



THE PRESIDENT
OF THE REPUBLIC OF INDONESIA

LAW OF THE REPUBLIC OF INDONESIA
NUMBER 42 YEAR 2009

ON

THE THIRD AMANDMENT OF LAW NUMBER 8 YEAR 1983
ON THE VALUE ADDED TAX OF GOODS AND SERVICES AND TAX OF
LUXURY GOODS SALE

BY GRACE OF THE GOD ALMIGHTY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

- Consider : a. that for the purpose of improving better legal certainty and justice, creating taxation system of which is more simple, as well securing the state revenue in order to the national development can be implemented independently, it is required to make the amendment towards Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale as had been several times amended lastly with Law Number 18 Year 2000 on the Second Amendment of Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale;
- b. that based on consideration as set forth in point a above, it is required to make Law on the Third Amendment of Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale;
- In the view of : 1. Article 5 Section (1), Article 20, and Article 23A of the Constitution of the Republic of Indonesia Year 1945;
2. Law Number 6 Year 1983 on the General Provision and Taxation Procedures (State Gazette of the Republic of Indonesia Year 1983 Number 49, Supplement of State Gazette of the Republic of Indonesia Number 3262) as had been several times amended lastly with Law Number 16 Year 2009 on the Stipulation of the Government Regulation In Lieu Law Number 5 Year 2008 on the General Provision and Taxation Procedures to be the Law (State Gazette of the Republic of Indonesia Year 2009 Number 62, Supplement of State Gazette of the Republic of Indonesia Number 4999);
3. Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale State Gazette of the Republic of Indonesia Year 1983 Number 51, Supplement of State Gazette of the Republic of Indonesia Number 3264) as had been several times



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amended lastly with Law Number 18 Year 2000 on the Second Amendment of Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale (State Gazette of the Republic of Indonesia Year 2000 Number 128, Supplement of State Gazette of the Republic of Indonesia Number 3986).

With the joint approval of

THE HOUSE OF REPRESENTATIVE

and

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

To enact : LAW ON THE THIRD AMENDMENT OF LAW NUMBER 8 YEAR 1983 ON THE VALUE ADDED TAX OF GOODS AND SERVICES AND TAX OF LUXURY GOODS SALE

BE IT HEREBY RESOLVED:

Article I

Several provisions of the Law Number 8 Year 1983 on the Value Added Tax of Goods and Services and Tax of Luxury Goods Sale (State Gazette of the Republic of Indonesia Year 1983 Number 51, Supplement of State Gazette of the Republic of Indonesia Number 3264) of which had been several times amended with Law:

- a. Number 11 Year 1994 (State Gazette of the Republic of Indonesia Year 1994 Number 61, Supplement of State Gazette of the Republic of Indonesia Number 3586); and
- b. Number 18 Year 2000 (State Gazette of the Republic of Indonesia Year 2000 Number 128, Supplement of State Gazette of the Republic of Indonesia Number 3986).

were amended as follow:

1. Provision of Article 1 was changed, consequently it is read as follow:

Article 1

The following definition shall be applied in this Law:

1. Customs Area means the Territory of the Republic of Indonesia of which includes mainland, water territory, and air space upon them, as well certain places in the Economic Executive Zone and the continental shelf in which Law that regulates customs is applicable.
2. Goods shall be tangible goods of which due to its nature and legal status could be chattels and real property, and Intangible Goods.
3. Taxable Goods means goods of which imposed by tax under this Law.



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4. Delivery of the Taxable Goods means any delivery activity of the Taxable Goods.
5. Service shall be any services of which based on agreement or legal action that results a good, facility, easiness, or the available right to utilize, including service of which is made to produce the goods due to the order or the demand with material and based on the direction of the buyer.
6. Taxable Service means the service of which is taxed under this Law.
7. Transfer of Taxable Service means any transfer activity of the Taxable Services.
8. Utilization of the Taxable Service from outside of the Customs Area means any utilization of the Taxable Service from outside of the Customs Area in the inside of Customs Area.
9. Import means any activity of inserting the goods from outside of Customs Area into the inside of Customs Area.
10. Utilization of the Intangible Taxable Goods from outside of the Customs Area means any utilization activity of Intangible Taxable Goods from outside of Customs Area in the inside of Customs Area.
11. Export of the Tangible Taxable Goods means any activity of releasing the Tangible Taxable Goods from the inside of Customs Area to the outside of Customs Area.
12. Trade means the business activity of buying and selling, including the barter activity, without changing the shape and/ or its nature.
13. Entity means a group of peoples and/ or capital of which are unity either those who perform business of which includes limited liability company, limited partnership, other partnerships, state owned enterprise or local government owned enterprise and in whatsoever business form such as firm, joint venture, cooperative, pension fund, alliance, association, foundation, mass organization, social political organization, and other organization, institution and other forms of entity includes collective investment contract and the permanent business form.
14. Entrepreneur means individual or entity in whatsoever forms of which during its business activity or its work producing, importing, and exporting the goods, performing business trade, utilizing intangible goods from outside of the Customs Area, performing service includes exporting the service, or utilizing the service from outside of the Customs Area.
15. Taxable Entrepreneur means the entrepreneur who performs the delivery of Taxable Goods/ the delivery of Taxable Service of which is taxed under this Law.
16. Producing means the processing activity through changing the shape and/ or the nature of goods from its original form to be the new goods or having new usability or natural resources processing activity, including charging the individual or the other entity to do such activity.



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17. Tax Imposition Basis means amount of Selling Price, Replacement, Import Value, Export Value, or other value of which is used to count the receivable tax.
18. Selling Price means value in the form of money, including all requested costs or should be requested by the seller due to the delivery of the Taxable Goods, excluding the imposed Value Added Tax based on this Law and the discount that is included in the Tax Invoice.
19. Replacement means value in the form of money, including all requested costs or should be requested by the entrepreneur due to delivery of the Taxable Service, export of Taxable Services, or export of Intangible Taxable Goods but excludes Value Added Tax based on this Law and the discount that is included in the Tax Invoice or value in the form of money that is paid or should be paid by the Service Acceptor due to the utilization of Taxable Service/ or by the benefit acceptor of Intangible Taxable Goods due to the utilization of Intangible Taxable Goods from outside of the Customs Area in the inside of Customs Area.
20. Import Value means value in the form of money that becomes calculation basis of import duty added with levy based on the provisions in the law and regulation on the customs and excise for the import of the Taxable Goods, excluding Value Added Tax and Luxury Goods Selling Tax of which are imposed based on this Law.
21. Buyer means the individual or the entity who receives or of which should receive the delivery of Taxable Goods and who pays or should pay the price of Taxable Goods in question.
22. Service Acceptor means the individual or the entity who receives or of which should receive the transfer of Taxable Service and who pays or should pay the Replacement of Taxable Service in question.
23. Tax Invoice means tax imposition invoice that made by the Taxable Entrepreneur who performs the delivery of Taxable Goods or the delivery of Taxable Service.
24. Input Tax means the Value Added Tax that should have been paid by the Taxable Entrepreneur due to the acquisition of Taxable Goods, and/ or the gain of Taxable Service, and or the utilization of Taxable Goods from outside of the Customs Area, and/ or the utilization of Taxable Service from outside of the Customs Area and/ or the import of Taxable Goods.
25. Output Tax means the receivable Value Added Tax of which shall be obliged to be imposed by the Taxable Entrepreneur who performs the delivery of Taxable Goods, the delivery of Taxable Service, export of Tangible Taxable Goods, export of Intangible Taxable Goods, and/ or the export of Taxable Service.
26. Export Value means value in the form of money, including all requested costs or should be requested by the exporter.
27. Value Added Tax Collector means the treasurer of government, entity, or the government institution of which is appointed by the Finance Minister to collect, to deposit, and to report the receivable taxes from the Taxable Entrepreneur on the delivery of Taxable Goods and/ or the



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delivery of Taxable Service to the treasurer of government, entity, or the government institution in question.

28. Export of Intangible Taxable Goods means any utilization activity of Intangible Taxable Goods from inside of the Customs Area in the outside of Customs Area.
29. Export of Taxable Service means any delivery activity of Taxable Service to outside of the Customs Area.

2. Provision of the Article 1A is changed, consequently it is read as follow:

Article 1A

(1) Here below are definition of the delivery of Taxable Goods:

- a. delivery of the entitlement on the Taxable Goods due to an agreement;
- b. forwarding the Taxable Goods due to a hire purchase agreement or leasing agreement;
- c. delivery of Taxable Goods to the broker through the auctioneer;
- d. self utilization and/ or complementary provision of Taxable Goods;
- e. Taxable Goods in the form of stock and/ or assets of which its original purpose is not for sale of which is remaining at the dissolution of the company;
- f. delivery of Taxable Goods from the head office to the branch office or otherwise and/ or the delivery of Taxable Goods inter branch offices;
- g. delivery of the Taxable Goods on consignment; and
- h. delivery of Taxable Goods by the Taxable Entrepreneur in the framework of finance agreement of which is implemented based on the sharia principles, which its delivery is deemed directly from the Taxable Entrepreneur to the party who requires the Taxable Goods.

(2) Here below are excluded to definition of the delivery of Taxable Goods:

- a. delivery of the Taxable Goods to the broker as set forth in the Book Trade Justice Act;
- b. delivery of the Taxable Goods for the guarantee of debts;
- c. delivery of the Taxable Goods as set forth in Section (1) point f in the event that the Taxable Entrepreneur concentrating the domicile of tax payable;
- d. delivery of the Taxable Goods in the framework of merger, consolidation, expansion, disunite, and business acquisition in condition that the party who performs delivery and the party who accepts the delivery are the Taxable Entrepreneur; and
- e. Taxable Goods are in the form of assets of which according to its origin purposes are not for sale, of which is remaining at the dissolution of the company and of which the Input Tax on its gain cannot be credited as set forth in Article 9 section (8) point c.

3. Provision of Article 3A is changed, consequently it is read as follow:

Article 3A



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- (1) Entrepreneur who performs the delivery as set forth in Article 4 section (1) point a, point c, point f, point g, and point h. except the small entrepreneur of which limitation is stipulated by the Finance Minister, shall be obliged to report its business to be established as the Taxable Entrepreneur and shall be obliged to collect, to deposit, and to report the payable Value Added Tax and Luxury Goods Selling Tax.
 - (1.a) Small entrepreneur as set forth in section (1) above could choose to be established as a Taxable Entrepreneur.
 - (2) Small entrepreneur who chooses to be established as the Taxable Entrepreneur shall be obliged to implement the provision as set forth in section (1) above.
 - (3) Individual or the entity who utilizes the Intangible Taxable Goods from outside of the Customs Area as set forth in Article 4 section (1) point d, and/ or who utilizes the Intangible Taxable Services from outside of the Customs Area as set forth in Article 4 section (1) point e, shall be obliged to collect, to deposit, and to report the payable Value Added Tax of which its calculation and procedures are set by Regulation of the Finance Minister.

