



Questioning the Implementation of Value Added Tax on Educational Services in Indonesia

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Abstract

Law Number 7 of 2021 on Tax Regulation Harmonization has ushered in notable alterations to the Value Added Tax (VAT) stipulations within Indonesia. Notably, this law now classifies educational services as taxable entities. This study examines the background of the VAT policy on education services and evaluates it. Adopting a post-positivist approach, the research utilizes literature studies and in-depth interviews for data collection. The research shows that such a shift in policy raises concerns about legal clarity and the methods for imposing VAT. Amid public disapproval, the authorities opted to subject educational services to VAT but with certain exemptions. Despite these tax breaks, education service providers still must issue tax invoices, potentially elevating their compliance costs. However, the tax authorities have yet to provide detailed guidance on how this law affects educational service providers in terms of subjects, objects, and VAT bases. Based on the conducted research, the advised steps forward include specifying which educational services are impacted, ensuring clear communication about the legal aspects of educational services, and facilitating administrative procedures for taxpayers to meet their responsibility.

Keywords: Value Added Tax; Tax Policy; Educational Services

A. Introduction

To enhance tax revenue collection, the government introduced new tax policies in 2021 through Law Number 7 of 2021 on Tax Regulation Harmonization (hereinafter referred to as the Tax Harmonization Law). Value Added Tax (VAT) is one of the tax types affected by the changes brought about by the Tax Harmonization Law. The amendments to the VAT Law encompass alterations regarding the exemption of taxable objects, the reconfiguration of tax facilities, and changes in tax rates. These modifications are attributed to several factors, one of

which is the underperformance in VAT revenue collection.¹ The assessment to the tax revenue made by the Ministry of Finance showcased data concerning the VAT revenue performance. This highlighted that in 2018, Indonesia had C-efficiency ratio of 63,58%. Such ratio suggested that there remains untapped potential in collecting from the total household consumption within the Gross Domestic Product. The suboptimal of VAT results stem from issues like tax evasion, an extensive range of VAT exemptions, and an inefficient tax administration framework.² Drawing from the tax expenditure report, the Fiscal Policy Agency has gauged the potential tax revenue lost, factoring in tax incentives and facilities. Between 2016 and 2019 the average estimated loss linked to VAT imposition restrictions stood at IDR 62.37 trillion.³

The enactment of the Tax Harmonization Law has implications for the expansion of taxable goods and services. Educational services are among the services that were previously was categorized as non taxable supplies for its characteristics as essential services,⁴ but are now subject to VAT. The regulations pertaining to educational services have been altered by this law, yet when examining the definition of educational services in both the VAT Law and the Tax Harmonization Law, there has been no discernible change. Furthermore, the Ministry of Finance has not repealed the implementing regulations from the previous provisions, specifically the Regulation of the Minister of Finance Number 223 of 2014 on Criteria for Educational Services Exempted from VAT. Consequently, from a legal-formal perspective, these regulations are no longer relevant as they refer to the outdated legislation regarding the taxation of educational services. Moreover, another issue arises from the absence of a regulatory framework for certain types of educational services, namely, artistic and sports education services.⁵ The absence of regulation for these services leads to a lack of clarity regarding VAT application. In practice, this issue may give rise to disputes due to differences in interpretation between tax authorities and taxpayers.

Another issue pertains to educational institutions that have not obtained the necessary permits for providing certain skill-based services. Licensing problems have been a concern among the public, primarily due to the onerous licensing requirements. Similar issues arise

¹ Kementerian Keuangan Republik Indonesia, “Kenaikan Tarif PPN dalam Kerangka Reformasi Perpajakan,” *Media Keuangan Kemenkeu*, 2022, <https://mediakeuangan.kemenkeu.go.id/article/show/kenaikan-tarif-ppn-dalam-kerangka-reformasi-perpajakan>.

² Vito Tanzi and Hamid R. Davoodi, “Corruption, Growth and Public Finance,” *SSRN Electronic Journal*, 2021, <https://doi.org/10.2139/ssrn.880260>.

