calculate VAT (<i>menggunakan nilai lain sebagai dasar pengenaan pajak</i>) to final VAT mechanism (<i>menggunakan besaran tertentu untuk memungut dan menyetorkan PPN</i>). The effective VAT rate is 1.1% x sales price (1.2% x sales price (when the 12% VAT rate is implemented)). A PKP delivering certain agricultural products may choose either to follow the general VAT regulation or to use a final VAT mechanism to calculate its VAT for the delivery of agricultural products. To use the final VAT mechanism, the PKP must submit a notification to the tax office. A PKP that has been using other VAT imposition base to calculate VAT under the previous regulation is not required to submit a notification since it is deemed automatically to use the final VAT mechanism under PMK-64. A PKP using the final VAT mechanism may change over to using general VAT regime by submitting a notification to the tax office by the end of the first fiscal period after the end of the fiscal year using the final VAT mechanism. A PKP that has chosen to return to using the general VAT regime may no longer convert to using the final VAT mechanism. Industrial business entities processing plantations, crops, and forestry products, which purchase certain agricultural products from other PKPs subject to the final VAT mechanism, are appointed as VAT collectors. The seller PKP subjected to the final VAT mechanism cannot claim input VAT in relation to goods delivered using the final VAT mechanism.
66/PMK.03/2022 (PMK-66)	VAT treatment of delivery of subsidized fertilizer for the agricultural sector	62/PMK.03/2015	<p>The provisions of PMK-66 are broadly the same as those of the previous regulation.</p> <p>The primary change made by PMK-66 is the increase in the standard VAT rate from 10% to 11% (to be increased to 12% by 2025, at the latest).</p> <p>VAT to be collected at the fertilizer manufacturer level is calculated as follows:</p> <ul style="list-style-type: none"> Subsidized portion: standard VAT rate x 100/(100 + standard VAT rate) x subsidized amount (which already includes VAT); and Nonsubsidized portion: standard VAT rate x 100/(100 + standard VAT rate) x highest retail sales price (<i>harga eceran tertinggi</i>). <p>The manufacturer must issue a VAT invoice for each delivery.</p> <p>A distributor or retailer whose main activity is only to deliver subsidized fertilizer is not required to register as a PKP.</p>

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67/PMK.03/2022	VAT treatment of delivery of services by insurance agent and brokers	None	Please refer to Tax Info April 2022 .
70/PMK.03/2022 (PMK-70)	Criteria for certain services that are not subject to VAT	<ul style="list-style-type: none"> • 122/PMK.03/2012; • 18/PMK.010/2015; • 43/PMK.010/2015; and • 158/PMK.010/2015. 	<p>Under UU HPP, all goods and services are subject to VAT, except:</p> <ul style="list-style-type: none"> • Items that are already subject to regional tax; • Money, gold bars (representing Indonesia's state gold reserves), and securities; • Religious services; and • Government administrative services that cannot be provided by other parties. <p>PMK-70 is issued to regulate items that are nontaxable since they are already subject to regional tax, namely certain:</p> <ul style="list-style-type: none"> • Food, beverages, and catering services; • Art and entertainment services; • Hotel services; and • Parking services. <p>PMK-70 combines all the relevant regulations related to nontaxable goods/services into a single regulation. Entrepreneurs engaging in the relevant business activities should review PMK-70 as the regulation makes some detailed adjustments to the activities that are nontaxable.</p>
71/PMK.03/2022 (PMK-71)	VAT treatment of delivery of certain taxable services	<ul style="list-style-type: none"> • Article 2(j), (k), and (m) of 75/PMK.011/2010 (as last amended by 121/PMK.03/2015 (PMK-75)); • Article 8 of 92/PMK.03/2020 (PMK-92); and • Article 13(5)(b) and Article 16(4)(b) of 6/PMK.03/2021 (PMK-6). 	<p>PMK-71 changes the VAT mechanism for certain services, from using other VAT imposition base to calculate VAT to the final VAT mechanism, resulting in an effective VAT rate as follows:</p> <ul style="list-style-type: none"> • Postal parcel delivery services: 1.1% x compensation amount. • Certain travel agency services and/or provision of travel packages: 1.1% x the selling price of the travel package, transport, and accommodation. • Freight forwarding services: 1.1% x the amount billed. • religious mixed with nonreligious tour package services: 1.1% x tour package price for nonreligious tour (if the tour package price can separate between the religious tour portion (which is not subject to VAT) and nonreligious tour portion (which is subject to VAT)) or 0.55% x the entire tour package price (if the tour package price does not separate the religious tour portion and the nonreligious tour portion). • Marketing services for media vouchers, transaction payment services in relation to voucher distribution, and services related to consumer loyalty/reward programs, which are not based on commission and without any margin: 1.1% x voucher sales price. <p>The final VAT rate above is based on the standard VAT rate of 11%. The final rate will increase when the standard VAT rate is increased to 12% by 2025, at the latest.</p>

Regulation on tax and nontax state revenue for coal mining industry issued

On 11 April 2022, the Indonesian government issued Regulation Number 15 of 2022 (PP-15) regarding the applicability of provisions concerning the tax and nontax state revenue (*Penerimaan Negara Bukan Pajak* (PNBP)) payable by companies in the coal mining industry. PP-15 has come into effect as from 17 April 2022 and is intended to provide more legal and business certainties for the industry.

PP-15 is intended to provide more legal and business certainties for coal mining industry.