4. Provision of Article 4 is changed, consequently it is read as follow:

Article 4

- (1) Value Added Tax shall be imposed to:
 - a. delivery of the Taxable Goods inside of the Customs Area of which is done by the entrepreneur;
 - b. import of the Taxable Goods;
 - c. utilization of the Taxable Services from outside of the Customs Area of which is done by the entrepreneur;
 - d. utilization of the Intangible Taxable Goods from outside of the Customs Area in the inside of Customs Area;
 - e. utilization of the Intangible Taxable Service from outside of the Customs Area in the inside of Customs Area;
 - f. export of the Tangible Taxable Goods by the Taxable Entrepreneur;
 - g. export of the Intangible Taxable Goods by the Taxable Entrepreneur; and
 - h. export of the Intangible Taxable Service by the Taxable Entrepreneur.
- (2) Provisions regarding on the limitation of activity and types of Taxable Services of which upon its export shall be imposed the Value Added Tax as set forth in section (1) point h is set with Regulation of the Finance Ministry.



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5. Provision of Article 4A is changed, consequently it is read as follow:

Article 4A

(1) Omitted.

(2) Type of Goods that are subject to the Value Added Tax shall be certain goods within the group of goods as follow:

- a. mining and drilling products of which are taken directly from their sources;
- b. staple goods of which are mostly required by the people;
- c. food and beverage of which are served in the hotel, restaurant, food shop, shop, or the similar is desired, including dine in and take out food, including food and beverage of which are presented by catering company; and
- d. money, gold bullion, and securities.

(3) Type of services of which are not imposed the Value Added Tax shall be certain services within the group of service as follow:

- a. medical services;
- b. social services;
- c. courier services with stamp;
- d. financial services;
- e. insurance services;
- f. religious services;
- g. education services;
- h. art and entertainment services;
- i. non advertisement broadcasting services;
- j. land and water transportation services as well domestic air transport services of which is the integral part of the international air transport services;
- k. employment services;
- l. hospitality services;
- m. services of which are provided by the Government in the framework of the implementation of general administration;
- n. parking services;
- o. public telephone service that uses coins;
- p. remittance service by postal money order; and
- q. catering services.

6. Provision of Article 5 is changed, consequently it is read as follow:

Article 5

(1) In addition subject to the Value Added Tax as set forth in Article 4 section (1), the Luxury Goods Selling Tax also subject to:



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- a. the delivery of Taxable Goods of which are categorized as luxury goods by the entrepreneur who produces such goods inside of the Customs Area of its business activity or work; and
 - b. import of the Taxable Goods of which is categorized as luxury goods.
- (2) Luxury Goods Selling Tax shall only be imposed 1 (one) time at the delivery of such Luxury Taxable Goods by the entrepreneur who produces or at the import of such Luxury Taxable Goods.
7. Provision of Article 5A is changed, consequently it is read as follow:

Article 5

- (1) Value Added Tax or Value Added Tax and Luxury Goods Selling Tax on the returned Taxable Goods could be deducted from the payable Value Added Tax or Value Added Tax and Luxury Goods Selling Tax within Tax Period at which the Taxable Goods in question is returned.
 - (2) Value Added Tax of delivery of the cancelled Taxable Services, either overall or partial, could be deducted from the payable Value Added Tax within the Tax Period at which such cancellation is occurred.
 - (3) Provisions regarding on the deduction procedures of the Value Added Tax and Luxury Goods Selling Tax as set forth in section (1) above and the deduction of the Value Added Tax as set forth in section (2) shall be set with Regulation of the Finance Minister.
8. Provision of Article 7 section (2) and section (3) are changed, consequently it is read as follow:

Article 7

- (1) The tariff of Value Added Tax shall be 10 % (ten percent).
 - (2) Tariff of Value Added Tax as much as 0 % (zero percent) shall be applied to:
 - a. export of the Tangible Taxable Goods;
 - b. export of the Intangible Taxable Goods; and
 - c. export of the Taxable Services.
 - (3) Tax tariff as set forth in section (1) above could be changed at least 5% (five percent) and no more than 15% (fifteen percent) of which the change shall be set with Regulation of the Finance Minister.
9. Provision of Article 8 is changed, consequently it is read as follow:

Article 8

- (1) The tariff of Luxury Goods Selling Tax shall be stipulated at least 10% (ten percent) and no more than 200% (two hundred percent).
- (2) Export of the Taxable Goods of which is categorized as Luxury Goods shall be subject to 10% (ten percent) tax.



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- (3) Provision regarding on the group of Taxable Goods of which is categorized as Luxury Goods that is subject to the Luxury Goods Selling Tax with the tariff as set forth in section (1) above shall be set with Regulation of the Finance Minister.
- (4) Provision regarding on the type of goods that are subject to the Luxury Goods Selling Tax as set forth in section (3) above shall be set with Regulation of the Finance Minister.

10. Between Article 8 and Article 9 is inserted 1 (one) Article, namely Article 8A of which is read as follow:

Article 8A

- (1) The payable Value Added Tax shall be calculated by multiplying the tariff as set forth in section 7 with the Tax Imposition Basis of which includes Selling Price, Replacement, Import Value, Export Value, or the other values.
- (2) Provision regarding on the other values as set forth in section (1) above shall be set with or based on Regulation of the Finance Minister.

11. Provision Article 9 section (1) is omitted, section (2), section (2A), section (3), section (4), section (5), section (6), section (7), section (8), section (13), and section (13) are changed, between section (2a) and section (3) is inserted 1 (one) section, namely section (2b), between section (4) and section (5) are inserted 6 (six) sections, namely section (4a) up to section (4f), between section (6) and section (7) is inserted 2 (two) sections, namely section (6a) and section (6b), and between section (7) and section (8) is inserted 2 (two) sections, namely section (7a) and section (7b), consequently Article 9 is read as follow:

Article 9

- (1) Omitted.
- (2) Input Tax within a Tax Period shall be credited with Output Tax within the same Tax Period.
- (6a) For the Taxable Entrepreneurs who have not produced so that they have not performed the delivery of tax payable, the Input Tax on the acquisition and/ or import of capital goods could be credited.
- (6b) The credited Input Tax should use the Tax Invoice of which meet the requirements as set forth in Article 13 section (5) and section (9).
- (3) In the event that within a Tax Period, Output Tax is more than Input Tax, the difference shall be Value Added Tax of which should be deposited by the Taxable Entrepreneur.
- (4) In the event that within a Tax Period, the Input Tax of which could be credited is more than the Output Tax, the difference is tax advantages that compensated to the next Tax Period.
- (4a) On the excess of the Input Tax as set forth in section (4) above, it could be proposed for the return in the end of accounting year.



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- (4b) It is exceptions for the provision as mentioned in section (4) and (4a), on the excess of Input Tax could be proposed the return on each of Tax Period by:
- a. Taxable Entrepreneur who exports Intangible Taxable Goods;
 - b. Taxable Entrepreneur who performs delivery of Taxable Goods and/ or delivery of Taxable Service to the collector of Value Added Tax;
 - c. Taxable Entrepreneur who performs delivery of Taxable Goods and/ or delivery of Taxable Service whose Value Added Tax is not collected;
 - d. Taxable Entrepreneur who performs export of Intangible Taxable Goods;
 - e. Taxable Entrepreneur who performs export of Intangible Taxable Goods;
 - f. Taxable Entrepreneur who has not produced as set forth in section (2a);
- (4c) Return of the excess of Input Tax to the Taxable Entrepreneur as set forth in section (4b) point a up to point e of which has criteria as the low risk Taxable Entrepreneur, shall be performed through the initial return of excess tax in accordance with the provision as set forth in Article 17C section (1) Law Number 6 Year 1983 on the General Provision and Taxation Procedures.
- (4d) Provision regarding on the low risk Taxable Entrepreneur who is granted with the initial return of tax advantages as set forth in section (4c) shall be set with Regulation of the Finance Minister.
- (4e) Director General of Taxation could carry out examination towards the Taxable Entrepreneur as set forth in section (4c) and issues the letter of tax assessment after performing the return of tax advantages.
- (4f) In the event that based on the examination, the Directorate General of Taxation is issued Letter of Underpayment Tax Assessment, amount of underpayment of tax added with administrative penalty in the form of interest as set forth in Article 13 section 2 Law Number 6 Year 1983 on the General Provision and Taxation Procedures and the amendment.
- (5) In the event that within a Tax Period, other than performing the delivery of which is payable tax and also performing of which is non-payable tax, as long as part of the delivery of tax payable tax can be clearly identified from its bookkeeping, amount of Input Tax that can be credited is the Input Tax of which concerned with the delivery of which is payable tax.
- (6) In the event that within a Tax Period, other than performing the delivery of which is payable tax and also performing of which is non-payable tax, but the Input Tax for the payable tax could not be clearly identified, amount for the Input Tax that could be credited for the delivery of payable tax shall be calculated based on the Regulation of Finance Minister.
- (6a) The Input Tax that has been credited as set forth in section (2a) and has been granted the return shall be obliged to be repaid by the



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Taxable Entrepreneur in the event that such Taxable Entrepreneur failed to produce for the period no more than 3 (three) years since the crediting of Tax Period of Input Tax is commenced.

- (6b) Provision regarding on the time, calculation, and repayment procedures as set forth in section (6a) shall be set with/ or based on the Regulation of Finance Minister.
- (7) Amount of the Input Tax of which can be credited by the Taxable Entrepreneur whose business circulation within 1 (one) year does not exceed certain amount, except for the Taxable Entrepreneur as set forth in section (7a), could be counted using crediting calculation guideline of the Finance Minister.
- (7a) Amount of the Input Tax that could be credited by the Taxable Entrepreneur who performs certain business activity shall be calculated based on the Input Tax crediting calculation guidelines.
- (7b) Provision regarding on the business circulation as set forth in section (7), certain business activity as set forth in section (7a), and Input Tax crediting calculation guidelines as set forth in section (7) and section (7a) shall be set with and/ or based on the Regulation of Finance Minister.
- (8) Crediting of Input Tax as set forth in section (2) could not be applied to the output for:
 - a. acquisition of the Taxable Goods or the Taxable Service before the entrepreneur is established as a Taxable Entrepreneur;
 - b. acquisition of the Taxable Goods or the Taxable Service of which has no direct relationship with the business activity;
 - c. acquisition and maintenance of the vehicle in the form of sedan and station wagon, except that they are merchandises or for rented out;
 - d. utilization of the Intangible Taxable Goods or Taxable Services from the outside of Customs Area before the entrepreneur is established as a Taxable Entrepreneur;
 - e. omitted;
 - f. acquisition of the Taxable Goods or Taxable Services whose Tax Invoice does not meet the provision as set forth in Article 13 section (5) and section (9) or does not include name, address, Taxpayer Primary Number of the Taxable Goods buyer or the acceptor of Taxable Services;
 - g. utilization of the Intangible Taxable Goods or Taxable Services from the outside of Customs Area whose Tax Invoice does not meet the provision as set forth in Article 13 section (6);
 - h. acquisition of the Taxable Goods or Taxable Service whose Input Tax is invoiced using the issuance of tax assessment;
 - i. acquisition of the Taxable Goods or Taxable Services whose Input Tax is not reported in the Tax Period Notification of Value Added Tax of which is found in the examination;
 - j. acquisition of Taxable Goods other than capital goods or Taxable Services before the entrepreneur is established as a Taxable Entrepreneur as set forth in section (2a).