³ Sulfan, Kinerja PPN di Indonesia tahun 2011-2020, *Jurnal Pajak Indonesia*, 2021.

⁴ H. Rosdiana, “Evaluating State Levies for Higher Education,” *Bisnis & Birokrasi: Jurnal Ilmu Administrasi dan Organisasi* 18, no. 2 (2012): 166–176.

⁵ DDTC, “Fasilitas PPN Jasa Pendidikan Pascaterbitnya UU HPP dan Persoalannya,” *DDTC News*, 2022, <https://news.ddtc.co.id/fasilitas-ppn-jasa-pendidikan-pascaterbitnya-uu-hpp-dan-persoalannya-37475>.

when attempting to renew these permits.⁶ The existence of this issue highlights that the treatment of VAT depends solely on administrative factors, as it is determined based on the presence or absence of these licenses. The aim of this research is to address the background of the policy changes regarding VAT on educational services and discusses the implications of altering the application of VAT on such services.

The research approach follows a post-positivist paradigm. The study is descriptive in nature, and in terms of its benefits, it is classified as pure research. The research employs qualitative data collection techniques, including field studies and literature studies.⁷ The field study was conducted through in-depth interviews with government representatives from the Directorate General of Taxes (*Direktorat Jenderal Pajak* or DJP), Tax Service Offices (*Kantor Pelayanan Pajak* or KPP), academic experts, practitioners, and higher education institutions. The interview conducted occupied semi-structured interview to deepen the understanding of the researcher with regard to the point of view of each related stakeholder. The literature study was conducted by reviewing relevant literature and academic references that are pertinent to this research.

B. Discussion

B. 1. Considerations and Descriptions Related to the Transformation of Educational Services into Taxable Services

VAT is a sales tax on all goods and services collected at each production stage and accumulated to equate to the amount of tax on final household consumption. VAT is a provision to impose tax on personal consumption comprehensively, neutrally, and efficiently using the same rate on the price paid for goods and services.⁸ The legal character serves as a guideline regulating a specific tax. The characteristics of VAT are as follows:⁹

1. General: VAT is a general consumption tax because it is aimed at all private expenditures, hence it's levied uniformly on all goods and services without discrimination. All consumed goods are subject to VAT regardless of the purpose of

⁶ Saragih et al., "Pajak Pertambahan Nilai terhadap Jasa Pendidikan: Upaya Mendukung Pemerataan Pendidikan," *Jurnal Pajak Indonesia* 6, no. 26 (2022): 674–680.

⁷ John W. Creswell and J. David Creswell, *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*, 5th ed. (Thousand Oaks, CA: SAGE Publications, 2018), chap. "Mixed Methods Procedures."

⁸ Alan Schenk and Oliver Oldman, *Value Added Tax: A Comparative Approach in Theory and Practice* (Cambridge: Cambridge University Press, 2022), <https://doi.org/10.1163/9789004502192>.

⁹ P. Andreana and Inayati, "Principles of Tax Collection in Value Added Tax (VAT) on Digital Services in Indonesia," *Jurnal Public Policy* 8, no. 1 (2022), <https://doi.org/10.35308/jpp.v8i1.4692>.

the goods' use. The challenges in taxing service consumption include difficulties in selecting which services to tax, perceived inconsistency with the concept of VAT imposed on consumption, and hurdles in its collection from small-scale individual enterprises.

2. Indirect tax: The tax burden of VAT can be passed on to another party, making it an indirect tax. In practice, the consumption tax isn't only borne by the producers; it can be shifted to the consumers or forwarded (forward shifting). Additionally, the tax burden can also be shifted backward or via backward shifting, that is, to produce the production factors originating from the producer.
3. On consumption: Sales tax is levied upon consumption without considering whether the goods are gradually consumed or consumed all at once.

