

With the enactment of Law (UU) Number 7 Year 2021 concerning Harmonization of Tax Regulations (HPP), there are several changes related to the regulation of tax objects and non-tax objects as well as the provision of convenience in the field of taxation as stipulated in the Law on Value Added Tax/VAT (PPN) on Goods and Services and Sales Tax on Luxury Goods/LST (PPnBM), thus it is necessary to adjust the arrangements in providing convenience in the field of VAT and LST. The arrangements for providing convenience in the VAT sector as stipulated in Government Regulation (PP) Number 146 Year 2000 as amended by PP 38/2003, PP 81/2015 as amended by PP 48/2020, PP 40/2015 as amended by PP 58/2021, and PP 50/2019, have not adjusted the arrangements for providing convenience in the VAT sector and simplifying regulations, therefore, they need to be replaced, and in order to implement the provisions of Article 16B paragraph (1) of UU 8/1983 concerning VAT & LST as amended by UU HPP, the government needs to stipulate a Government Regulation on VAT Exempted and VAT or VAT & LST Non-Collected, on Import and/or Delivery of Certain Taxable Goods (BKP), and/or Delivery of Certain Taxable Services (JKP) and/or Utilization of Certain Taxable Services from outside the customs area, namely PP 49/2022.

## VAT EXEMPTED AND VAT NON-COLLECTED IN THE NEW VAT INCENTIVE PROVISIONS

VAT facilities in the form of VAT Exempted and VAT or VAT & LST Non-Collected as stipulated in PP 49/2022 are provided with and without the use of a Certificate of VAT Exemption (SKB) and a Certificate of VAT Non-Collected (SKTD).

**A. VAT Exempted Without using SKB**, given on the following types:

1. Import and/or Delivery of Certain Taxable Goods and/or Delivery of Certain Taxable Services

- **Certain Taxable Goods which are Exempted from VAT on the Import and Delivery thereof Without the use of SKB** i.e. polio vaccine and Covid-19 vaccine; general textbooks, holy books, and religious textbooks; taxable goods received by ministries, agencies or institutions both central and regional that handle national disasters.
- **Certain Taxable Services which are Exempted from VAT on the Delivery thereof Without the use of SKB** i.e. construction services for places only for worship purposes; building construction services for victims of national disasters whose costs are sourced from the State budget, Regional budget, and/or donations; taxable services other than construction services received by ministries, agencies or institutions both central and regional that handle national disasters.

2. Import and/or Delivery of Certain Strategic



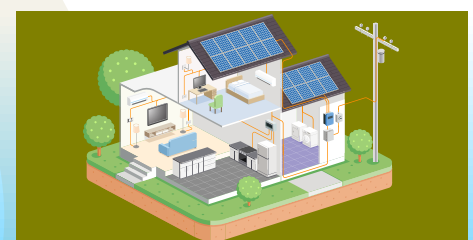
Taxable Goods

- **Certain Strategic Taxable Goods which are Exempted from VAT on the Import and Delivery thereof Without the use of SKB** i.e. goods resulting from business activities in the marine and fisheries sector as listed in the Appendix to the PP; hides and raw untanned leather; livestock regulated by Ministerial Regulation; seeds and/or seedlings of agricultural, plantation, forestry, livestock, or fishery goods; animal feed excluding pet feed; fish feed that meets import or circulation requirements; feed ingredients for the manufacture of animal feed and the main raw materials for fish feed, excluding feed additives and supplements; raw materials for silver crafts in the form of granulated silver and/or bars; certain goods in the group of basic necessities; sugar for consumption without added flavorings or colorings; mining or drilling products taken directly from the source, excluding coal;



liquefied and compressed natural gas.