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- (9) Input Tax that can be credited, but it has not been credited with the Output Tax in the same Tax Period, it can be credited in the next Tax Period for no more than 3 (three) months after the end of the concerned Tax Period as long as it has not been borne as the cost and has not examined.
- (10) Omitted.
- (11) Omitted.
- (12) Omitted.
- (13) Provision regarding on the calculation and the return procedures of Input Tax advantages as set forth in section (4a), section (4b), and section (4c) shall be set with or based on the Regulation of Finance Minister.
- (14) In the event that the forward of Taxable Goods is occurred in the framework of merger, consolidation, expansion, disunite, and business acquisition, the Input Tax of the Taxable Goods of which is forwarded by the Taxable Entrepreneur who forwards, could be credited by the Taxable Entrepreneur who receives the forward, as long as the Tax Invoice is received after the forward is occurred and such Input Tax have not been borne as the cost or capitalized.

12. Provision of Article 11 section (1) and explanation of section (2) are amended, consequently it is read as follow:

Article 11

- (1) Tax payable could be occurred at:
 - a. delivery of the Taxable Goods;
 - b. import of the Taxable Goods;
 - c. delivery of the Taxable Services;
 - d. utilization of the Intangible Taxable Goods from the outside of Customs Area;
 - e. utilization of the Taxable Service from the outside of Customs Area;
 - f. export of the Tangible Taxable Tax;
 - g. export of the Intangible Taxable Tax; or
 - h. export of the Taxable Service.
- (2) In the event that the payment is received before the delivery of Taxable Goods or the delivery of Taxable Service or in the event that the payment is made before the commencement of utilization of Taxable Goods or Taxable Service from the outside of Customs Area, the time of payable tax shall be at the payment.
- (3) Omitted.
- (4) Directorate General of Taxation could determine other time as the time of payable tax in the event that the payable tax is difficult to be determined or there is the change on provision that can lead to injustice.
- (5) Omitted.



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13. Provision of Article 12 section (1), section (2), and section (4) are changed, consequently it is read as follow:

Article 12

- (1) Taxable Entrepreneur who performs delivery as set forth in Article 4 section (1) point a, point c, point f, point g, and/ or point h of which is payable tax at the residence or the domicile or places at which the business activity is made or places other than residence or domicile and/ or places at which the business activity is made, shall be set with the Regulation of the Directorate General of Taxation.
- (2) Upon written notification from the Taxable Entrepreneur, the Directorate General of Taxation could establish 1 (one) or more place of payable tax.
- (3) In case for import, payable tax shall be occurred at which the Taxable Goods are inserted and collected through the Directorate General of Customs.
- (4) Individual or entity, who utilizes the Taxable Goods or Taxable Services from outside of the Customs Area in the inside of the Customs Area as set forth in Article 4 section (1) point d, and point e, shall be payable at the residence or domicile and/ or place of business activity.

14. Provision Article 13 is changed, consequently it is read as follow:

Article 13

- (1) Taxable Entrepreneur shall be obliged to make Tax Invoice for each:
 - a. delivery of the Taxable Goods as set forth in Article 4 section (1) point a or point f and/ or Article 16D;
 - b. delivery of the Taxable Services as set forth in Article 4 section (1) point c;
 - c. export of the Intangible Taxable Goods as set forth in Article 4 section (1) point g; and/ or
 - d. export of the Taxable Services as set forth in Article 4 section (1) point h.
- (1.a) Tax Invoice as set forth in section (1) above should make:
 - a. at the delivery of the Taxable Goods and/ or at the delivery of the Taxable Services;
 - b. at the acceptance of payment in the event that the payment is occurred before the delivery of the Taxable Goods and/ or before the delivery of the Taxable Services;
 - c. at the acceptance of the installment payment in the event that there are partial delivery of work stages; or
 - d. at other occasion of which is set with or based on the Regulation of Finance Minister.
- (2) It is excluded from the provision as set forth in section (1), the Taxable Entrepreneur could make 1 (one) Tax Invoice of which includes all



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delivery made to the buyer of Taxable Goods or the same acceptor of the Taxable Services during 1 (one) calendar month.

- (2a) Tax Invoice as set forth in section (2) above, should be made at no more than end of the delivery month.
- (3) Omitted.
- (4) Omitted.
- (5) In the Tax Invoice should be included the description concerned with the delivery of Taxable Goods and/ or the delivery of Taxable Service of which at least includes:
- a. name, address, Primary Number of Taxpayer of who deliver the Taxable Goods or the acceptor of Taxable Services;
 - b. name, address, Primary Number of Taxpayer of the buyer of Taxable Goods or the acceptor of Taxable Services;
 - c. type of goods or services, amount of Selling Price or Replacement, and discount;
 - d. Value Added Tax collected;
 - e. Luxury Goods Selling Tax collected;
 - f. code, serial, and Tax Invoice creation date; an
 - g. name and signature of the person who is responsible to sign the Tax Invoice.
- (6) Directorate General of Taxation could establish the certain document of which its capacity can be equated with the Tax Invoice.
- (7) Omitted.
- (8) Further provision concerned with the creation procedures of Tax Invoice, and correction or replacement procedures of Tax Invoice shall be set with or based on the Regulation of the Finance Minister.
- (9) Tax Invoice should meet formal and material requirements.
15. Between Article 15 and Article 16 is inserted 1 (one) Article, namely Article 15A, consequently it is read as follow:

Article 15A

- (1) The payment of Value Added Tax by the Taxable Entrepreneur, as set forth in Article 9 section (3), should be performed at no more than the end of next month after end of Tax Period and before the Notification Letter of Tax Period is submitted.
- (2) Notification Letter of Tax Period shall be submitted at no more than the end of next month after Tax Period ended.

16. Provision Article 16B is changed, consequently it is read as follow:

Article 16B

- (1) Payable tax is not collected partially or overall or excused from tax imposition either for temporary or permanently:



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- a. for the activity in certain area or certain places within the Customs Area;
- b. for the delivery of certain Taxable Goods or the delivery of certain Taxable Services;
- c. import of certain Taxable Goods;
- d. for utilization of certain Intangible Taxable Goods from outside of the Customs Area in the inside of Customs Area; and
- e. for utilization of certain Taxable Services from outside of the Customs Area in the inside of Customs Area.

shall be set with the Government Regulation.

- (2) Input Tax, which is paid for the acquisition of the Taxable Goods and/ or the Taxable Services of which on its delivery is not collected Value Added Tax, could be credited.
- (3) Input Tax, which is paid for the acquisition of the Taxable Goods and/ or the Taxable Services of which its delivery is excused from the imposition of Value Added Tax, could not be credited.

17. Provision Article 16D is changed, consequently it is read as follow:

Article 16D

The delivery of Taxable Goods in the form of assets that based on its original purposes are not for sale by the Taxable Entrepreneur shall be subject to Value Added Tax, unless for the delivery of assets whose Input Tax could not be credited as set forth in Article 9 section (8) point b and point c.

18. Between Article 16D and Article 17 is inserted 2 (two) Articles, namely Article 16E and Article D, consequently it is read as follow:

Article 16D

- (1) Value Added Tax and Luxury Goods Selling Tax, which have been paid on the purchase of Taxable Goods of which takes out from the Customs Area by individual foreign passport, could be reclaimed.
- (2) Value Added Tax and Luxury Goods Selling Tax that could be reclaimed as set forth in section (1) above should meet requirements as follow:
 - a. value of the Value Added Tax at least RP500.000, 00(five hundred thousand rupiah) and could be adjusted with the Government Regulation;
 - b. the purchase of Taxable Goods shall be made within 1 (one) month before the departure to abroad; and
 - c. Tax Invoice meets the provision as set forth in Article 13 section (5), except for column Primary Number of Taxpayer, address shall be filled with Passport number, and full address of the country issuing of the passport for the purchase to the individual foreign passport holder who does not has Primary Number of Taxpayer.



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- (3) The reclaim of Value Added Tax and Luxury Goods Selling Tax as set forth in section (1) above shall be made when the individual foreign passport holder leaves Indonesia and it is submitted to the Directorate General of Taxation through office of the Directorate General of Taxation in the airport of which is established by the Finance Minister.
- (4) The document of which should be showed when reclaiming Value Added Tax and Luxury Goods Selling Tax shall be as follow:
- a. passport;
 - b. boarding pass for the departure of the individual as set forth in section (1) above to the outside of Customs Area; and
 - c. Tax Invoice as set forth in section (2) point c.
- (5) Provision regarding to the procedures of submission and the claim settlement of Value Added Tax and Luxury Goods Selling Tax as set forth in section (1) above, shall be set with or based on the Regulation of Finance Minister.

Article 16F

Buyer of the Taxable Goods or the acceptor of Taxable Services shall be jointly and severally liable on the tax payment, as long as could not show the evidence that the tax has been paid.

Article II

This Law shall come into force since 1 April 2010.

For the public cognizance, it is ordered to promulgate this Law by placing it in the State Gazette of the Republic of Indonesia.

Stipulated in Jakarta

on 15th October 2009

PRESIDENT OF THE REPUBLIC OF INDONESIA

Signed,

DR. H. SUSILO BAMBANG YUDHOYONO

Promulgated in Jakarta

on 15th October 2010

MINISTER OF JUSTICE AND HUMAN
RIGHT OF THE REPUBLIC OF INDONESIA

Signed,

ANDI MATALATA



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STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2009 NUMBER
150

Copy as the Original version

THE MINISTRY OF STATE
SECRETARIAT OF THE REPUBLIC
OF INDONESIA

Assistant to the Deputy of Statutory
Legislation,

Department of Economy

Signed and stamped

SETIO SAPTO NUGROHO



THE PRESIDENT
OF THE REPUBLIC OF INDONESIA

THE EXPLANATION OF
LAW OF THE REPUBLIC OF INDONESIA
NUMBER 42 YEAR 2009

ON

THE THIRD AMANDMENT OF LAW NUMBER 8 YEAR 1983
ON THE VALUE ADDED TAX OF GOODS AND SERVICES AND TAX OF
LUXURY GOODS SALE

I. GENERAL

Value Added Tax is the tax on the consumption of goods and services in the Customs Area of which is imposed gradually in each canal of production and distribution. The imposition of Value Added Tax is extremely affected by the development of business transaction and the pattern of public consumption of which is as the object of value Added Tax. The economic development of which is very dynamic either in national, regional, and international level continues to create the new business transaction patterns. For example, in the field of service, lot of new services has arisen or as the modification from the previous services whose imposition of the Value Added Tax has not been set in the Law of Value Added Tax.