Tax treatment on educational services were initially regulated under Law Number 8 of 1983 on Value Added Tax in Indonesia. In this policy, educational services were categorized as non-taxable services because the provision of these services was considered to be primarily aimed at non-profit objectives, rather than solely profit-seeking motives. The regulations pertaining to VAT regulation of educational services remained unchanged for a period of 25 years. However, following the issuance of the Tax Harmonization Law, there was a shift in the treatment of VAT on educational services, categorizing them as taxable services with exemptions granted. A comparative analysis of VAT policies in the VAT Law over time can be summarized as follows:

Law	Non-Taxable Services/Goods	Taxable Services/Goods	Government-Borne VAT
VAT Law No. 8/1983	Educational Services Further regulated by Government Regulation No. 28/1988	-	Import of unpublished scientific books not produced domestically and not for trading. Further regulated by Presidential Decree No. 18/1986. Import of general textbooks, religious scriptures, and religious textbooks.
VAT Law No. 11/1994	Educational Services Further regulated by Government Regulation No. 50/1994	Import of general textbooks Further regulated by Presidential Decree No. 37/1998, Minister of Finance Regulation No. 10/KMK.04/2001	Import of unpublished scientific books not produced domestically and not for trading. Further regulated by Presidential Decree No. 41/1994, Presidential Decree No. 8/1995.

			Import of unpublished scientific books not produced domestically. Further regulated by Presidential Decree No. 4/1996, Presidential Decree No. 22/1997
VAT Law No. 18/2000	Educational Services Further regulated by Government Regulation No. 144/2000 Export and/or import of general textbooks, religious scriptures, and religious books Further regulated by Government Regulation No. 146/2000, Minister of Finance Regulation No. 353/2001, Government Regulation No. 38/2003, Minister of Finance Regulation No. 370/2003	-	-
VAT Law No. 42/2009	Educational Services Further regulated by Minister of Finance Regulation 223/2014 Export and/or import of general textbooks, religious scriptures, and religious books Further regulated by Government Regulation No. 146/2000, Minister of Finance Regulation No. 353/2001, Government Regulation No. 38/2003, Minister of Finance Regulation No. 370/2003	-	-
Tax Harmoniz	-	Educational Services	-

ation Law No. 7/2021		Further regulated by Government Regulation No. 49/2022	
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Table 1. Comparison of VAT Policies in the Education Sector based on the Period of Change of VAT Laws

(Source: Law No. 4/1950, Law No. 2/1961, Law No. 2/1989, Law No. 20/2003, reprocessed)

Furthermore, in the implementation of the law, supplementary regulations are required, such as Government Regulations, Presidential Decrees, Minister of Finance Regulations, and Minister of Finance Decisions. Changes to the provisions regarding educational services in its implementing regulations, as shown in Table 2 below:

Regulations	Provisions Regarding Educational Services
Government Regulation No. 28/1988	Article 1 Number 2: "2. The provision of Taxable Services conducted within the customs territory of the Republic of Indonesia within the scope of a company or business by Taxable Service Providers, except: f. Educational services." Explanation of Article 1 Number 2: "Services exempted from the imposition of Value Added Tax include: f. Services in the field of education such as Public Schools, Special Schools, Vocational Schools, Universities, Institutes, Academies, courses, and the like, whether organized by the Government or Private entities, including Religious Education Institutions."
Government Regulation No. 50/1994	Article 9: "The types of services exempt from Value Added Tax are: 1. Services in the field of education." Article 15: "Services in the field of education as referred to in Article 9 include: 1. Services for the provision of school education, such as general education, vocational education, special education, government education, religious education, academic education, and professional education; 2. Services for the provision of non-school education, such as courses."

