



# Tax Newsletter

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## VAT On Submission Of Collateral Taken Over By Creditors To Collateral Purchasers

**mazars**

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### VAT On Submission Of Collateral Taken Over By Creditors To Collateral Purchasers

**Pursuant to the issuance of Government Regulation No. 44 Year 2022, the Ministry of Finance has issued a new regulation No. 41 Year 2023 concerning the VAT on Submission of Collateral Taken Over by Creditors to Collateral Purchasers (“PMK-41”). PMK-41 has effectively applied on 1 May 2023.**

Considering a number of disputes between tax office and creditors at the tax court level even up to supreme court level, this regulation is expected to provide legal certainty on the imposition of VAT on collateral from creditors to collateral purchasers.

Under PMK-41, the Creditors are financial institutions providing credit based on the laws governing financial sector. The Debtors are customers obtaining the credit based on agreement between creditor and debtor in accordance with the prevailing laws governing financial sector. The Collateral Purchasers are individuals or corporations other than Creditors purchasing the collateral goods.

When the goods are collateralized by the Debtor, the VAT is not liable. The VAT will be imposed when the collateral goods being handed over to the Collateral Purchasers by the Creditors. The effective VAT rate being imposed will be 1.1% of the selling price of the collateral goods.

The Creditors are required to issue the Tax Invoice and report it in the respective VAT Return. The tax invoice would be in the form of “other documents equivalent to Tax Invoices” which at least contains the following information:

- Document Number and Date
- Name and Tax ID Number of Creditor
- Name and Tax ID Number or ID Number of Debtor
- Name and Tax ID Number or ID Number of Collateral Purchaser
- Description of Taxable Goods
- VAT Base
- VAT amount

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