In order to respond such rapid changes, it is required to reform and to improve Law on Value Added Tax. The reform of tax consumption system has been made in 1983 through the issuance of Law Number 8 Year 1983 on the Value Added Tax and Luxury Good Selling Tax. Measures of reformation and improvement is implemented consistently in 1994 through the issuance of Law Number 11 Year 1994 and lastly in 2000 through the issuance Law Number 18 Year 2000.

Amendment of Law on Value Added Tax aims as follow:

1. To improve the legal certainty and justice for the imposition Value Added Tax.
The growth of business transaction, particularly in the sector of service, has created new type and pattern of which requires to be further confirmed of its imposition in the Law on Value Added Tax.
2. To simplify the Value Added Tax system
The simplification of Value Added Tax system is implemented through changing and improving provisions in the Law on Value Added Tax of which make the Taxpayers difficult in the framework to implement their right and obligation in taxation.
3. To reduce compliance cost.



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The simplification of Value Added Tax system is also expected could reduce the cost, either administrative cost for the Taxpayers in the framework of implementation of their right and obligation or supervision cost of which is incurred by the Government in the for supervising the Taxpayers' compliance.

4. Improving the Taxpayers' compliance

The achievement of such objectives is expected can improve the level of Taxpayers' voluntary compliance. The high level of voluntary compliance is expected can improve the tax revenue of which is reflected through the increase of tax ratio.

5. It does not interfere to the revenue of Value Added Tax.

Other than objectives mentioned above, function of tax as the source of state revenue remains a consideration.

6. Reducing distortion and the improvement of economic activity.

II. ARTICLE BY ARTICLE

Article I

Number 1

Article 1

Self-explanatory

Number 2

Article 1A

Section (1)

Point a

“Agreement” means including sale, exchange, purchase in installment, or other agreement that results the delivery of goods entitlement.

Point b

Delivery of the Taxable Goods could be occurred through hire-purchase agreement and/ or leasing agreement.

“Delivery of the Taxable Goods due to leasing agreement” means the delivery of Taxable Goods of which is caused by leasing agreement with option right.

In the event that delivery of the Taxable Goods by the Taxable Entrepreneur is implemented in the framework of leasing agreement with option right, the Taxable Goods shall be deemed to be



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directly delivered by the supplier Taxable Entrepreneur to the party who need such goods (*lessee*).

Point c

“Broker” means the individual or entity that during their business activity or their work with their own name performs agreement on behalf of and for dependents others for a certain wage or benefit, for example commission.

“Auctioneer” shall be the government auctioneer or the auctioneer who are appointed by the government.

Point d

“Self utilization” means the utilization for the interest of the entrepreneur itself, its officials, or its employees, either for the own produced goods or goods produced by others.

“Complementary provision” means the provision made without payment, either for the own produced goods or goods produced by others, for example promotion stuff for the relatives and buyers.

Point e

Taxable Goods in the form of stock and/ or assets of which based its original purpose is not for sale, which is remaining at the dissolution of the company, shall be deemed as self utilization so that it is deemed as the delivery of Taxable Goods.

It is excluded from the provision mentioned this point e is the delivery as set forth in Article 1A section (2) point e.

Point f

In the event that a company has more than 1 (one) place of payable tax, either as head office or as branch office of the company, the delivery of Taxable Goods inter-places shall be the delivery of Taxable Goods.

“Head office” means residence or domicile of the business.

“Branch office” means the business location, representative office, marketing unit, and the equivalent business places.



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Point g

In the event that the delivery in consignment, the Value Added Tax of which has been paid when the Taxable Goods in question is delivered to be paid, could be credited with the Output Tax at the Tax Period at which the delivery of the deposited Taxable Goods is occurred.

On the contrary, in the event that such deposited Taxable Goods are not sold and it is decided to be returned to the owner of the Taxable Goods, such entrepreneur who receives the deposit could use the provision on returns of the Taxable Goods as set forth in Article 5A herein.

Section (2)

Point a

“Broker” shall be those who are mentioned in the Book Trade Justice Act, which is broker who is appointed by the President or by the officials of which is declared by the President that they are authorized for those matters. They run their business through performing the work for a wage or certain provision, on the mandate and on behalf of the others that there is no employment relationship.

Point b

Self-explanatory

Point c

In the event that an entrepreneur has more than 1 (one) business activity locations, either as head office or as branch office, and such entrepreneur has proposed in written to the Directorate General of Taxation, the delivery of Taxable Goods from one place to another (from head office to branch office or otherwise or inter-branch offices) shall be not considered as the delivery of Taxable Goods, except for the delivery of Taxable Goods inter-places of payable tax.

Point d

“*Business disunites,*” means the separation of business as set forth in the Law of which regulates the limited liability.

Point e



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The Taxable Goods in the form of assets, which based on its original purpose are not for sale of which remains at the dissolution of the company, which its Input Tax on its acquisition could be credited due to its not direct relationship to the business activity as set forth in Article 9 section (8) point b and/ or assets in the form of sedan and station wagon whose its Input Tax on its acquisition could not be credited as set forth in Article 9 section (8) point c, shall be not included into the definition of the delivery of Taxable Goods.

Number 3

Article 3A

Section (1)

Entrepreneur who performs delivery of the Taxable Goods and/ or the delivery of Taxable Service in the inside of Customs Area and/ or who performs export of the Tangible Taxable Goods, export of the Taxable Service, and/ or export of Intangible Taxable Goods, shall be obliged:

- a. to report their business activity to be established as the Taxable Entrepreneur;
- b. to collect payable tax;
- c. to deposit the Value Added Tax that still have to pay in the event that the Output Tax is bigger than the Input Tax that could be credited as well to deposit the Luxury Goods Selling Tax payable; and
- d. to report the calculation of tax.

Obligation mentioned above shall be excluded for small entrepreneur whose limitation is stipulated by the Finance Minister.

Section (1a)

Self-explanatory

Section (2)

Small entrepreneur could choose to be established as a Taxable Entrepreneur. In the event that such small entrepreneur chooses to be established as a Taxable Entrepreneur, this Law shall be fully applicable for the small entrepreneur in question.

Section (3)

The payable Value Added Tax on the utilization of Intangible Taxable Goods and/ or for the utilization of



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Taxable Service from outside of the Customs Area shall be collected from the individual or entity who utilizes such Intangible Taxable Goods or Taxable Services.

Number 4

Article 4

Section (1)

Point a

Entrepreneur who performs the delivery activity of Taxable Goods of which includes either those who have been established as Taxable Entrepreneur as set forth in Article 3A section (1) or those who are supposed to be established as Taxable Entrepreneur, but they have not been established.

The delivery of taxable goods should meet requirements as follow:

- a. the delivered tangible goods shall be the Taxable Goods;
- b. the delivered intangible goods shall be the Intangible Taxable Goods;
- c. the delivery shall be made inside of the Customs Area; and
- d. the delivery shall be made in the framework of business or work.

Point b

The tax shall also be collected when the import of the Taxable Goods. The collection shall be performed by the Directorate General of Customs.

On the contrast to the delivery of Taxable Goods as set forth in point a, anyone who inserts the Taxable Goods into the Customs Area, regardless such action is made in the framework with his/ her business activity or his/ her work or not, it shall remain be taxed.

Point c

The entrepreneur who performs the delivery of Taxable Services of which includes either the Taxable Entrepreneur as set forth in Article 3A section (1) or the entrepreneur who should be established as the Taxable Entrepreneur, but he/ she has not been established as the Taxable Entrepreneur.



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The delivery of services tax payable should meet requirements as follow:

- a. the delivered services shall be the Taxable Services;
- b. the delivery is performed in the inside of Customs Area; and
- c. the delivery is performed in the framework of business activity or work.

In this matter, the utilization of the Taxable Service for the self-interest and/ or complementary Taxable Service shall be included to the definition of the delivery of Taxable Services.

Point d

In order to provide the equal treatment of tax with the import of Taxable Goods, upon the Intangible Taxable Goods of which comes from outside of the Customs Area that is utilized by anyone in the inside of the Customs Area shall also be subject to Value Added Tax.

Example:

Entrepreneur A whose domicile is in Jakarta, he acquires rights to use a brand of which is possessed by Entrepreneur B whose domicile is in Hongkong. Due to the utilization of such brand by Entrepreneur A in the inside of Customs Area shall payable Value Added Tax.

Point e

Any service, which originates from outside of the Customs Area that is utilized by anyone in the inside of the Customs Area, shall be subject to Value Added Tax.

For example, Taxable Entrepreneur A in Surabaya utilizes the Taxable Service of the Entrepreneur B whose domicile is in Singapore. Upon such utilization of the Taxable Service shall payable the Value Added Tax.

Point f

In contrast with the entrepreneur who performs activity as set forth in point a and/ or point c, the entrepreneur who performs export of Taxable Goods only the entrepreneur who has been established to be the Taxable



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Entrepreneur as set forth in Article 3A section (1).

Point g

As to the activity of the export of Tangible Taxable Goods, the entrepreneur who performs export of Intangible Taxable Goods shall only those who have been established as the Taxable Entrepreneur as set forth in Section 3A section (1).

“Intangible Taxable Goods” shall mean as follow:

1. utilization or right to utilize the copyright in the field of literature, art, or scientific work, patent, design, or model, plan, formula or confidential process, trade mark, or intellectual/ industrial properties or other equal rights;
2. utilization or right to utilize the equipment/ industrial, commercial, or scientific tool;
3. provision of knowhow or information in the field of science, engineering, industry, or commerce;
4. provision of additional or supplement assistance regarding to the utilization or right to utilizes the rights mentioned in number 1 above, utilization or right to utilizes equipment/ tool as mentioned in number 2 above, or the provision of knowhow or information as mentioned in number 3 above, in the form of:
 - a) reception or right to receive images or audio recording or both, which is transmitted through satellite, cable, optic fiber, or the equal technology;
 - b) reception or right to receive images or audio recording or both for television program, which is broadcasted through satellite, cable, optic fiber, or the equal technology; and
 - c) utilization or right to utilize the partial or overall communication of radio spectrum.
5. utilization or right to utilize motion picture films or video tape for television program, or audio tape for radio program; and



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6. overall or partial waiver concerned with the utilization or the provision of rights of intellectual/ industrial property or other rights as mentioned above.

Point h

The delivery of Taxable Service from the inside of Customs Area to outside of the Customs Area by the Taxable Entrepreneur who produces and performs export of the Taxable Goods based on demand or request with the material and based on the direction of the buyer of the outside of Customs Area, shall be included into the definition of export of Taxable Service.

Section (2)

Self-explanatory

Number 5

Article 4A

Section (1)

Self-explanatory

Section (2)

Point a

Mining and drilling products of which are directly taken from their sources include:

- a. Crude oil;
- b. Natural gas, excluded natural gas such as LPG of which is directly ready for consumption by the public;
- c. geo thermal;
- d. asbestos, slate, half gem stone, limestone, pumice stone, gem stone, bentonite, dolomite, feldspar, halite, granite/ andesite, gypsum, calcite, kaolin, leusit, magnesit, mica, marble, nitrate, opsidien, ocher, sand and gravel, quartz sand, perlite, phosphate, talk, fuller soil, diatomaceous soil, clay, alum, tras, yasorif, zeolite, basalt, and trakitt;
- e. coal before it is processed into coal briquette; and
- f. iron ore, gold ore, lead ore, copper ore, nickel ore, silver ore, and bauxite ore.