Government Regulation No. 144/2000	Article 5: "The group of services exempt from Value Added Tax includes: f. services in the field of education." Article 10: "The types of services in the field of education as referred to in Article 5 letter f include: a. Services for the provision of school education, such as general education, vocational education, special education, government education, religious education, academic education, and professional education; and b. Services for the provision of non-school education, such as courses."
Minister of Finance Regulation No. 223/2014	Article 2, Paragraph 1 and 2: (1) Certain services in the group of Educational services are classified as types of services exempt from Value Added Tax. (2) The group of Educational services exempt from Value Added Tax as referred to in paragraph (1) includes: a. Services for the provision of school education, such as general education, vocational education, special education, government education, religious education, academic education, and professional education; and b. Services for the provision of non-school education. Article 3: (1) Services for the provision of school education as referred to in Article 2 paragraph (2) letter a are services for the provision of Formal Education. (2) Services for the provision of non-school education as referred to in Article 2 paragraph (2) letter b are services for the provision of Non-formal Education and Informal Education. Article 4: The details of services for the provision of Education, whether Formal Education, Non-formal Education, or Informal Education as referred to in Article 3, are as follows: a. Services for the provision of Formal Education as referred to in Article 3 paragraph (1) include services for the provision of early childhood education, elementary education, secondary education, and higher education. b. Services for the provision of Non-formal Education as referred to in Article 3 paragraph (2) include services for the provision of life skills education, early childhood education, youth education,

	women's empowerment education, literacy education, skills training and vocational training, and equivalency education. c. Services for the provision of Informal Education as referred to in Article 3 paragraph (2) include services for education provided by families and communities in the form of independent learning activities.
Government Regulation No. 49/2022	Article 16: (1) Educational services, the delivery of which occurs within the Customs Area or their utilization originates from outside the Customs Area within the Customs Area, are exempt from Value Added Tax as referred to in Article 10 letter f, encompassing services for the provision of: a. school education; and b. non-school education. (2) Services for the provision of school education as referred to in paragraph (1) letter a consist of services for the provision of education through the formal track as regulated in the legislation governing the national education system. (3) Services for the provision of non-school education as referred to in paragraph (1) letter b consist of services for the provision of education through the non-formal track as regulated in the legislation governing the national education system. (4) Services for the provision of education through the formal track as referred to in paragraph (1) include services for the provision of: a. early childhood education; b. elementary education; c. secondary education; and d. higher education, by educational institutions holding formal education permits from the central or regional government in accordance with their respective authorities. (5) Services for the provision of education through the non-formal track as referred to in paragraph (3) include services for the provision of: a. life skills education; b. early childhood education; c. youth education; d. women's empowerment education; e. literacy education; f. skills training and vocational training; g. equivalency education; and h. other education aimed at developing the capabilities of learners,

	by educational institutions holding non-formal education permits from the regional government in accordance with their respective authorities.
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Table 2. Changes in Provisions Regarding Educational Services in Implementing Regulations of the Law

In 2021, upon the issuance of the Tax Harmonization Law, several types of services were removed from the non-taxable category and included in the taxable category. The exclusion of educational services from the non-taxable category was based on indicators measuring the performance of VAT revenue in Indonesia, where Indonesia's c-efficiency ratio was still relatively low. The performance of VAT revenue in Indonesia from 2011 to 2020 was suboptimal and even showed a decreasing trend year by year. According to a research in 2021,¹⁰ the highest VAT performance was recorded in 2013 with a c-efficiency ratio of 65.22%, while the lowest was in 2020 with a c-efficiency ratio of 42.75%. The research revealed that one of the reasons for the poor VAT revenue performance was the overly broad category of exempted goods and services. To anticipate potential revenue loss, there was a need to expand the tax base. Therefore, the government implemented a policy of subjecting educational services to VAT to broaden the tax base. This expansion of the tax base, including in the field of educational services, is expected to align with the dynamic developments in the global economy, ensuring that the government does not lose a vital source of revenue.