The regulation applies to holders of the following coal mining industry licenses:

- Mining business license under the current Mining Law (*izin usaha pertambangan* (IUP));
- Special mining business license for an area within the state reserves area (*izin usaha pertambangan khusus* (IUPK));
- IUPK for the continuity of coal contract of work (ex-CCoW IUPK);
- CCoW whose income tax provisions are stipulated in the CCoW (*Lex-Specialis* Income Tax CCoW); and
- CCoW whose income tax provisions follow the prevailing Income Tax Law (*Lex-Generalis* Income Tax CCoW).

Income tax treatment

Income tax provisions under PP-15 apply to all the above types of mining license holder, except for *Lex-Specialis* Income Tax CCoW that must continue to follow the terms of the CCoW until the contract expires. The key income tax provisions under PP-15 are summarized below.

Income recognition and deductible expenses

Income earned by the holders of coal mining industry licenses comprises income from the sale of coal and other income. The price used to calculate the sales price of coal is the higher of the:

- Lower of the coal benchmark price (*harga patokan Batubara* (HBA)) or index price (*indeks harga batubara*) at the time of the transaction (the index price may be Energy Publishing Coking Coal, Globalcoal New Castle, ICI/Argus Coalindo, IHS Markit, New Castle Export, Platts, or another price index used to determine the HBA); and
- Actual coal price that should be received by the seller.

For coal sales under certain circumstances (e.g., coal supply to mine-mouth independent power producer, coal upgrading, domestic market obligations), the sale price must be determined in accordance with the prevailing regulations.

PP-15 provides a detailed list of expenses that are deductible for tax purpose, for example exploration costs, feasibility study costs, general study costs, nontax state revenue contribution, post-mining costs, and production operation costs. Other provisions related to the income tax calculation, nondeductible expenses, taxable income, tax losses carried forward, and tax rates should refer to the prevailing tax regulations. In addition, the net profit "distribution" to the government is not deductible.

Taxation and PNBP

Provisions related to taxation and PNBP for IUP and IUPK holders are in accordance with the prevailing regulations. Provisions related to taxation and PNBP for CCoW are determined by the terms of the CCoW and valid until the CCoW expires.

The taxation and PNBP applicable to ex-CCoW IUPK with an expiry date of up to 2025 are summarized in the following table:

Type of PNBP or taxation	Applicable rates
Dead rent (<i>iuran tetap</i>)	Follows the provision in the law prevailing as of the date of issuance of the IUPK
Use of ex-CCoW state asset	0.21% x sales price
Production royalty	Follows the prevailing regulation. Rates range from 14% to 28% depending on the HBA
Central government levy from the ex-CCoW's net profit after tax	4% (in accordance with the law prevailing as of the date of issuance of the IUPK)
Regional government levy from the ex-CCoW's net profit after tax	6% (in accordance with the law prevailing as of the date of issuance of the IUPK)
PNBP for environmental and forestry	Follows the provision in the law prevailing as of the date of issuance of the IUPK
Corporate income tax	22%
Land and building tax	Follows the provision in the law prevailing as of the date of issuance of the IUPK

Other taxation and PNBP obligations of IUP, IUPK, and ex-CCoW IUPK holders follow the prevailing laws and regulations. These include carbon tax, customs duty, excise duty, PNBP, regional tax and retribution, stamp duty, tax withheld and collected, and VAT. PP-15 also provides guidance on the date from which the tax and PNBP apply—either the next fiscal year or the next calendar year from the year the ex-CCoW IUPK is issued.

Bookkeeping

An ex-CCoW IUPK may maintain its books in the language and currency stated in the CCoW until the end of the fiscal year following the fiscal year in which the IUPK is issued. Thereafter, the bookkeeping must be maintained in the Indonesian language and IDR currency, unless the ex-CCoW has submitted a notification that it is to use English and USD currency in line with the prevailing regulation.

Taxpayers must maintain their books and supporting documents in line with the prevailing tax regulations. In the event that the exploration period for the mining operation is longer than the general 10-year period for retaining bookkeeping records stipulated in the laws and regulations, the records, data, and information must be retained until the month in which the production operation stage is approved by the authorized body.

Other matters

Mining license holders may cooperate with other mining license holders and/or entities that do not hold a mining license. Further details on the tax rights and obligations for mining license holders in such situations will be provided by the MoF.

PP-15 provides a detailed list of transitional provisions applicable to holders of each type of coal mining license.

The income tax provisions applicable for IUP, IUPK, and *Lex-Generalis* CCoW come into effect from the fiscal year following the fiscal year in which PP-15 becomes effective.

Customs Focus

Update on procedures for clearance of imported goods for use

In order to improve its public services for the clearance of imported goods, the Directorate General of Customs and Excise (DGCE) has issued Regulation Number PER-02/BC/2022 (PER-02) to amend Regulation Number PER-16/BC/2016 (PER-16) concerning Imported Goods for Use.

The main reason for the amendment is the removal of 'yellow lane' in imported goods clearance. Under PER-16, the yellow lane is the process of servicing and monitoring the clearance of imported goods without any physical inspection but through a document review prior to the issuance of Letter of Approval for Goods Clearance (SPPB). Hence, there are now only two categories of imported goods clearance remain, i.e., the green lane and the red lane.

When PER-02 comes into effect on 25 April 2022, the imported goods clearance previously categorized as yellow lane and has yet to receive an SPPB, can still be processed in accordance with the provision of PER-16.

PER-02 improves DGCE services on the clearance process of imported goods by removing the yellow lane.

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