Point b



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Staple goods of which is most required by the public includes:

- a. rice;
- b. rice grain;
- c. corn;
- d. sago;
- e. soy;
- f. salt, either iodized salt or non-iodized salt;
- g. meat, which is fresh meat that is without being processed, but it have passed the processes such as being slaughtered, skinned, cut, chilled, frozen, packaged or unpackaged, salted, limed, preserved by other means and/ or boiled;
- h. egg, which is egg that is not processed, including cleaned, salted, and packaged egg;
- i. milk, which is dairy cow that has been passed the processes such as being heated or cooled, not sugar added contained or other materials and/ or packaged or unpackaged;
- j. fruits, which are fresh fruits that are picked and has been passed the processes such as being washed, sorted, peeled, sliced, graded, and/ or packaged or unpackaged; and
- k. vegetable, which is fresh vegetable that is picked, washed, drained and/ or stored in low temperature, including chopped vegetables.

Point c

This provision shall be intended to avoid the imposition of double taxed because it has included Local Tax.

Point d

Self-explanatory

Section (3)

Point a

Medical Services include:

1. GP (*General Practitioners*) , specialist, and dentist services;



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2. veterinarian services;
3. medical expert services, such as acupuncturist, nutritionist, dental, and physiotherapist;
4. midwife and TBA (*traditional birth attendance*) services;
5. paramedic and nurse services;
6. hospital, maternity home, medical clinic, medical laboratory, and sanatorium;
7. psychologist and psychiatrist services; and
8. alternative traditional medicine, including of which is served by the paranormal.

Point b

Social services include:

1. orphanages and nursing house services;
2. fire fighter services;
3. first aid services;
4. rehabilitation services;
5. services for the provision of funeral home or burial services, including crematorium; and
6. services in the field of sport, excluding for commercial purposes.

Point c

Courier service with stamp includes courier service using stamp paste and using other means to substitute stamp paste.

Point d

Financial services include:

1. fund gathering from the public includes currents account, time deposit, certificate of deposit, saving, and or any other equal forms;
2. placing or lending the fund to the other parties using letter, communication devices, as well using sight draft, cheque, or other means;
3. finance services, including the finance based on the principles of sharia, such as:
 - a. lease with option;
 - b. debt factoring;
 - c. business of credit card; and/ or
 - d. consumer financing.
4. loan distributing services, including legal basis of lien, including sharia and fiduciary lien; and



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5. underwriting services.

Point e

Insurance service means assurance services that include loss insurance, life insurance, and reinsurance of which is implemented by insurance company to the policyholders, excluding supporting service of insurance such as insurance agent, assessor of loss insurance, and insurance consultant.

Point f

Religious services include:

1. house of worship services;
2. sermons and religious services;
3. religious activity organizer services; and
4. other religious activity services

Point g

Education services include:

1. service on the provision of school education such as the provision of general education, vocational education, inclusive education, service education, academic education, and professional education; and
2. out of school education service.

Point h

Art and entertainment services include all types of service that performed by the artist and entertainer.

Point i

Non-advertisement broadcasting service includes radio and television broadcasting of which are performed by the government or private institution of which is non-advertisement program and of which is not supported by the sponsor for commercial purposes.

Point j

Self-explanatory

Point k

Employment services include:

1. labor services;



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2. labor supply services as long as the labor supplier is not responsible on the working result of such labor; and
3. training services for the labor.

Point l

Hospitality services include:

1. room rental services, including its supplement services in hotel, inn, motel, hostel, as well any facilities of which is related with hospitality activity for the guest who stays; and
2. space rental service for the purpose of the events or meeting in hotel, restaurant, inn, motel, and hostel.

Point m

Services of which are provided by the Government in the framework of the implementation of general administration include services of which are provided by the government institutions, such as the provision of construction permits (IMB), trade license (SIUP), Taxpayer Primary Number (NPWP), and Identity Card (KTP).

Point n

Parking services means service of which provides parking space that is performed by the owner of parking spaces and/ or the entrepreneur to be provided for the user of parking service with charge.

Point o

Public telephone service that uses coins mean public telephone services using coins of which are organized by the government owned or private company.

Point p

Self-explanatory

Point q

Self-explanatory



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Number 6

Article 5

Section (1)

Upon the delivery of Taxable Goods of which are categorized as luxury goods or imported Taxable Goods of which are categorized as luxury goods, shall also be subject to the Luxury Goods Selling Tax in consideration that:

- a. the balance in the tax imposition on the low income community and high income community is required;
- b. control on the consumption pattern of the Taxable Goods of which are categorized as luxury goods is required;
- c. protection against small or traditional producers are required;
- d. securing the state revenue is required.

Luxury Taxable Goods mean:

1. goods of which are non-staple goods;
2. goods of which are consumed by certain group of community;
3. goods of which are generally consumed by the high income community; and/ or
4. goods of which are consumed to show the status.

The imposition of Luxury Goods Selling Tax towards the Luxury Taxable Goods is regardless person or entity who imports such Taxable Goods as well regardless is it the import performed continuously or just only one time.

In addition, the imposition of Luxury Goods Selling Tax towards the Luxury Taxable Goods is regardless does a part of the Luxury Taxable Goods has been imposed or has not been imposed the Luxury Goods Selling Tax on the previous transaction.

In this Article, matters of which are included into the definition of “*produce*” are:

- a. assembling, is combining the spare parts of a stuff to be a intermediate stuff or finished stuff, such as assembly for vehicle, electronic stuff, and home furnishings;
- b. cooking, is processing stuff through heating, either mixing with other materials or not;



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- c. mixing, is uniting two or more materials (ingredient) to produce one or more stuff;
- d. packing, is placing a stuff into a stuff in order to protect it from the damage and/ or to increase its marketable; and
- e. bottling, is inserting beverages or liquid into the bottle of which is closed in certain means.

as well other activities of which can be equate with such mentioned activities or ordering individual or entity to perform such activities.

Section (2)

The general definition of Input Tax shall only be applicable for the Value Added Tax and shall not be recognized for the Luxury Goods Selling Tax. Therefore, the paid Luxury Good Selling Tax could not be credited to the payable Luxury Goods Selling Tax.

Therefore, the principle of imposition shall only in 1 (one) time, which is:

- a. the delivery from the manufacturer or producer of the Taxable Goods of which are categorized as luxury goods; and
- b. import of the Taxable Goods of which are categorized as luxury goods.

At the next level of delivery shall not be subject to Luxury Goods Selling Tax.

Number 7

Article 5A

Section (1)

In the event that the delivered Taxable Goods are returned (return) by the buyer, the Value Added Tax and Luxury Goods Selling Tax of the returned Taxable Goods reduces the Input Tax and payable Luxury Goods Selling Tax by the Taxable seller Entrepreneur and reduces:

- a. Input Tax of the Taxable buyer Entrepreneur, in the event that the Input Tax of the returned Taxable Goods has been credited;
- b. cost or assets for the Taxable buyer Entrepreneur, in the event that the Input Tax of the returned Taxable Goods has not been credited and has been borne as expense or has been added (capitalized) in the acquisition price of such assets; or
- c. cost or assets for the buyers who are not the Taxable Entrepreneur, in the event that such



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returned Taxable Goods has been borne as expense or has been added (capitalized) in the acquisition price of such assets.

Section (2)

“The cancelled Taxable Service” means overall or partial cancellation of right or facility or easiness by the acceptor party of Taxable Service.

In the event that the delivered Taxable Service is cancelled, either overall or partial by the acceptor of the Taxable Service, Value Added Tax of such cancelled Taxable Service reduces the payable Input Tax by the Taxable Entrepreneur who provides the Taxable Service and reduces:

- a. Input Tax of the Taxable Entrepreneur who accepts the Taxable Service, in the event that the Input Tax of the cancelled Taxable Service has been credited;
- b. cost or assets of the Taxable Entrepreneur who accepts the Taxable Service, in the event that the Value Added Tax of the cancelled Taxable Service has been borne as expense or has been added (capitalized) in the acquisition price of such assets; or
- c. cost or assets for the acceptor of the Taxable Service who are not a Taxable Entrepreneur in the event that the Value Added Tax of the cancelled Taxable Service has been borne as expense or has been added (capitalized) in the acquisition price of such assets.

Section (3)

Self-explanatory

Number 8

Article 7

Section (1)

Self-explanatory

Section (2)

Value Added Tax shall be tax imposed on the consumption of the Taxable Goods in the inside of the Customs Area. Therefore:

- a. the exported Intangible Taxable Goods;
- b. Intangible Taxable Goods of which are utilized in the outside of Customs Area;
- c. the imported Taxable Service includes the Taxable Service who is delivered by the Taxable



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Entrepreneur who produces and performs the export of the Taxable Goods on the order basis or request with the material and direction from the buyer from outside of Customs Area.
shall be subject to 10% (ten percent) Value Added Tax.

The imposition of 10% (ten percent) Value Added Tax does not mean that it is free from the imposition of Value Added Tax. Therefore, the Input Tax of which has been paid for the acquisition of the Taxable Goods and/ or the Taxable Service of which is related to such activity could be credited.

Section (3)

Based on the consideration of economic development and/ or the increase of fund for the development, the Government shall be authorized to increase the tariff of Value Added Tax becomes at least 5% (five percent) and the highest tariff at 15% (fifteen percent) with maintaining to apply single tariff. The change of tariff as set forth herein shall be proposed by the Government to the House of Representative in the framework of session and arrangement of the Draft of State Revenue and Expenditure Budget.

Number 9

Article 8

Section (1)

The tariff of Luxury Goods Selling Tax could be stipulated into several groups of tariff, which is the lowest tariff is 10% (ten percent) and the highest tariff is 200% (two hundred percent). The difference on the stipulation of groups of tariff shall be based on the grouping of the Taxable Goods of which are categorized as luxury goods of which is subject to the Luxury Goods Selling Tax as set forth in Article 5 section (1).

Section (2)

The Luxury Goods Selling Tax shall be the tax of which is imposed to the Taxable Goods of which are categorized as luxury goods in the inside of Customs Area. Therefore, the Taxable Goods of which are categorized as luxury goods that are exported or consumed in the outside of Customs Area shall be subject to Luxury Goods Selling Tax with the tariff as



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much as 0% (zero percent). The Luxury Goods Selling Tax of which has been paid upon the acquisition of the goods of which are categorized as luxury goods of which are exported could be claimed.