The types of educational services have undergone continuous changes and expansions. These transformations are driven by the increasing demand for educational services. Consequently, the government is unable to provide all the types of educational services required by the populace, which has created a significant opportunity for private entities to participate in the provision of educational services. The presence of diverse entities engaged in educational activities naturally results in variations in terms of quality, facilities, and the costs associated with accessing education. Based on education data, from 2019 to 2023, the number of private schools has consistently increased. In 2023, there were a total of 271,497 private schools in Indonesia, accounting for 61.2% of the total number of schools.¹¹ Consequently, the government recognized the necessity for amendments to the regulations governing educational

¹⁰ Sulfan, "Kinerja PPN di Indonesia Tahun 2011–2020," *Jurnal Pajak Indonesia* 5, no. 2 (2021): 206–216, <https://www.jurnal.pknstan.ac.id/index.php/JPI>.

¹¹ Interview with the government officer representative of Directorate General of Early Childhood Education, (2023).

services. These policy changes are also motivated by VAT policies applied to various types of educational services in Asian and other countries, which have undergone alterations.

Fundamentally, the primary goal of a national taxation system is to generate revenue to finance the needs of the state.¹² Educational services, which experience annual growth, have become an attractive area for the government to reconsider its policies. In the process of policy revision, the government typically estimates the revenue to be generated.¹³ With the current Tax Harmonization Law, there has been a policy change regarding VAT on educational services, previously categorized as non-taxable, now designated as taxable with exemptions. The consequence of this policy change is that, currently, educational services do not generate additional revenue as no tax is collected.

However, according to Article 30 of Government Regulation Number 49 of 2022, which also governs educational services, this policy may be temporary and/or permanent and is subject to evaluation by the Minister, taking into consideration economic conditions and its impact on state revenue. Therefore, in the future, the Minister of Finance has the authority to modify the policy of providing exemptions for educational services. This future policy change may raise concerns for lower and middle-income individuals. The shift in VAT policy on educational services to taxable status is driven by the government's efforts to increase consumption tax revenue in Indonesia. However, to expand the tax base, it is essential to reevaluate the fundamental concepts of VAT, the dynamic development of educational services accepted by the broader society, and benchmarking against other countries.

It is crucial to understand that, according to the preamble of the Constitution, the provision of educational services has a primary social purpose, which is to enlighten the life of the nation. Article 31 paragraph 1 of the 1945 Constitution states that "Every citizen has the right to education." Based on this article, the government is obliged to establish a national education system regulated by law. Thus, there is a constitutional demand for the government to establish and provide educational institutions for the entire population. The policy of imposing VAT on educational services in Article 16B has sparked controversy because it contradicts the government's goal of enlightening the nation's life.

In implementing VAT policies in a country, exemptions are often based on political considerations, particularly in the social domain. Referring to Thuronyi,¹⁴ there are goods and

¹² S. Nurmantu, *Pengantar Perpajakan* (Jakarta: Granit, 2005).

¹³ Victor Thuronyi, *Tax Law Design and Drafting* (Washington, DC: International Monetary Fund, 1996), <https://doi.org/10.5089/9781557755872.071>.

¹⁴ Ibid.

services that should be exempted from VAT, especially supplies by Nonprofit Organizations and Individuals. Many countries grant exemptions for goods and services solely for social purposes, such as healthcare and education services. This is because these services are fundamentally rights for the entire population. The policy of exempting educational and healthcare services is recommended to be extended to nonprofit organizations and individuals in similar situations who provide such services. For example, foundations providing educational services and religious organizations offering education. However, if such services are provided by commercial organizations, they should not be exempt from VAT. In practice, a nonprofit organization must be able to distinguish between activities that are purely social and those that are commercial. This is because the imposition of VAT on education can create problems if nonprofit educational services and commercial educational services are subject to the same tax.¹⁵ As long as an educational service engages in commercial activities, VAT should be applied to those commercial services.

