

VAT REFUND FOR TOURIST: SIMPLIFIED RETAIL SHOP REGISTRATION MECHANISM



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Simplified Registration Mechanism of Tourism VAT Refund for Retail Stores

The government has simplified the registration mechanism to become a taxable person for VAT purpose of retail stores (*Pengusaha Kena Pajak Toko Retail*/PKP Retail Store) willing to participate in the VAT Refund scheme in the tourism sector. This simplification is stipulated in the Director General of Taxes Regulation No. PER-17/PJ/2019 concerning the Registration Procedures and the Obligations of PKP Retail Stores Participating in the Value Added Tax (VAT) Refund for Foreign Tourists Scheme ([DGT Reg No. 17/2019](#)).

One of the objectives of this regulation is, among others, to enhance the role of PKP Retail Stores and improve services in the VAT refund scheme for tourists. PKP Retail Store is defined as a taxable person for VAT purposes that supply taxable goods through retail stores.

Under the new regulation, a PKP Retail Store who is willing to participate is only required to register electronically through the *VAT Refund for Tourists* application on the webpage of Directorate General of Taxes (DGT). On another note, the *VAT Refund for Tourists* application supports the registration process, issuance of special tax invoices, and/or VAT refunds to foreign tourists. A user manual is integrally embedded within the application.

Moreover, after the registration of PKP Retail Store, the DGT subsequently issues a printable decision letter regarding the appointment as PKP Retail Store through the *VAT Refund for Tourists* application on the DGT's webpage. This is significantly different from the registration procedures in the previous regulation.

Under the previous regulation, to register, a PKP Retail Store was required to apply for a decision letter and PIN. Subsequently, the PKP Retail Store was required to wait for a maximum of 10 working days for either a decision or rejection letter. After the issuance of PIN and decision letter, the tax office had to send it by post or expedition to the PKP Retail Store.

The tax office was also required to input the proof of delivery number in the application. Upon registration, the DGT would issue a printable decision letter concerning the appointment of the PKP Retail Store through the same application. Further, a PKP Retail Store that received a PIN was obliged to immediately perform activation as the PIN would only be valid for 30 days. If such a time limit was exceeded, the PIN would then be declared invalid.

Signed on 25 September 2019, the new regulation has come into force as of 1 October 2019. Its enactment

revokes Director General Regulation No. PER-28/PJ/2013 ([DGT Reg No. 28/2013](#)). Moreover, based on the new provision, the DGT will subsequently issue a printable decision letter regarding the appointment of the retail store through the *VAT Refund for Tourists* application on the DGT's webpage.

Thus, the appointed PKP Retail Store can determine the branch and/or retail store that will participate in the VAT refund for foreign tourists scheme, increase and/or decrease the number of branches and/or retail stores, and confers independent access rights for retail stores through the application.

Considering that the new registration procedure can be conducted online, an internet connection is compulsory for retail stores. In addition, the sample of the Decision Letter concerning the Appointment of PKP Retail Store is listed in [Appendix A DGT Reg No. 17/PJ/2019](#).

The Obligations of Retail Stores

[DGT Reg No. 17/2019](#) also stipulates the obligations of PKP Retail Stores. *First*, printing and sticking/attaching a 'Tax Free Shop' logo on every retail store incorporated in the VAT refund scheme for foreign tourists.

Second, providing information, either printed or through social media regarding VAT refund for foreign tourists, including the information on the Implementing Unit of VAT Refund of the Airport (*Unit Pelaksana Restitusi Pajak Pertambahan Nilai Bandar Udara*/UPRPPN Bandara) marked with the 'Tax Refund For Tourists' logo.

UPRPPN Bandara is a special unit under the tax office whose working area includes the place before the check-in counter in charge of processing requests of VAT refunds for foreign tourists. The examples of 'Tax Free Shop' and 'Tax Refund For Tourists' logo can be found in [Appendix B and C DGT Reg No. 17/2019](#).

Third, issuing a special tax invoice through the *VAT Refund for Tourists* application for the supply of luggage to a foreign tourist holding a foreign passport and willing to obtain a VAT refund. The special tax invoice is prepared in triplicate for different designations:

- the first sheet, for foreign tourists to apply for VAT refund;
- the second sheet, for UPRPPN Bandara through the foreign tourists; and
- the third sheet, for the archive of PKP Retail Store through the retail store.

