

VAT at Certain Amounts and Toward a 12% VAT Rate



9th Edition

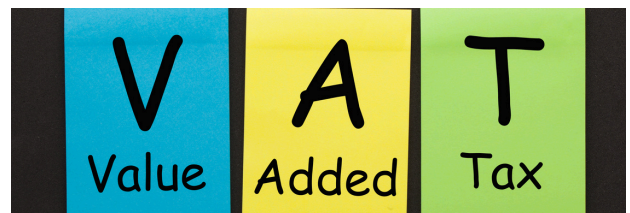
5/30/2024

IGTax Fellows need to be aware that in the latest Value Added Tax (VAT) provisions stipulated in the VAT Law as most recently amended by Law 7/2021 concerning Harmonization of Tax Regulations (*HPP Law*), there are arrangements regarding VAT at Certain amounts, as stated in Article 9A. In addition, there is also a regulation regarding stipulation of the general rate of VAT which will increase again to 12% (twelve percent) by no later than January 2025, as mandated by Article 7 paragraph (1). The new VAT provisions have been further regulated through Government Regulation (*PP*) 44/2022 concerning Application of VAT on Goods and Services and Sales Tax on Luxury Goods.

The arrangement of Certain Amounts in the provisions on VAT is intended to provide convenience and simplification in tax administration. The input tax on the submission of certain taxable goods and/or services cannot be credited because, in principle, the input tax has been calculated or deemed to have been credited in the calculation of output tax by using Certain Amounts.

A. VAT at Certain Amounts

In the calculation of VAT payable on Taxable Goods and/or Services using the 11% (eleven percent) rate which is currently in effect since April 2022, there are exceptions for a number of certain Taxable Goods and/or Services for the calculation of VAT payable using Certain Amounts. Taxable Entrepreneurs who deliver certain Taxable Goods and/or Services can use the Certain Amounts to collect and remit the VAT payable thereon, but cannot credit the input tax at the time of acquisition of the certain Taxable Goods and/or Services. Therefore, VAT at Certain Amounts can be referred to as final VAT.



As also stipulated in Article 15 of Government Regulation (*PP*) 44/2022, Taxable Entrepreneurs who may use the Certain Amount shall include those:

- whose business turnover in 1 (one) fiscal year does not exceed a certain amount
- who conduct certain business activities, among others which:
 - experience difficulties in the administration of input tax
 - conduct transactions through third parties, either in taxable goods and/or services or its payments



- have a complex business process such that the imposition of VAT is not possible to be done with the normal mechanism
- who make deliveries of certain taxable goods and/or services, namely taxable goods and/or services subject to VAT in the context of expanding the tax base and taxable goods needed by the public at large



The deliveries of certain taxable goods and/or services with Certain amounts in the calculation of the VAT payable among others are as follows:

No.	Certain Taxable Goods and/or Services	VAT at Certain Amounts Based on 11% Rate
1.	Self-Construction Activities (Minister of Finance Regulation (PMK) 61/2022)	2.2% x Cost for each tax period, excluding land acquisition
2.	Delivery of Certain LPG by Agents and Depots (PMK 62/2022)	1.1/101.1 of the excess of Retail selling price - Agent/Depot selling price
3.	Delivery of Certain Agricultural Products (PMK 64/2022)	1.1% x Selling price
4.	Delivery of Used Motor Vehicles (PMK 65/2022)	1.1% x Selling price
5.	Delivery of Insurance Agent, Insurance Broker, and Reinsurance Broker Services (PMK 67/2022)	1.1% (for Insurance Agent) or 2.2% (for Insurance or Reinsurance Broker) x Commission/Fee
6.	Crypto Asset Trading Transactions (PMK 68/2022):	
	- Crypto asset trading	0.11% (Electronic Commerce/Exchanger registered at the Commodity Futures Trading Supervisory Board) or 0.22% (not registered) x Transaction value
	- Service of Electronic Commerce	11%
	- Service of transaction verification/mining	1.1% x Monetary value of crypto asset received
7.	Organization of Financial technology (PMK 69/2022)	11%
8.	Delivery of Certain Taxable Services (PMK 71/2022)	1.1% x Replacement value or Selling price or Amount billed/should have been billed
9.	Delivery of Collateral Taken Over by a Creditor to a Collateral Buyer (PMK 41/2023)	1.1% x Selling price
10.	Sale/Delivery of Gold Jewellries (PMK 48/2023):	
	- Taxable Manufacturing Entrepreneur	1.1% (to another Manufacturer or trader) or 1.65% (to end consumer) x Selling price