In 2009, the government issued Law Number 9 of 2009 concerning Educational Legal Entities. This policy sparked controversy in society because it contradicted the 1945 Constitution by pushing the education system towards market-oriented commercialization. This was due to the considerations stated in letter b of Law Number 9 of 2009, which reads:

That autonomy in the management of formal education can be realized if formal educational institutions take the form of educational legal entities, which function to provide fair and high-quality services to students, operate on a non-profit basis, and can independently manage funds to advance national education. (*Bahwa otonomi dalam pengelolaan pendidikan formal dapat diwujudkan, jika penyelenggaraan atau satuan pendidikan formal berbentuk badan hukum pendidikan, yang berfungsi memberikan pelayanan yang adil dan bermutu kepada peserta didik, berprinsip nirlaba, dan dapat mengelola dana secara mandiri untuk memajukan pendidikan nasional.*)

In light of this consideration, educational providers can independently manage funding and seek sources of funding, thus reducing the government's role in ensuring that educational goals remain socially oriented. The issuance of Law Number 9 of 2009 will reduce the constitutional obligations and responsibilities of the state because the management of education is essentially the full responsibility of the government. The reduced role of the government in education will open up market opportunities in the education sector, which may limit people's access to education. Therefore, the government is obliged to ensure the provision of education in accordance with constitutional norms, namely:

¹⁵ Alan Schenk and Oliver Oldman, *Value Added Tax: A Comparative Approach in Theory and Practice* (Cambridge: Cambridge University Press, 2022), <https://doi.org/10.1163/9789004502192>.

- a. Legislative products governing educational services must align with the state's objective of enlightening the nation. This means that the provision of education must ensure that all Indonesians do not face difficulties in accessing education that is easy, of high quality, and affordable.
- b. Legislative products must ensure that citizens' right to education is fulfilled and protected by the government. This implies that legal regulations should facilitate citizens in accessing their rights.
- c. Legislative products must provide clarity regarding the role, function, and responsibilities of the government in organizing education. The government should be able to enhance its contribution to education provision.

Based on the constitutional norms, the imposition of VAT on educational services should emphasize that educational services serve a social purpose of enlightening the nation. In applying the latest VAT policy during the discussion of the Tax Harmonization Law, the Indonesian government and legislator made a compromise for educational services. Initially, these services were categorized as taxable services but were later shifted to receive exemptions as a facilitation. The background for providing this exemption is to ensure fairness and to provide the government with more flexibility in taxing VAT on educational services. The concept of fairness is based on the fundamental principle of VAT, where the imposition of VAT on goods/services is generally applicable. If the government were to provide VAT exemption only to state educational service providers, private educational service providers would feel discriminated against. Similarly, if the government were to provide exemptions only to formal educational service providers, it would result in injustice, as both formal and non-formal educational services have the same goal of enlightening the nation.

B. 2. The Administrative Challenges of Implementing Value Added Tax (VAT) Policy on Educational Services Post-Harmonization of Tax Regulation Law

A national tax system, from its statutory regulations to its implementing regulations, there should be no ambiguity, and it must provide legal certainty for both taxpayers and the treasury. Tax regulations should be easy to understand (comprehensible).¹⁶ Legal certainty in this context refers to the legal basis for levying VAT on educational services, certainty regarding the subject, object, and basis of VAT imposition. Then, it is important to assess

¹⁶ Stephen Smith and Alan A. Tait, "Value Added Tax: International Practice and Problems," *The Economic Journal* 100, no. 399 (1990): 339–356, <https://doi.org/10.2307/2233622>.

whether the VAT policy on educational services is easy to comprehend and does not lead to ambiguity or different interpretations by tax authorities and taxpayers.

a. Taxpayer certainty

Referring to the definition of taxpayers, it is clearly regulated in the VAT Law in Article 1, paragraph 14, which states that "Entrepreneur is an individual or entity in any form that, in business activities or employment, produces goods, imports goods, exports goods, engages in trade, utilizes intangible goods from outside the Customs Area, provides services including exporting services, or utilizes services from outside the Customs Area." Based on this definition, it can be understood that educational service providers are included in the definition of entrepreneurs according to the VAT Law because they engage in educational service activities or provide educational services. Furthermore, for entrepreneurs whose gross revenue exceeds IDR 4.8 billion, they are obliged to be confirmed as Taxable Entrepreneurs, in accordance with the Minister of Finance Regulation Number 197/PMK.03/2013 regarding the Limitation of Small Value Added Taxable Entrepreneurs. In Article 4, paragraph 1 of this regulation, it is stated that:

"Entrepreneurs are obliged to report their business to be confirmed as Taxable Entrepreneurs, if, up to a certain month in the fiscal year, the gross circulation and/or gross receipts exceed IDR 4,800,000,000.00 (four billion eight hundred million Rupiah)."