Fourth, providing answers concerning the validity of special tax invoice data against the actual situation, in

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the event of a request for the confirmation of the special tax invoices. *Fifth*, recording the number, date, and other data from manual special tax invoice into the *VAT Refund for Tourists* application no later than the next day after the application is available online.

The DGT has the authority to revoke the access rights of the *VAT Refund for Tourists* application in the event that a PKP Retail Store fails to carry out the abovementioned obligations. Further, the PKP Retail Store is obliged to file Periodic VAT Return for all supply of taxable goods, including the supply of luggage to foreign tourists in accordance with the general taxation provisions.

Special Tax Invoice Provisions

The issuance of special tax invoices for the supply of luggage as referred to above must meet the following conditions:

- a minimum amount of VAT is IDR50,000.00 (fifty thousand rupiahs);
- the filing procedure is as follows:
 - 1) fill the 'Taxpayer Identification Number' column with the foreign tourist's passport number as stated in the passport;
 - 2) fill the 'buyer's address' column with the foreign tourist's complete address as stated in the passport; and
 - 3) enlist the cash register, payment receipt, or invoice number.

Special tax invoices that do not meet the above requirements cannot be used as a basis for VAT refund for foreign tourists.

In any case, the *VAT Refund for Tourists* application is offline, a special tax invoice should be prepared manually in accordance with the statutory regulation. Presently, this is regulated through Minister of Finance Regulation No. 120/PMK/03/2019 concerning the Procedure and Settlement of VAT Refund Requests of Individual Holder of Foreign Passport ([MoF Reg No. 120/2019](#)).

The Ministry of Finance Released Underpayment & Overpayment of Revenue Sharing Fund

The Ministry of Finance has stipulated the accumulation of underpayment (*kurang bayar*/KB) and overpayment (*lebih bayar*/LB) of revenue sharing fund (*dana bagi hasil*/DBH) per province and district/city by 2019. The stipulation is outlined in [MOF Reg No. 140/2019](#).

The rules provide details of unsettled KB DBH and LB DBH for the fiscal year up to 2017, for 2016, 2017, and 2018 fiscal years.

KB DBH is the difference between the DBH calculated based on the realization of state revenue and DBH that has been distributed to the regions or DBH that is calculated based on the prognosis of the realization of state revenue in one particular fiscal year. In contrast, LB DBH is the difference between the realization and the funds distributed or calculated based on the prognosis of the state revenue.

Up to the 2017 budget year, undistributed KB DBH amounts to Rp19.2 trillion. Conversely, for the same period, unsettled LB DBH amounts to Rp11.4 trillion.

In the aforementioned period, KB and LB were distributed in DBH of income tax (*pajak penghasilan*/PPH), DBH of land and building tax (*pajak bumi dan bangunan*/PBB), DBH of tobacco products excise (*cukai hasil tembakau*/CHT) DBH, and DBH of natural resources (SDA) which comprises forestry and fisheries

Furthermore, for the 2016 and 2017 fiscal years, KB DBH amounts to Rp36.5 billion. On the contrary, the LB DBH amount for the same fiscal year reaches Rp9.2 billion. However, in this fiscal year, KB and LB are only found in DBH of mineral and coal (*sumber daya alam*/SDA).

On the contrary, DBH KB for the 2018 budget year amounts to Rp23.6 trillion. Such an amount consists of KB DBH of PPH of approximately Rp404.4 billion, KB DBH of PBB of Rp3.1 trillion, KB DBH of CHT of Rp92.4 billion, and the remaining is KBH of SDA.

Moreover, the LB DBH for the 2018 budget year amounts to Rp2,4 trillion. Such an amount consists of LB DBH of PPH of Rp1.1 trillion, LB DBH of PBB of 609.8 billion, and LB DBH of natural resource forestry in addition to fisheries which if accumulated reaches Rp1.1 trillion.

The KB DBH listed in this MoF Regulation will be distributed according to the allocation in the State Budget (*Anggaran Pendapatan dan Belanja Negara*/APBN) and its amendments. Signed on 8 October 2019, this regulation also sets forth a list of KB and LB amounts for each region contained in the [Appendix of MoF Reg. No 140/2019](#).

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