

# IMPLEMENTATION OF VAT ASPECTS OF LAW NO. 11 ON JOB CREATION (PP-9/2021)

RSM INDONESIA CLIENT ALERT - 9 April 2021

On 2 February 2021, Government Regulation No. 9 was issued concerning Tax Treatment to Ease Doing of Business (“PP-9/2021”). **PP-9/2021 provides additional details regarding the amendments to the laws on income tax, VAT and general tax administration procedures that were stipulated in Part VII of Law No. 11/2020 on Job Creation (“the Omnibus Law”).**

This Client Alert summarises the amendments regarding VAT. Future Client Alerts will address the revisions stipulated by PP-9/2021 relating to income tax and general tax administration procedures.

Part IV of PP-9/2021 amends various articles of the existing Government Regulation Number 1 Year 2012 (“PP-1/2012”) regarding the Implementation of the VAT Law.

The key amendments are:

- The definition of delivery of taxable goods now excludes placement of consignment goods to the consignee where there is no invoice and/or recognition of income or expense by the consignor or consignee, respectively.
- Subject to the regulations, Input VAT can be credited for the import or acquisition of taxable goods prior to commencement of production (previously this was limited to capital goods).
- The information required to be inserted within the tax invoice are now stipulated in PP-9/2021, including a provision to allow use of the buyer/service user’s NIK if no NPWP is provided.
- PP-9/2021 recognises the change of business model to include digital business.



The table below provides additional detail and a comparison to PP-1/2012:

Article (Art.)	PP-1/2012	PP-9/2021	Note
<b>Art. 5A</b>	Not yet regulated.	Transfer of taxable goods for the purpose of paying up capital (inbrenng), replacing a cash subscription.	The transfer of taxable goods in terms of inbrenng is exempted from the meaning of delivery of taxable goods (Art. 1A(2) VAT Law).
<b>Art. 16</b>	A VATable entrepreneur that is not yet in production may only credit Input VAT for the acquisition and/or import of capital goods that are not for re-sale.	Deleted.	This provision is regulated under Art. 9 VAT Law. Subject to regulation, Input VAT for all pre-production imports or acquisitions can be credited.
<b>Art. 17(3)(a)</b>	Defines when a delivery of taxable goods occurs for the purposes of determining when VAT shall be imposed. This included deliveries from a consignor to a consignee.	The delivery of taxable goods that are by nature or law movable goods does not include consignment.	Transfer of taxable goods under consignment is governed under a separate provision (refer Art. 17A below).
<b>Art. 17A</b>	Not yet regulated.	Stipulates when a delivery of movable taxable goods in a consignment arrangement is considered to be a VATable delivery.	The VATable delivery is considered to occur when a receivable or income are recognized by the consignor or a sales invoice is issued by the consignor, in accordance with generally accepted accounting principles, that are consistently applied.
<b>Art. 19(1)</b>	A VAT invoice must be issued when there is delivery or export of taxable goods (tangible or intangible) and/or services.	A new provision is added that requires issuance of the VAT invoice when there is a delivery of taxable consigned goods per Art.17A.	To cover the new position that the general placement of consigned goods does not create a VATable delivery, and therefore a VAT invoice is required when the requirements are met for a VATable delivery.

Article (Art.)	PP-1/2012	PP-9/2021	Note
Art. 19(2)	A VAT invoice is not required for taxable goods and/or services that are used internally for productive purposes (such use is not subject to VAT).	Deleted.	The omission is because already regulated in Art. 17 (3)(a)2.
Art. 19A	Not yet regulated.	In addition to identifying the seller/service provider it is necessary to identify the buyer/service user.	<p>The VAT invoice must include the following details of the buyer/service user, at a minimum:</p> <ul style="list-style-type: none"> <li>• Name, address and NPWP if an Indonesian taxpayer that is an entity (badan) or government institution;</li> <li>• Name, address and NPWP or NIK if an Indonesian taxpayer that is an individual;</li> <li>• Name, address and passport number for a foreign taxpayer, or</li> <li>• Name and address for an entity that is a foreign taxpayer (and not a Permanent Establishment).</li> </ul> <p>If the information mentioned above is included in the VAT invoice, a VATable entrepreneur acting as buyer can credit the Input Tax (subject to complying with the other provisions of the VAT Law and regulations).</p>

Article (Art.)	PP-1/2012	PP-9/2021	Note
Art. 20	A conventional retailer of taxable goods is not required to issue a VAT invoice that identifies the buyer or has the name and signature of the seller (i.e. a tax collection letter (STP) will not be issued in such cases).	The definition of retailer is revised to cover the retailer that transfers taxable goods and/or services to a buyer who is the end consumer. It also explicitly includes electronic retailing.	<ul style="list-style-type: none"> <li>The provision stating an STP will not be issued (where a retailer does not prepare a VAT invoice that identifies the buyer and/or name and signature of the seller) is deleted. This is now restated under Art. 14(1)(e) of the revised KUP Law.</li> <li>Further regulation regarding VATable entrepreneurs that are retailers will be made by Minister of Finance decree.</li> </ul>

## RSM Comment

PP-9 provides further clarity regarding the amendments to the VAT Law that are stipulated in the Omnibus Law. In particular, it clarifies when a VATable delivery will occur for consigned goods and recognises that retail now includes online channels.

For further information please contact:

**RSM INDONESIA**

Plaza ASIA Level 10  
 Jl. Jend. Sudirman Kav.59  
 Jakarta 12190  
 P: +62 21 5140 1340  
 E: [contact@rsm.id](mailto:contact@rsm.id)  
[www.rsm.id](http://www.rsm.id)