- **Certain Strategic Taxable Goods which are Exempted from VAT on the Import thereof Without the use of SKB** i.e. weapons, ammunition, military equipment and supplies belonging to other countries imported by the Indonesian National Military (TNI) in the context of military activities in the form of joint exercises; presidential special service vehicles imported by presidential institutions or designated parties; goods for the purposes of museums, zoos, and other such places open to the public, as well as goods for nature conservation; goods imported by the central or regional government for the public interest; medicines, human therapeutic materials, blood grouping, and tissue typing materials imported by using the State or Regional budget for the benefit of the society.
- **Certain Strategic Taxable Goods which are Exempted from VAT on the Delivery thereof Without the use of SKB** i.e. publicly owned apartment units whose acquisition is financed through subsidized home ownership loans/financing that meet certain conditions; public houses, pondok boro, student and student dormitories, and workers' houses the limits of which are regulated by the Minister; electricity including connection fees and electricity loads, except for houses with power above 6,600 voltage amperes; clean water including connection or installation fees and fixed loads.



3. Delivery of Certain Strategic Taxable Services and/or the Utilization from outside the customs area

**Certain Strategic Taxable Services which are Exempted from VAT on the Delivery and Utilization from outside the customs area thereof Without the use of SKB** i.e. medical

health services, including individuals and society and animals; certain social services, including orphanages and nursing homes, firefighting, providing assistance in accidents, rehabilitation institutions, providing funeral homes and funeral services including crematoriums, and sports; mailing services with stamps, either with postage stamps or other means of replacement; financial services, whether raising funds or placing, borrowing, lending funds, and financing including those on sharia principles, as well as lending based on pawning, and guaranteeing; insurance services excluding supporting services, including loss, life, and reinsurance insurance; education services, both school/formal and out-of-school/non-formal, excluding those that are an integral part of other delivery; broadcasting services that are not advertising in nature, such as the airing of public service messages; public transportation services on land and in water excluding those that are rented/chartered, as well as domestic air transportation that constitutes an integral part of foreign transportation services; labor services, including the provision and organization of training; public telephone services using coins or coins; remittance services by postal money order; rental services for public flats and public houses.



**B. VAT Exempted By using SKB**, given on the following types:

1. Import and/or Delivery of Certain Strategic Taxable Goods

**Certain Strategic Taxable Goods which are**



**Exempted from VAT on the Import and Delivery thereof with the use of SKB** i.e. machinery and plant equipment excluding spare parts, which are used in the process of producing taxable goods including by those carrying out integrated construction work; weapons, ammunition, bulletproof helmets and bulletproof jackets or vests, special land vehicles, radars, and their spare parts, which are imported by or handed over to ministries or government agencies in the field of national defense and security and the field of prevention and eradication of drug abuse and illicit trafficking (or other designated parties); components or materials imported because they have not been made domestically or obtained by state-owned enterprises (BUMN) in the designated national defense industry in the manufacture of weapons, ammunition, special ground vehicles, radar, and spare parts, which will be handed over to ministries or government agencies in the field of defense and security and the field of prevention and eradication of drug abuse and illicit trafficking; equipment and spare parts imported by or handed over to and used by ministries in the field of defense or the national army (or designated parties) for the provision of boundary data, maps of topographic and hydrographic results, and aerial photographs.

2. Delivery of Certain Strategic Taxable Services and/or the Utilization from outside the customs area

**Certain Strategic Taxable Services which are Exempted from VAT on the Delivery and Utilization from outside the customs area thereof With the use of SKB** i.e. services received by the ministry in the field of defense or the national army in the context of providing boundary data, maps of topographic and hydrographic results, and aerial photographs.

**VAT-In** on the Acquisition of Taxable Goods and

Services, Import of Taxable Goods and Utilization of Taxable Services from outside the customs area, which are related to the Delivery of Certain Taxable Goods and Services and Certain Strategic Taxable Goods and Services on which VAT are Exempted, **cannot be credited**.

**C. VAT or VAT & LST Non-Collected Without using SKTD**, given on the following types:

1. Import and/or Delivery of Certain Strategic Taxable Goods

**Certain Strategic Taxable Goods which VAT is Non-Collected on the Import and Delivery thereof Without the use of SKTD** i.e. gold bars other than for the benefit of the state foreign exchange reserves.