Section (3)

Refers to the consideration as set forth in the explanation of Article 5 section (1), the grouping of the goods of which are subject to the Luxury Goods Selling Tax particularly based on the level of capability group of the community who use such goods, also based on the use of value for the community in general. In connection with that matter, the high tariff shall be imposed to the goods that are consumed only by those who are the high-income community. In connection with the goods of which are consumed by community in general, the applied tariff shall be the low tariff. The grouping of goods of which are subject to the Luxury Goods Selling Tax is implemented after consulting with the instrument of the House of Representative in the field of economy.

Section (4)

Self-explanatory

Number 10

Article 8A

Section (1)

This section regulates the calculation methods of the payable Value Added Tax. For detail, here below are provided the examples of calculation methods:

Examples:

- a. Taxable Entrepreneur A sells in cash a Taxable Goods with the Selling Price Rp25.000.000, 00

The payable Value Added Tax shall be = $10\% \times$
 $Rp25.000.000, 00 = Rp2.500.000, 00$

Value Added tax as much as Rp2.500.00, 00 shall be the Input Tax of which is collected by the Taxable Entrepreneur A.

- b. Taxable Entrepreneur B performs the delivery of Taxable Service with obtains Replacement Rp20.000.000, 00



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The payable Value Added Tax shall be = $10\% \times$
 $\text{Rp}20.000.000,00 = \text{Rp}2.000.000,00$

Value Added Tax as much as $\text{Rp}2.000.000,00$ shall
be the Input Tax of which is collected by the
Taxable Entrepreneur B.

- c. Someone imports a Taxable Goods from outside of
the Customs Area whose Import Value is
 $\text{Rp}15.000.000,00$

Value Added Tax of which is collected through the
Directorate General of Customs shall be = $10\% \times$
 $\text{Rp}15.000.000,00 = \text{Rp}1.500.000,00$

- d. Taxable Entrepreneur D performs export the
Taxable Goods with Export Value $\text{Rp}10.000.000,00$

The payable Value Added Tax shall be = $0\% \times$
 $\text{Rp}10.000.000,00 = \text{Rp}0,00$

Section (2)

Tax imposition basis in the form of other values shall
be set with or based on the Regulation of Finance
Minister just only to assure sense of fairness in the
matters as follow:

- a. Selling Price, Replacement Value, Import Value,
and Export Value are difficult to be determined;
and/ or
- b. the delivery of the Taxable Goods of which are
required by the public.

Number 11

Article 9

Section (1)

Self-explanatory

Section (2)

The buyer of Taxable Goods, the acceptor of Taxable
Service, importer of Taxable Goods, party who utilizes
the Intangible Taxable Goods from outside of the
Customs Area, or the party who utilizes the Taxable
Services from outside of the Customs Area shall be
obliged to pay Value Added Tax and obtain tax
collection evidence. The Value Added Tax of which
should be paid, is the Input Tax for the buyer of
Taxable Goods, the acceptor of Taxable Service,



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importer of Taxable Goods, party who utilizes the Intangible Taxable Goods from outside of the Customs Area, or the party who utilizes the Taxable Services from outside of the Customs Area of which is the Taxable Entrepreneur.

Such Input Tax that is obliged to be paid by the Taxable Entrepreneur could be credited with the Output Tax that is collected in the same Tax Period.

Section (2a)

It is essentially that the Input Tax is credited with the Output Tax in the same Tax Period. But, for the Taxable Entrepreneur who has not produced, the Input Tax upon the acquisition and/ or import of capital goods shall be allowed to be credited as set forth in Article 9 section (2), unless the Input Tax as set forth in Article 9 section (8).

Section (2b)

For the purpose of the credit of Input Tax, the Taxable Entrepreneur shall utilize the Tax Invoice of which meets the provision as set forth in Article 13 section (5).

In addition, the Input Tax that has been credited should also meet the formal correctness and material requirement as set forth in Article 13 section (9).

Section (3)

Self-explanatory

Section (4)

The Input Tax of which is referred to in this section shall be the Input Tax that could be credited.

Within a Tax Period there is an Input Tax of which is bigger than Output Tax. The excess of such Input Tax could be reclaimed at the Tax Period in question, but it is compensated to the next Tax Period.

Example:

Tax Period May 2010

Output Tax = Rp2.000.000, 00

Creditable Input Tax = Rp4.000.000, 00

Tax overpayment = Rp2.500.000, 00



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Such Tax Overpayment shall be compensated to the
Tax Period of June 2010

Tax Period June 2010

Output Tax = Rp3.000.000, 00

Creditable Input Tax = Rp2.000.000, 00

(-)

Tax underpayment = Rp1.000.000, 00

Tax Overpayment from Tax
Period May 2010 = Rp2.500.000, 00

(-)

Tax Overpayment of the Tax
Period June 2010 = Rp1.500.000, 00

Such Tax Overpayment shall be compensated to the
Tax Period July 2010.

Section (4a)

The excess of the Input Tax within a Tax Period of
which is in accordance with the provision of section (4)
is compensated to the next Tax Period. However, in the
event that such excess of Input Tax is occurred in the
end of accounting year, such excess of Input Tax could
be proposed for restitution.

Tax Period at which the Taxable Entrepreneur
performs dissolution of the business shall be included
into the definition of *the end of accounting year*.

Section (4b)

Self-explanatory

Section (4c)

Self-explanatory

Section (4d)

Self-explanatory

Section (4e)



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In order to reduce the misuse of provision of the easiness in acceleration of the excess tax refund, the Directorate General of Taxation performs examination after providing the initial excess tax return.

Section (4f)

In the event that the Directorate General of Taxation, after performing examination issues the Assessment of Tax Underpayment, the increases penalty as set forth in Article 17C section (5) Law Number 6 Year 1983 on the General Provision and Taxation Procedures and its Amendment shall not be applied although at the previous step has been issued the Decree of the Initial Excess Tax Return. On the contrary, the applied administrative penalty shall be interest as much as 2% (two percent) per month for no more than 24 (twenty-four) months as set forth in Article 13 section (2) Law Number 6 Year 1983 General Provision and Taxation Procedures and its Amendment.

In the event that during the examination is found the indication of tax crime, this provision shall not be applicable.

Section (5)

In this section, “*the delivery of which is payable tax*” means the delivery of goods or services of which under this law is subject to the Value Added Tax.

“*The delivery of which is non-payable tax*” means the delivery of goods or services of which is not subject to the Value Added Tax as set forth in Article 14A and of which is excused from the imposition of the Value Added Tax as set forth in Article 16B.

During a Tax Period, a Taxable Entrepreneur performs the delivery of which is payable tax and the delivery of which is non-payable tax, shall only credit the Input Tax of which is concerned with the delivery of which is payable tax. The part of delivery of which is payable tax should be recognized clearly from the accounting of such Taxable Entrepreneur.

Example:

A Taxable Entrepreneur performs several deliveries, namely:

- a. the delivery of which is payable tax =
Rp25.000.000, 00
the Output Tax = Rp2.500.000, 00



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- b. the delivery of which is non-payable tax =
Rp5.000.000, 00
the Output Tax = None
- c. the delivery of which is excused from the imposition
of the Value Added Tax = Rp5.000.000, 00
the Output Tax = None

The Input Tax of which should be paid on the
acquisition:

- a. Taxable Goods and Taxable Service that concerned
with the delivery of which is payable tax =
Rp1.500.000, 00
- b. Taxable Goods and Taxable Service that concerned
with the delivery of which is not subject to the
Value Added Tax = Rp300.000, 00
- c. Taxable Goods and Taxable Service that concerned
with the delivery of which is excused from the
imposition of the Value Added Tax = Rp500.000, 00

Based on this provision, the Input Tax of which can be
credited with the Output Tax as much as Rp2.500.000,
00 is only Rp1.500.000, 00.

Section (6)

In the event that the Input Tax for the delivery of
payable tax could not be recognized clearly, the credit
method shall be calculated based on the guidelines of
which is set with the Regulation of Finance Minister. It
is intended to provide the easiness and certainty to the
Taxable Entrepreneurs.

Example;

A Taxable Entrepreneur performs 2 (two) types of
delivery, namely:

- a. the delivery of which is payable tax =
Rp35.000.000, 00
the Output Tax = Rp3.500.000, 00
- b. the delivery of which is non-payable tax =
Rp15.000.000, 00
the Output Tax = none

The Input Tax that should to be paid on the acquisition
of the Taxable Goods and Taxable Services in
connection with overall delivery sum of Rp2.500.000,
00, otherwise the Input Tax in connection with the
delivery of which is payable tax could not be recognized



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clearly. The Input Tax sum of Rp2.500.000, 00 cannot overall be credited with the Output Tax sum of Rp3.500.000, 00. Amount of the Input Tax of which can be credited shall be calculated based on the guidelines of which is set with the Regulation of Finance Minister.

Section (6a)

In order the Input Tax can be credited, the Input Tax on the release of Import and/ or the acquisition of capital goods should also meet the requirement that such release should have connection with the delivery of which is payable Value Added Tax.

In the event that the Taxable Entrepreneur experiences failure in production, there is not delivery of which is payable tax as result there is not the Input Tax here. Therefore, as the consequence, the Input Tax on import and/ or the acquisition of capital goods of which has been returned should be repaid.

Section (6b)

Self-explanatory

Section (7)

For the purpose of simplifying the calculation of the deposited Value Added Tax, the Taxable Entrepreneur whose business circulation within 1 (one) year does not exceed a certain amount, could calculate the amount of Input Tax that can be credited using the credit calculation guidelines of Input Tax.

Section (7a)

In order to provide the easiness in calculating the Value Added Tax that should be deposited, the Taxable Entrepreneur who performs certain business activity calculates the amount of Input Tax of which is credited using credit calculation guidelines of Input Tax.

Section (7b)

Self-explanatory

Section (8)

The Input Tax can be credited with the Output Tax. However, for the expense of which is intended in this section, its Input Tax cannot be credited.

Point a



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This provision provides legal entity that the Input Tax of which is acquired before the entrepreneur is established as the Taxable Entrepreneur cannot be credited.

Example:

Entrepreneur A reports his business to be established as a Taxable Entrepreneur at 19 April 2010. The establishment as the Taxable Entrepreneur is granted at 20 April 2010 and shall be apply retroactively since 19 April 2010. The Input Tax of which is acquired before 19 April 2010 cannot be credited under this provision.

Point b

Expense of which has direct relationship with the business activity shall be expenditure for production, distribution, marketing, and management activity. This provision shall be applicable for all types of business. In order can be credited, the Input Tax shall also meet the requirement that such expense also in connection with the delivery of which is payable Value Added Tax. Therefore, although an expense has meet the requirement on the existence of direct relationship with the business activity, there is a possibility that the Input Tax cannot be credited, which is in the event that such expense have not relationship with the delivery of payable Value Added Tax.

Point c

Self-explanatory

Point d

This provision provides legal certainty that the Input Tax, which is acquired before an entrepreneur is established as a Taxable Entrepreneur, cannot be credited.

Example:

Entrepreneur A reports his business to be established as a Taxable Entrepreneur at 19 April 2010. The establishment as the Taxable Entrepreneur is granted at 20 April 2010 and



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shall be apply retroactively since 19 April 2010. The Input Tax on the utilization of Taxable Goods or Taxable Services of which is acquired before 19 April 2010 cannot be credited under this provision.

