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The Revocation of Treasurer's Taxpayer Identification Number and VAT Policy on Textbooks



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ABOUT DDTC Newsletter

Published every two weeks, DDTC Newsletter provides a summary of key tax law changes, both the current modifications and changes in taxation regulations, particularly those pertaining to domestic policies.

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Annulment of the Treasurer's Taxpayer Identification Number

The Director General of Taxes will annul the Taxpayer Identification Number (*Nomor Pokok Wajib Pajak*/NPWP) of the expenditure, revenue, and village treasurer. Other than the NPWP annulment, the Director General of Taxes will also revoke the revenue treasurer's status as a taxable person for VAT purposes (*pengusaha kena pajak*/PKP).

The Director General of Taxes will, however, issue a new NPWP -on behalf of the agency- ex officio for all government agencies. Correspondingly, the appointment of the PKP is to be conducted ex officio for government agencies of which the revenue treasurer has been confirmed as a PKP.

Further, the annulment of NPWP and revocation of PKP shall be carried out upon the enactment of Minister of Finance Regulation No.231/PMK.03/2019 concerning the Procedures for the Registration and Annulment of Taxpayer Identification Number, Appointment and Revocation of Taxable Persons for VAT Purposes Status, and the Withholding, Remittance, and Tax Reporting for Government Agencies (MoF Reg. No.231/2019).

Promulgated on 31 December 2019, this regulation will take effect 3 months thereafter. Its enactment will concurrently revoke the Minister of Finance Decree No. 563/KMK.03/2003 concerning the Appointment of the Treasurer and the Government Office of the State Treasury and Cash for Collecting, Depositing, and to Report Value Added Tax and Sales Tax on Luxury Goods and Its Collecting, Remittance, Reporting Procedures (MoF Decree No.563/2003).

This implies that the policy of revocating the treasurer's NPWP and PKP status is to be implemented as of 1 April 2020. For this reason, under this regulation, the Ministry of Finance also emphasizes the government agencies' obligation to register for an NPWP at the Tax Office (*Kantor Pelayanan Pajak*/KPP) or Tax Services, Dissemination, and Consultation Office (*Kantor Pelayanan, Penyuluhan, dan Konsultasi Perpajakan*/KP2KP).

The registration is carried out by the authorized party. In further detail, this regulation outlines that for central government agencies, the parties authorized to register are the heads of the agencies, budget user proxies, or financial administration functional officers.

In contrast, for regional governments, the registration is carried out by the heads of the agencies or financial administration functional officers in the local government work units. As for village governments, the registration is carried out by the village head or the village financial administration work units.

Upon registration, government agencies shall be given an NPWP at their domicile. However, this regulation stipulates the non-existence of branch NPWP for government agencies. The NPWP received may be used by budget users, budget user proxies, payment instruction signing officer, expenditure treasurers, revenue treasurers, and/or head of village government financial administration to carry out the government agencies' rights and obligations as tax withholders.

Moreover, through this regulation, the Ministry of Finance has revised the regulations on the collection, remittance, and reporting of value added tax (VAT) and sales tax on luxury goods (SLTGs) by government agencies. Under MoF Reg. No.231/2019, government agencies are appointed as VAT and SLTGs collectors. The party appointed as the collector under the previous regulation was the government treasurer.

In addition to restipulating the parties appointed as collectors, the Ministry of Finance has revised the transactions on which the government agencies do not collect VAT or SLTGs. In further detail, government agencies do not collect VAT and SLTGs on 7 transactions.

First, payment of a maximum Rp2 million, excluding VAT or SLTGS, and is not a split payment. There has been an increase in the ceiling compared to that set at Rp1 million under KMK 563/2003.

Second, payment for central government agencies' spending using government credit cards. The previous regulation did not stipulate such a transaction. *Third,* payment for land acquisition. This provision differs from the previous regulation which exempted payment for land clearing rather than for land acquisition.

Fourth, payment for the supply of fuel oil and non-oil fuel by PT. Pertamina (Persero). *Fifth,* payment for the supply of telecommunications services by telecommunications companies. *Sixth,* payment for air transportation services supplied by airlines. *Seventh,* payments for taxable goods or taxable services entitled to the non-imposition of exemption of VAT.

The last four types of transactions were set forth in the previous regulation and remained the same. Despite the fact that government agencies do not impose VAT/

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SLTGs on the abovementioned seven transactions, the regulation does not abrogate the VAT/SLTGs payable as the obligation to collect, remit, and report on the seven transactions is now lies on the PKP as the government's partner.

VAT Exemptions on the Imports of General Textbooks, Scriptures, and Religious Textbooks

The government has issued a regulation concerning VAT exemptions on the supply of general textbooks, scriptures, and religious textbooks. Moreover, individuals or entities that import and/or supply general textbooks, scriptures, and religious textbooks are exempt from VAT.

The policy is outlined in the Minister of Finance Regulation Number 5/PMK.010/2020 concerning the General Textbooks, Scriptures, and Religious Textbooks of which the Import and/or Supply are Exempt from Value Added Tax (PMK No. 5/2020).