2. Import of Taxable Goods Exempted from Import Duty (*Bea Masuk*)



**Taxable Goods Exempted from Import Duty which VAT and LST are also Non-Collected on its Import Without the use of SKTD** i.e. goods sent as gifts for public worship, charity, social, or cultural purposes by bodies or institutions in that field that are domiciled in the unitary state of the Republic (NKRI) and are non-profit in nature; goods for the purposes of research and development of science by universities, ministries or government agencies, legal entities or institutions; goods for the special needs of persons with disabilities by social agencies or institutions; crates or other packaging containing bodies or their ashes; goods transferred by Indonesian workers (TKI) working abroad, students studying abroad, civil servants (PNS), personnel of the Indonesian national army or national police serving overseas for a minimum of 1 (one) year, if not for trade; personal belongings of passengers, crew of transport facilities, border crossers, and consignments up to a certain amount; temporary imported goods; goods used by cooperation



cooperation contractors for upstream oil and gas business activities and geothermal operations; goods that have been exported and then re-imported in the same quality; goods that have been exported for the purposes of repair, workmanship, and testing, then re-imported; goods and materials to be processed, assembled, or installed in other goods that receive Ease of Import for Export Purposes (*KITE*); goods and materials or machinery imported by micro, small and medium enterprises or industries, or consortiums for that purpose, using *KITE*; goods in the framework of a Coal mining Cooperation Agreement/Work of Exploitation (*PKP2B*), whose contract was signed before 1990 and includes the granting of Import Duty relief, and the imported goods are state property; goods sent as gifts/grants for the benefit of natural disaster management submitted by agencies or institutions, central and local governments, non-governmental international or foreign institutions.



**D. VAT or VAT & LST Non-Collected By using SKTD**, given on the following types:

**1. Import and/or Delivery of Certain Strategic Taxable Goods**

**Certain Strategic Taxable Goods the VAT on which is Non-Collected on the Import and Delivery thereof With the use of SKTD** i.e. transportation equipment in water, under water, in the air, and railways, as well as their spare parts, shipping and aviation safety equipment, and human safety, imported by or delivered to the ministry or government agency in the field of defense (or other designated parties); sea, river, lake, ferry, fishing, pilot, tug, barge, and their spare parts, ship equipment, shipping and human safety, imported by or delivered to and used by shipping companies, fishing, national port service providers,



national river, lake and ferry transportation services; aircraft and their spare parts, aviation and human safety equipment, and equipment for repair and maintenance, imported by or delivered to and used by national commercial air transport enterprises; aircraft spare parts and equipment for repair and maintenance, imported or acquired by designated parties; trains and their spare parts, equipment for repair and maintenance, and railway infrastructure, imported by or delivered to and used by business entities organizing public railway facilities and/or infrastructure; components or materials imported by or delivered to designated parties in the context of manufacturing trains, spare parts, equipment for repair and maintenance, and/or infrastructure.

**2. Delivery of Certain Strategic Taxable Services and/or the Utilization from outside the customs area**

- **Certain Strategic Taxable Services the VAT on which is Non-Collected on the Delivery and Utilization from outside the customs area thereof With the use of SKTD** i.e. aircraft rental services received or utilized by national commercial air transport business entities.
- **Certain Strategic Taxable Services the VAT on which is Non-Collected on the Delivery thereof with the use of SKTD** i.e. ship rental, port, ship maintenance and repair services received by commercial shipping, fishing, and national port service providers, national river, lake, and ferry transportation services; aircraft maintenance and repair services received by national commercial air transportation business entities; train maintenance and repair services received by public railway facility providers.

**VAT-In** on the Acquisition of Taxable Goods and Services, Import of Taxable Goods and Utilization of Taxable Services from outside the customs area, which are related to the Delivery of Certain Strategic Taxable Goods and Services the VAT on which is Non-Collected, **can be credited if it meets the crediting provisions.**



**Tax Invoice for VAT Exempted and VAT Non-Collected**

VAT incentives shall not annul the obligation to issue Tax Invoice (*Faktur Pajak*). For the Delivery of Taxable Goods and/or Services that obtain VAT Facilities, Taxable Entrepreneurs (*Pengusaha Kena Pajak*) are still required to issue Tax Invoice, whether the Facility is in the form of VAT Exempted or VAT Non-Collected. The **Faktur Pajak transaction code for VAT Exempted is 08**, while for **VAT Non-Collected is 07**.

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