

## **Tax Invoice** **To be prepared electronically**

A tax invoice (Faktur Pajak or “FP”) is the most important link in the value added tax (VAT) payment and reporting mechanism. For a taxable enterprises (Pengusaha Kena Pajak or “PKP”) delivering taxable goods or services, it is a proof of tax collection. For the taxable goods buyer or the taxable service recipient, it is a basis to claim input tax credit. A recent series of changes in the VAT Law, including those carried out through Law No. 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP) calls for a re-arrangement of tax invoice provision. The DGT Reg. No. PER-03/PJ/2022 dated March 31, 2022 (PER 03) responds to this need, replacing a number of provisions that previously governing tax invoices (Box 1).

### **Repealed Regulations** Since the entry into force of PER 03

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1. PER-58/PJ/2010
2. PER-24/PJ/2-21 , including the latest changes through PER-04/PJ/2020
3. PER-16/PJ/2014 , including the latest changes through PER-10/PJ/2020
4. KEP-754/PJ/2001

The most important change is that tax invoices without exception must be prepared electronically (e-Faktur), using the DGT-provided application. Hardcopy tax invoices can only be made in an emergency. When a tax invoice must be made and uploaded to the DGT system, is provided in detail in PER 03. Late uploading will result in rejection of the tax invoice. On the contrary, a tax invoice that has been uploaded to the DGT system will automatically become an input tax that can be credited by the buyer of taxable goods or recipients of taxable services, no longer dependent on VAT reporting by the tax invoice

issuer. This is a real solution to the problem of “negative confirmation” which almost always turns out to be a dispute in a tax audit.

PER 03 came into force on April 1, 2022. The following is an overview of some of the issues discussed in PER 03 regarding tax invoices.

### **Minimum information requirement**

A tax invoice must satisfy the formal requirements, i.e., that it must be filled out correctly, completely, and clearly with the required minimum information (Box 2). It has also to meet the material requirements, i.e. that the information filled in is the actual state of the taxable goods/taxable service delivery or other taxable events concerned. If the taxable goods buyer or the taxable service recipient is a domestic individual taxpayer, the Citizenship Code (NIK) has the

same position as the NPWP. The passport number is used instead of NPWP for a foreign taxpayer.

If the taxable goods or taxable services delivery takes place between taxable enterprises (PKPs), the name and/or address entered into the tax invoice must match with the reistration certificate or the PKP confirmation letter of both parties and both must be the actual names and/or addresses.. If the registered certificate or PKP confirmation letter is different from the actual situation, the data must be updated first.

### Minimum information In Tax Invoice

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1. Identity of PKP who submits taxable goods/taxable services (name, address, NPWP)
2. Identity of the buyer of the taxable goods or the recipient of the taxable service (name, address, NPWP/NIK/passport number)
3. Types of goods or services, amount of selling or replacement prices, and discounts
4. VAT collected
5. LST collected
6. code, serial number and date of tax invoice; and
7. the name and signature of the person entitled to sign the tax invoice

In the event that the delivery of taxable goods/taxable services is addressed to taxpayers with a privilege to automatically centralize VAT reporting, namely taxpayers registered with the LTO Regional Office, the Special Jakarta Regional Office, and Madya Tax Offices, the PKP delivering taxable goods or services Taxable goods should give extra care in filling in the identity of the taxable goods buyer or the taxable service recipient. The name and the NPWP must match with the ones of the taxable goods buyer or the taxable service recipient of the VAT centralization location,

whereas the address must match the place where the VAT or Luxury Sales Tax (LST) is due where the taxable goods and/or taxable services are received, which is identical to the place where the delivery of taxable goods or taxable services takes place.

Information regarding the type of goods or services also needs to be filled out carefully. If the object of the transaction is a new motor vehicle, the description of the type of goods must include at least the brand, the type, variant, and the vehicle frame number. For land and/or buildings, the complete address of the land and/or buildings being transacted must be stated. For delivery of taxable goods at free trade areas and free ports, the name of the taxable goods and the postal code of the rate must be stated in accordance with the Indonesian customs rate book.