Point e

Self-explanatory

Point f

Self-explanatory

Point g

Self-explanatory

Point h

In certain condition can be occurred that the Taxable Entrepreneur just paying for the payable Value Added Tax on the acquisition or the utilization of the Taxable Goods or the Taxable Services after the Tax Assessment is issued.

Value Added Tax of which is paid due to the Tax Assessment shall not the Input Tax that can be credited.

Point i

In accordance with the *system of self assessment*, the Taxable Entrepreneur could report all business activities in the Notification Letter of the Period of Value Added Tax. In addition, the Taxable Entrepreneur is also granted to make correction on the Notification Letter of the Period of Value Added Tax so that it is appropriately that the Input Tax of which is not reported in the Notification Letter of the Period of Value Added Tax cannot be credited.

Example:

It is reported in the Notification Letter of the Period of Value Added Tax:

Output Tax = Rp10.000.000, 00

Input Tax = Rp8.000.000, 00

From the result of examination, it is found that:



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Output Tax = Rp15.000.000, 00

Input Tax = Rp11.000.000, 00

In this matter, the Input Tax that can be credited is not Rp11.000.000, 00 but Rp8.000.000, 00 of which is in accordance with the report in the Notification Letter of the Period of Value Added Tax.

Therefore, calculation of the examination result shall be as follow:

Output Tax	=	Rp15.000.000, 00	
Input Tax	=	Rp8.000.000, 00	
		-----	(-)
Underpayment in accordance with the examination result	=	Rp7.000.000, 00	
Underpayment in accordance with the Notification Letter	=	Rp2.000.000, 00	
		-----	(-)
Underpayment	=	Rp5.000.000, 00	

Point j

Self-explanatory

Section (9)

This provision is possibly that the Taxable Entrepreneur can credit the Input Tax and the Output Tax within the different Tax Period, which is caused, such as Tax Invoice is received lately. The credit of Input Tax from the different Tax Period shall only be allowed at the next Tax Period at no more than 3 (three) months after the end of the concerned Tax Period. In the event that such period has exceeded, the credit of Input Tax can be performed through the correction of the Notification Letter of the Period of Value Added Tax in question. Both methods of credit shall only be applied in the event that the Input Tax in question have not been borne as the cost or not be added (capitalized) to the acquisition price of the Taxable Goods or Taxable Services in question and



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towards the Taxable Entrepreneur has not made the examination.

Example:

The Input Tax on the acquisition of the Taxable Goods whose Tax Invoice dated 7 July 2010 can be credited with the Output Tax at the Tax Period July 2010 or at the next Tax Period at no more than Tax Period of October 2010.

Section (10)
Self-explanatory

Section (11)
Self-explanatory

Section (12)
Self-explanatory

Section (13)
Self-explanatory

Section (14)
Self-explanatory

Number 12

Article 11

Section (1)

The collection of Value Added Tax and Luxury Goods Selling Tax applies the principle of accrual. It means that the payable tax shall be occurred at the delivery of Taxable Goods or Taxable Services although the payment of such delivery has not been received or has not been fully received or when importing the Taxable Goods. Time of the payable tax for the transaction of which is made through *electronic commerce* shall be subject to his provision.

Point a
Self-explanatory

Point b
Self-explanatory

Point c
Self-explanatory



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Point d

In the event that the individual or the entity utilizes Intangible Taxable Goods from outside of the Customs Area in the inside of Customs Area or utilizes the Taxable Service from outside of the Customs Area in the inside of Customs Area, the payable tax shall be occurred since such individual or entity starts to utilize the Intangible Taxable Goods or the Taxable Services in question in the inside of the Customs Area. In connection with the fact that person who delivers the Taxable Goods or Taxable Services in the outside of the Customs Area cannot be established as the Taxable Entrepreneur. Therefore, time of payable tax shall not be connected with time of delivery, but it is connected with the time of utilization.

Point e

Self-explanatory

Point f

Self-explanatory

Point h

Self-explanatory

Section (2)

In the event that the payment is received before the delivery of Taxable Goods as set forth in Article 4 section (1) point a, before the delivery of Taxable Services as set forth in Article 4 section (1) point c, before the commencement of utilization of the Intangible Taxable Goods from outside of the Customs Area as set forth in Article 4 section (1) point d, or before the commencement of utilization of the Taxable Service from outside of the Customs Area as set forth in Article 4 section (1) point e, the payable tax shall be at the payment.

Section (3)

Self-explanatory

Section (4)

Self-explanatory

Section (5)

Self-explanatory



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Number 13

Article 12

Section (1)

The individual Taxable Entrepreneur shall be payable tax in his/ her residence and/ or business domicile, while entity Taxable Entrepreneur shall be payable tax in its domicile and its business activity.

In the event that the Taxable Entrepreneur has one or more business domicile beyond its residence or business domicile, each place shall be the place of payable tax and the Taxable Entrepreneur shall be obliged to report his/ her business activity to be established as the Taxable Entrepreneur.

In the event that the Taxable Entrepreneur has more than one places of payable tax within working area of 1 (one) the Directorate General of Taxation office for all places of payable tax, the Taxable Entrepreneur can select one of the business places as the place of payable tax for its business places, unless if the Taxable Entrepreneur requires more than 1 (one) places of payable tax, such Taxable Entrepreneur shall be obliged to notify the Directorate General Of Taxation.

In certain condition, the Directorate General of Taxation could establish place other than the residence or domicile and business place as the place of payable tax.

Example 1:

Individual A, whose domicile is in Bogor, has business in Cibinong. In the event that there is not delivery of the Taxable Goods or Taxable Service in the residence, he/ she shall only be obliged to report his/ her business to be established as the Taxable Entrepreneur in Cibinong Tax Office (*Kantor Pelayanan Pajak Pratama Cibinong*) because the place of payable tax for Individual A is in Cibinong. On the contrary, in the event that the delivery of Taxable Goods or Taxable Service of the Individual A is only made in his/ her residence, the Individual A shall be obliged to register in the Bogor Tax Office (*Kantor Pelayanan Pajak Pratama Bogor*). However, in the event both in his/ her residence and his/ her business place the Individual A



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performs the delivery of Taxable Goods or Taxable Services, he/ she shall be obliged to register both in Cibinong Tax Office and in Bogor Tax Office as the places of payable tax are in Cibinong and Bogor.

Contrary to the Individual, the entity Taxable Entrepreneur shall be obliged to register in both its domicile and its business place because for the entity Taxable Entrepreneur in such both places shall be considered performing the delivery of Taxable Goods or the Taxable Service.

Example 2

PT. A has 3 (three) business places, namely in Bengkulu, Bintuhan, and Manna in which the three are in 1 (one) tax office, which is Bengkulu Tax Office (*Kantor Pelayanan Pajak Pratama Bengkulu*). The three business places perform the delivery of Taxable Goods or Taxable Services and perform sales administration and financial administration as result PT A shall be payable tax in the 3 (three) places or cities. In this condition, PT A shall be obliged to select one of the three business places to be established as the Taxable Entrepreneur, for example the business place of which is in Bengkulu. PT A of whose business place in Bengkulu shall be responsible to report all business activities that are performed by the three business places.

In the event that PT A wants business places in Bengkulu and Bintuhan to be established as the payable tax for all business activities, PT A shall be obliged to notify to the Head Office of the Bengkulu Tax Office.

Section (2)

In the event that the Taxable Entrepreneur is payable tax for more than 1 (one) business places, such Taxable Entrepreneur during fulfilling his/ her taxation obligation could propose written notification to the Directorate General of Taxation to select more than 1 (one) places of payable tax.

Section (3)

Self-explanatory

Section (4)



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An individual or entity, either as a Taxable Entrepreneur or non-Taxable Entrepreneur who utilizes Intangible Taxable Goods from out of the Customs Area in the inside of Customs Area, shall remain be payable tax in the residence and/ or in the business place of the individual or in the domicile and/ or in the business places of the entity.

Number 14

Article 13

Section (1)

In the event that the delivery of Taxable Goods or the delivery of Taxable Service is occurred, the Taxable Entrepreneur who performs delivery of Taxable Goods or who delivery the Taxable Service shall be obliged to collect the payable tax and shall be provide Tax Invoice as the evidence of tax collection. This Invoice not necessarily made special or different with Sales Invoice. Tax Invoice could be in the form of Sales Invoice or certain documents of which are stipulated as the Tax Invoice by the Director General of Taxation.

Under this provision, upon the delivery of each Taxable Goods of which are in the form of assets of which in accordance with its original purposes is not for sale as set forth in Article 16D shall be obliged to be issued the Tax Invoice.

Section (1a)

In principle, the Tax Invoice is made at the delivery or at the receipt of payment in the event that the payment is made before the delivery. In certain condition, it is possibly that the issuance of Tax Invoice is not as the same with occasions mentioned above, for example, at the delivery of the Taxable Goods or the delivery of Taxable Service to the government treasurer. Therefore, the Finance Minister shall be authorized to set other occasion as the occasion to make the Tax Invoice.

Section (2)

It is excluded from the provision as set forth in section (1) above, the Taxable Entrepreneur shall be allowed to make 1 (one) Tax Invoice of which includes all delivery of the Taxable Goods or all delivery of the Taxable Services of which are occurred within 1 (one) calendar month to the same buyer or the same acceptor of the Taxable Service, which is called as the Combined Tax Invoice.



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Section (2a)

In order to ease the administrative burden, the Taxable Entrepreneur shall be allowed to make the combined Tax Invoice at no longer than the end of month of the delivery of Taxable Goods or the delivery of Taxable Service, although within the month of delivery, the payment has been occurred either overall or partially.

Example 1:

In the event that the Taxable Entrepreneur A performs the delivery of the Taxable Goods to the entrepreneur B at 1, 5, 10, 11, 12, 20, 25, 28, and 31 July 2010, but until the 31st July there is not payment, the Taxable Entrepreneur A shall be allowed to make 1 (one) combined Tax Invoice of which includes all delivery that are performed at July, which is no longer than 31 July 2010.

Example 2:

The Taxable Entrepreneur A performs the delivery of the Taxable Goods to entrepreneur B at 2, 7, 9, 10, 12, 20, 26, 28, 29, 30 September 2010. At 28 September 2010, there is a payment for the delivery of 2 September 2010. In the event that the Taxable Entrepreneur A issues the combined Tax Invoice, the combined Tax Invoice shall be made at 30 September 2010 of which includes all delivery that are occurred in September 2010.

Example 3:

The Taxable Entrepreneur A performs the delivery of the Taxable Goods to entrepreneur B at 2, 7, 9, 10, 12, 20, 26, 28, 29, 30 September 2010. At 28 September 2010, there is a payment for the delivery of 2 September 2010 and the deposit payment for the delivery of which will be performed in October 2010. In the event that the Taxable Entrepreneur A issues the combined Tax Invoice, the combined Tax Invoice shall be made at 30 September 2010 of which includes all delivery and deposit payment of which is performed in September.