The previous regulation, MoF Regulation No. 122/PMK.011/2013, stipulated several types of books exempt from VAT after an individual or entity acquired VAT Exemption Certificate (*Surat Keterangan Bebas*/SKB) issued by the Director General of Taxes. Upon the enactment of MoF Reg. No. 5/2020, MoF Reg. No. 122/2013 shall be revoked and declared not valid.

The regulation asserts that the books refer to papers and/or pictures published in the form of printed copies or electronic publications that are not published periodically. The VAT exemption policy aims to improve national education and intelligence by providing affordable books and scriptures for society.

General books that contain educational elements are entitled to the VAT exemption facility if five conditions or requirements are met. The five requirements include *first*, do not conflict with the values of the five basic principles of the Republic of Indonesia (*Pancasila*).

Second, non-discriminatory against ethnicity, religion, race, and/or groups. *Third,* do not contain pornography. *Fourth,* do not contain elements of violence. *Fifth,* do not contain hate speech.

In the event that these requirements are not satisfied, the publisher and/or importer of the general books are obliged to pay VAT according to the statutory provisions. Requirements are deemed unfulfilled based on court decisions. The provisions concerning the scriptures which are exempt from VAT imposition remain the same compared to the previous regulation.

The Confirmation of Input Tax Credit in Dissimilar Taxable periods

The Director General of Taxes (DGT) has issued the Director General of Taxes Circular No. SE-02/PJ/2020 on the input tax credit in dissimilar taxable periods. The DGT issued this circular due to inconsistency in the input tax credit treatment in dissimilar taxable periods. This circular is, thus, intended to affirm the provisions thereof.

The circular outlines that the input tax in a taxable period is credited against the output tax in the same period. However, a tax credit that may be credited, but is not yet credited, may be credited in the following taxable period no later than three months after the end of the taxable period in question.

In the event that the three-month period has been exceeded, the input tax may still be credited through the correction of the Periodic Value Added Tax Return. Further, this input tax credit provision applies to the input tax specified in specific documents deemed equal to invoices.

Input tax credit during these dissimilar taxable periods, however, is only possible if the input tax has not been recorded as an expense or has not been added (capitalized) in the accounting cost of the taxable goods or services taxable and the taxable person for VAT purposes has not been audited.

Tax Arrears Quality Classification

The Director General of Taxes has recently issued a regulation governing the classification of tax arrears quality. The classification is outlined in the Director General of Taxes Regulation No. PER-01/PJ/2020. Through the regulation signed on 13 January 2020, the Director General of Taxes requires the Head of the Tax Office (*Kantor Pelayanan Pajak*/KPP) to assess the quality of tax arrears based on their conditions.

The regulation was issued because the provisions concerning the classification of tax arrears quality and the currently applicable values of the tax arrears on the balance sheet do not reflect the net realizable value. Therefore, the Director General of Taxes considers it necessary to amend the provisions pertaining to the classification of tax arrears quality.

The regulation defines tax arrears as arrears arising from tax due, including administrative sanctions in the form of

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interest, penalties, or increments listed in the notice of tax assessment (*surat ketetapan pajak*/SKP) or similar notices.

These arrears arise as the tax due has not been settled until the end of the financial statement period. Meanwhile, tax arrears quality is defined as an estimate of tax arrears payability based on the age or condition of the tax arrears at the financial statement date.

In further detail, tax arrears quality is classified into four categories, namely, current, substandard, doubtful, and lost. The classification of these arrears depends on the type of taxes, age, and condition of the tax arrears.

In brief, the arrears quality of income tax, value added tax (VAT), stamp duty, land and building tax for the sectors of plantation, forestry, and mining (*pajak bumi dan bangunan sektor perkebunan, perhutanan dan pertambangan*/PBB-P3) are shown in the following table.

Further, this regulation sets forth that in the event that the Income Tax, VAT, SLTGs, and PBB-P3 arrears are collected based on the Notice of Tax Collection (*Surat Tagihan Pajak*/STP) and classified as substandard tax arrears, the collection is to be conducted immediately upon the issuance of an immediate and total tax collection order.

In the event that the PBB-P3 tax arrears are collected based on the Tax Due Notification Letter (*Surat Pemberitahuan Pajak Terhutang*/SPPT) or the Land and Building Tax Assessment Letter (*Surat Ketetapan Pajak*

Table 1 – Classification of Tax Arrears Quality

Classification of Tax Arrears Quality	Age of Arrears and Other Indicators	
	Income Tax, VAT, SLTGs, and Stamp Duty	PBB-P3
Current	Up to 4 months	Up to 6 months
Substandard	More than 4 months up to 1 year	More than 6 months up to 1 year
Doubtful	More than 1 year up to 3 years	More than 1 year up to 3 years
Lost	• More than 3 years • Collection rights have expired • Collection rights have not expired, but meet the requirements for revocation • The tax assessment as the basis for tax arrears is issued after the expiration date	• More than 3 years • Collection rights have expired • Collection rights have not expired, but meet the requirements for revocation • The tax assessment as the basis for tax arrears is issued after the expiration date

Source: Director General of Taxes Reg. No. PER-01/PJ/2020.

Pajak Bumi dan Bangunan/SKP PBB) and meets the criteria for substandard tax arrears, the collection must be immediately carried out with prior issuance of Notice of Land and Building Tax Collection.

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