The tax invoice must be signed electronically by an authorized PKP officer or employee who has been registered in the DGT system. The name of the signer must match with the name stated on the identity card (KTP) for Indonesian citizens or passport for foreigners. PKP can appoint more than one signer of tax invoices. In the event that the PKP centralizes the VAT reporting and the officer/employee prior to the centralization is still authorized to sign the tax invoice, the PKP where the VAT is centralized must re-register the officer/employee.

Departing from the provisions of the required minimum information, retailer PKP can make a tax invoice without the identity of the buyer of the taxable goods and/or the recipient of the taxable service and the name and signature of the signatory of the tax invoice. NSFP can also be made flexible according to the custom of retail traders.

The status of a retailer is not determined based on the classification of the business field (KLU) but rather on the characteristics of buyers of taxable goods and/or recipients of taxable services

provided. If all or part of them purchase taxable goods and/or receive taxable services for direct consumption and do not use them for business activities, the traders are classified as retail traders for the purpose of making tax invoices.

Tax invoices that do not meet the formal requirements are declared as incomplete tax invoices. The maker bears the consequences in the form of a fine of 1% of the tax base. Recipients of incomplete tax invoices are also affected: unable to credit input tax.

## When creating, uploading and reporting Tax Invoices

A tax invoice must be made for each delivery and export of taxable goods or taxable services at a time that is specified (Box 3).

Deviating from the standard provisions, PKP can make one combined tax invoice which includes all delivery of taxable goods/taxable services to buyers of taxable goods or recipients of the same taxable services in one month. These provisions still apply to receipt of advance payment in the month of delivery. In the event of several deliveries with different transaction codes to the same buyer or recipient of taxable goods, one combined tax invoice can be generated for each transaction code.

### When creating a Tax Invoice

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1. At the time of delivery of taxable goods and/or taxable services;
2. When the receipt of payment in the event that the payment occurs before the delivery of the taxable goods/taxable services
3. At the time of receipt of payment of the terms in the case of submission of part of the work stage;
4. When exporting taxable goods/taxable services; or
5. Other times regulated by the provisions of the legislation in the field of VAT

The tax invoice having been created with the DGT application (e-Faktur) must be uploaded to the DGT application system no later than the 15th of the following month after the date of the tax invoice making for the DGT's approval. Approval will only be given if the upload does not pass the deadline and the tax invoice serial number (NSFP) is the NSFP provided by the DGT which is used from the date the NSFP was issued. A tax invoice is basically an e-Faktur that has been approved by the DGT.

Output tax invoices must be reported in the same Tax Period as the tax invoice making date. Reports that do not comply with these provisions are subject to sanctions in accordance with the tax legislation provisions.

Tax invoices made beyond three months after the moment it should have been prepared (Box 3) are considered not to be made. PKP who makes such a tax invoice is subject to a fine of 1% of the tax base. The VAT stated on such a tax invoice is an input tax that cannot be credited.

## Tax Invoice correction, replacement and cancellation

Incorrect tax invoices, in terms of information writing or filling, can be corrected or replaced using a replacement tax invoice. If a transaction that underlies a tax invoice is canceled or a tax invoice should not be made, the tax invoice that has been made must be cancelled. Correction or replacement of tax invoices and cancellation of tax invoices is carried out with the e-Faktur application.

The making of a replacement tax invoice and cancellation of a tax invoice can only be done if the VAT Return containing the replaced or canceled tax invoice can still be revised in accordance with the provisions of the tax laws and regulations.

In the event that the tax invoice maker and recipient have reported the replaced or canceled tax invoice in their respective VAT returns, those VAT return must be revised, too.

Please reach out to your contact at P9 for more in-depth information about this matter.

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