Section (3)

Self-explanatory

Section (4)



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Self-explanatory

Section (5)

Tax Invoice shall be the evidence of tax collection of which can be used as an instrument to credit the Input Tax. Tax Invoice should be filled completely, clearly, and correctly as well signed by the party who appointed by the Taxable Entrepreneur to sign it. However, the description regarding on the Luxury Goods Selling Tax is only filled in the event that upon the delivery of the Taxable Goods is payable the Luxury Goods Selling Tax. Tax Invoice of which is not filled in accordance with the provision of this section, will result the Value Added Tax of which is included on it, cannot be credited as in accordance with the provision Article 9 section (8) point f.

Section (6)

It is excluded from the provision as set forth in section (5) above, the Directorate General of Taxation could determine the document of which is commonly used in the business whose capacity is equal to the Tax Invoice.

This provision is required due to, such as:

- a. sales invoice of which is applied by the entrepreneur has been widely recognized by the public, such as telephone bill invoice, and airline ticket ;
- b. evidence of tax collection shall be evidenced with Tax Invoice, while the party who should make the Tax Invoice, which is the party who deliver the Taxable Goods or the Taxable Service, is in th outside of Customs Area, for example in the event that the utilization of the Taxable Service from outside of the Customs Area, Forms of Tax Payment could be established as Tax Invoice; and
- c. there is certain document that is used in import or export of the Intangible Taxable Goods.

Section (7)

Self-explanatory

Section (8)

The corrected Tax Invoice shall be the Tax Invoice whose writing is incorrect or whose filling is incorrect. The adjustment of Selling Price due to the decrease of



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quantity or the decrease of quality of the Taxable Goods during the delivery shall be included into the definition of writing or filling incorrect.

Section (9)

Tax Invoice meets the formal requirement in the event that it is filled clearly, correctly, and fully in accordance with the requirements as set forth in section (5) above or the requirements of which is set by the Regulation of the Directorate General of Taxation as set forth in section (6).

Tax Invoice or certain document whose capacity is equal to the Tax Invoice shall meet the formal requirement in the event that it is contained the truly description regarding on the delivery of the Taxable Goods and/ or the delivery of the Taxable Services, export of the Tangible Taxable Goods, export of the Intangible Taxable Goods, export of the Taxable Services, import of the Taxable Goods, or the utilization of the Taxable Services and the utilization of the Intangible Taxable Goods from outside of the Customs Area in the inside of the Customs Area.

Therefore, although the Tax Invoice or certain document whose capacity is equal to the Tax Invoice have meet the formal requirement and its Value Added Tax has been paid, but the description of which is included in the Tax Invoice or certain document whose capacity is equal to the Tax Invoice is not accord with the actual reality regarding to the delivery of the Taxable Goods and/ or the delivery of the Taxable Services, export of the Tangible Taxable Goods, export of the Intangible Taxable Goods, export of the Taxable Services, import of the Taxable Goods, or the utilization of the Taxable Services and the utilization of the Intangible Taxable Goods from outside of the Customs Area in the inside of the Customs Area, such Tax Invoice or certain document whose capacity is equal to the Tax Invoice does not meet the material requirement.

Number 15

Article 15A

For the purpose of providing the spare time to the Taxable Entrepreneur to pay the tax underpayment and to submit the Notification Letter of the Period of Value Added Tax, this Article is particularly set the deadline for the payment and the submission of the Notification Letter of the Period of



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Value Added Tax of which is different to with that is set forth in Law Number 6 Year 1983 on the General Provision and Procedures of Taxation and its Amendment.

In the event that the payment tardiness of the payable tax based on the Notification Letter of the Period of Value Added Tax and/ or the tardiness of the submission of the Notification Letter of the Period of Value Added Tax in accordance with the provision of which is set under this Article, the Taxable Entrepreneur shall be subject to the administrative penalty as set forth in the Law Number 6 Year 1983 on the General Provision and Procedures of Taxation and its Amendment.

Number 16

Article 16B

Section (1)

One of the principles that should be adhered to in the Law of Taxation, shall be the equal treatment shall be applied and shall be enforced to all Taxpayers or towards all cases of taxation of which is essentially same with adhered to the provision of law and regulation. Therefore, each of convenience in taxation, if it is required, should refer to the rules mentioned above and it is required to maintain in order during the application there is not any mislead from its purposes and objectives to be given on such easiness.

The purposes and objectives in providing easiness are essentially to provide taxation facilities of which are required, particularly for the success of economic activity of which is high priority in the national scale, encouraging the business and improving competitiveness, supporting national resilience, as well smoothing the national development.

The easiness in this Article shall be provided limited:

- a. encouraging export of which is the national priority in the Bonded Dumb or to develop the region within the Customs Area of which is formed specially for such purposes;
- b. accommodating the possibility of agreement with other countries in the commerce and investment, ratified international convention, as well international prevalence;
- c. encouraging the public healthy through the provision of required vaccine in the national immunization program;



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- d. insuring the availability of the appropriate equipment for the Indonesian Armed Forces (TNI)/ the Indonesian National Police (POLRI) to protect the territory of the Republic of Indonesia from the external and internal threat;
- e. insuring the availability of boundary data and aerial photo of the territory of the Republic of Indonesia of which is performed by the Indonesian Armed Forces (TNI) to support national defense;
- f. increasing education and national intelligence through providing the general text book, the holy book, religious text book in affordable price;
- g. encouraging the development place of worship;
- h. insuring the housing whose price is affordable by the low income community, which are simple house (*rumah sederhana*), very-simple house (*rumah sangat sederhana*), and simple flats (*rumah susun sederhana*);
- i. encouraging the development of the national fleets in the field of air, land, and marine transportation;
- j. encouraging the national development through the provision of strategic stuff, such as material for silver handicrafts;
- k. insuring the implementation of the government's projects of which are financed by grants and/ or foreign loan;
- l. accommodating the international prevalence in the import of certain Taxable Goods of which are excused from the collection of import duty;
- m. assisting the availability of the Taxable Goods and/ Taxable Services of which are required for the purpose of the handling of natural disaster of which is established as the national disaster;
- n. insuring the availability of clean water and electricity of which are most required by the public; and/ or
- o. insuring the availability of air transportation to encourage the transport of goods and people in certain region of which has not been available the other transportation modes of which is appropriate, whose comparison between the volume of goods to be transported and people to be transported with the available transportation modes is very high.

Section (2)

The presence of payable Value Added Tax, but it is not collected, it means that the Input Tax of which is



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related to the delivery of the Taxable Goods and/ or the delivery of the Taxable Services of which obtains special treatment in question remain can be credited. Therefore, the Value Added Tax remains payable but it is not collected.

Example:

The Taxable Entrepreneur A produces the Taxable Goods of which obtains facility from the state, which is the payable Value Added Tax on the delivery of such Taxable Goods is not collected forever (not merely for being postponed).

For producing such Taxable Goods, the Taxable Entrepreneur A uses other Taxable Goods and/ or other Taxable Services as raw material, supporting material, capital good, or as other expense components.

When the Taxable Entrepreneur A bought such other Taxable Goods and/ or Taxable Service, the Taxable Entrepreneur A pays for the Value Added Tax to the Taxable Entrepreneur who sells or deliver such Taxable Goods and/ or Taxable Services.

If the Value Added Tax of which is paid by the Taxable Entrepreneur A to the supplier Taxable Entrepreneur is the Input Tax that can be credited to the Output Tax, such Input Tax can be credited to the Output Tax although its Input Tax is none due to the Taxable Entrepreneur A enjoys the facility in the form of Value Added Tax of which is not collected provided by the state in accordance with the provision as set forth in section (1).

Section (3)

It is different to the provision as set forth in section (2), the presence of special treatment in the form of exemption of the Value Added Tax results the absence of the Output Tax, so that the Input Tax in relation with the delivery of the Taxable Goods and/ or the delivery of the Taxable Services of which obtain exemption cannot be credited.

Example:

The Taxable Entrepreneur B produces the Taxable Goods of which obtains facility from the state, which is the payable Value Added Tax on the delivery of such Taxable Goods is not collected forever (not merely for being postponed).



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For producing such Taxable Goods, the Taxable Entrepreneur B uses other Taxable Goods and/ or other Taxable Services as raw material, supporting material, capital good, or as other expense components.

When the Taxable Entrepreneur B bought such other Taxable Goods and/ or Taxable Service, the Taxable Entrepreneur B pays for the Value Added Tax to the Taxable Entrepreneur who sells or delivers such Taxable Goods and/ or Taxable Services.

Although the Value Added Tax of which is paid by the Taxable Entrepreneur B is the Input Tax that can be credited, for there is no Output Tax due to the provision of exemption of the tax imposition as set forth in section (1), such Input Tax cannot be credited.

Number 17

Article 16D

The delivery of the Taxable Goods, such as, in the form of machines, building, equipment, utensils, or other Taxable Goods of which based on its original purposes are not for sale by the Taxable Entrepreneur shall be subject to tax.

However, Value Added Tax is not imposed to the delivery of the Taxable Goods of which have not direct connection with the business activity and the delivery of assets of which based on its original purposes not for sale, which is in the form of the vehicles such as sedan and station wagon that in accordance with the provision set forth in Article 9 section (8) point b and point c, Input Tax of the acquisition of such assets cannot be credited.

Number 18

Article 16E

Section (1)

In order to attract the individual foreign passport holder visiting Indonesia, for those are granted with the tax incentive. Such incentive can be in the form of the return of Value Added Tax on the Taxable Goods of which has been paid in Indonesia and it taken out by such individual to the outside of the Customs Area.

Section (2)

The Taxable Goods of which are paid within 1 (one) month prior the departure the individual foreign passport holder to the abroad shall be considered that



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it will be consumed in the outside of the Customs Area. Therefore, the Tax Invoice of which is used as the reason to reclaim the Value Added Tax and the Luxury Goods Selling Tax shall be required just only for the Tax Invoice of which is issued within 1 (one) month prior the departure of such individual foreign passport holder leaves Indonesia.

For the individual foreign passport holder who does not have Primary Number of Taxpayer (NPWP), Tax Invoice can be used to reclaim the Value Added Tax and the Luxury Goods Selling Tax and should include the complete identity, such as, name, passport number, address of such individual foreign passport in the country issuing passport.

Section (3)

Self-explanatory

Section (4)

Self-explanatory

Section (5)

Self-explanatory

Article 16F

In accordance with the principle of tax, burden payment for the Value Added Tax of Goods and Services and the Luxury Goods Selling Tax shall be on the buyer or the customer of the goods or the acceptor of services. Therefore, the buyer or the customer of the goods ought to be jointly and severally liable on the payment of payable tax if it turns out that such payable tax cannot be invoiced to the seller or service provider and the buyer or the acceptor of services or the customer of the goods fail to show the evidence of tax payment to the seller or the services provider.

ARTICLE II

Self-explanatory