- Taxable Trading Entrepreneur	1.1% (the Taxable Entrepreneur has complete Tax Invoice on the acquisition) or 1.65% (the Taxable Entrepreneur does not have complete Tax Invoice) x Selling price
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To collect VAT at a certain amount, a Taxable Entrepreneur who delivers certain Taxable Goods and/or Services must first submit a notification to the Tax Office (KPP) where the Taxable Entrepreneur is stipulated, by no later than the deadline for submitting the Periodic VAT Return (SPT) for the first tax period when the use of a certain amount begins.

The Taxable Entrepreneur needs to decide carefully on the rate to be used when collecting VAT on the submission of certain Taxable Goods and/or Services. Taxable Entrepreneur who has used a certain amount in collecting and remitting VAT may switch to using the general/normal rate, by submitting a prior notification to the Tax Office.

VAT collection using the general rate again shall take effect in the first tax period after the end of the tax year in which the VAT collection uses a certain amount. If it has switched back to using the general/normal rate, the Taxable Entrepreneur can no longer collect VAT using the certain amount

for the next tax period and year.

The Tax Invoice for VAT at a certain amount on the delivery of certain taxable goods and/or services shall be made with transaction code 05. The Taxable Entrepreneur Buyer who has paid VAT at a certain amount on the Tax Invoice code 05 may still credit the input tax as long as it meets the provisions on input tax crediting.

B. VAT Increase Based on 12% Rate as of January 2025

Insofar as there is no new regulation that amends the provisions on the validity of the VAT rate to 12%, then starting from the January 2025 tax period, the 12% VAT rate will prevail. With the increased VAT rate to 12% on taxable goods and/or services, it will also be followed by an increase in the Certain Amounts for VAT on certain taxable goods and/or services.

The increase in Certain Amounts of VAT on certain Taxable Goods and/or Services following the 12% VAT rate shall be as follows:



No.	Certain Taxable Goods and/or Services	VAT with Certain Amount Based on 12% Rate
1.	Self-Construction Activities (PMK 61/2022)	2.4% x Cost for each tax period, excluding land acquisition
2.	Delivery of Certain LPG by Agents and Depots (PMK 62/2022)	1.2/101.2 of the excess of retail selling price - Agent/Depot selling price
3.	Delivery of Certain Agricultural Products (PMK 64/2022)	1.2% x Selling price
4.	Delivery of Used Motor Vehicles (PMK 65/2022)	1.2% x Selling price
5.	Delivery of Insurance Agent, Insurance Broker, and Reinsurance Broker Services (PMK 67/2022)	1.2% (for Insurance Agent) or 2.4% (for Insurance or Reinsurance Broker) x Commission/Fee
6.	Crypto Asset Trading Transactions (PMK 68/2022):	
	- Crypto asset trading	0.12% (Electronic Commerce/Exchanger registered at the Commodity Futures Trading Supervisory Board) or 0.24% (not registered) x Transaction value
	- Service of Electronic Commerce	12%
	- Service of transaction verification/mining	1.2% x Monetary value of crypto asset received
7.	Organization of Financial technology (PMK 69/2022)	12%
8.	Delivery of Certain Taxable Services (PMK 71/2022)	1.2% x Replacement value or Selling price or Amount billed/should have been billed
9.	Delivery of Collateral Taken Over by a Creditor to a Collateral Buyer (PMK 41/2023)	1.2% x Selling price
10.	Sale/Delivery of Gold Jewelries (PMK 48/2023):	
	- Taxable Manufacturing Entrepreneur	1.2% (to another Manufacturer or trader) or 1.8% (to end consumer) x Selling price
	- Taxable Trading Entrepreneur	1.2% (the Taxable Entrepreneur has complete Tax Invoice on the acquisition) or 1.8% (the Taxable Entrepreneur does not have complete Tax Invoice) x Selling price

Hence the discussion on the most recent provisions on VAT, we hope that it would serve as a useful consideration in making tax-related business decisions.