This definition in the Minister of Finance regulation has the implication that educational service providers who have had a gross revenue of IDR 4.8 billion will need to be confirmed as Taxable Entrepreneurs. The definition of Taxable Entrepreneurs is regulated in Article 1, paragraph 15 of the VAT Law, which states "Taxable Entrepreneur is an entrepreneur who carries out the delivery of Taxable Goods and/or Taxable Services subject to tax under this Law."

Therefore, the definition of taxpayers in the VAT Law is already well-defined and clear. If defined as taxpayers for educational services, it essentially means that educational service providers are considered entrepreneurs. Then, for providers who were not previously Taxable Entrepreneurs (*Pengusaha Kena Pajak* or PKP) but have exceeded the IDR 4.8 billion turnover threshold due to solely providing educational services, they are now required to confirm themselves as PKP in accordance with the applicable law. By confirming themselves as PKP, educational

service providers can then fulfill their tax administration obligations. Thus, in terms of taxpayer certainty, the principle of certainty is met.

b. Taxable Object Certainty

The definition of the VAT object has been clearly regulated in the VAT Law, specifically in Article 4 paragraph 1, which states:

"(1) Value Added Tax is imposed on:

c. the provision of taxable services within the customs area carried out by entrepreneurs.

e. the utilization of taxable services from outside the customs area within the Customs Area."

Based on the definition of the VAT object in the VAT Law, it can be understood that services provided by educational institutions are considered VAT objects according to the Tax Harmonization Law. Then, during the period when the VAT policy on educational services was classified as non-taxable, the types of educational services were also clearly defined in Minister of Finance Regulation Number 223/PMK.011/2014. However, when a change occurred, where the type of educational service became subject to VAT but was exempted from tax, it was regulated in Government Regulation Number 49 of 2022. The exempted educational services are stipulated in Article 16B, which reads: "(1) Educational services, upon their delivery within the Customs Area or their utilization from outside the Customs Area within the Customs Area, are exempted from the imposition of Value Added Tax as referred to in Article 10 letter f, including services of (a) school education; and (b) non-school education."

Based on the government regulations, the definition of which objects are categorized as taxable services with exempted facilities seems to be clearly stated. However, the issue of object certainty arises when there are educational service providers that do not fall into the categories defined in these government regulations, even though their services are solely intended for educational and knowledge enhancement purposes. For example, arts education and sports education, which are continuously evolving. The exclusion of these services from the existing categories can be confusing for educational service providers, as they may wonder whether they actually fall under the existing categories or if they are indeed taxable educational services. Based on the laws and regulations governing VAT policies on educational services, including the definition of the objects of educational services, there is

already a fairly clear breakdown. This includes the classification into formal and non-formal education, as well as detailed specifications. However, in practice, there are non-formal educational services that have not yet been detailed in the existing regulations. The lack of clarity regarding the application of VAT to these types of non-formal educational services creates potential difficulties in fulfilling tax obligations. As a result, there is uncertainty regarding the imposition of VAT on these educational services.

c. Certainty of Tax Imposition Basis

The tax imposition basis for educational services is regulated in Government Regulation Number 44 of 2022, where in Article 15, it is stated that:

- (1) Taxable Entrepreneurs who;
 - c. carry out the delivery of certain Taxable Goods and/or certain Taxable Services, may collect and remit the Value Added Tax due on the delivery of Taxable Goods and/or Taxable Services at a certain rate.
- (2) The specified rate as referred to in paragraph (1) is the result of multiplying a certain formula by the Value Added Tax rate as stipulated in Article 7 paragraph (1) of the Value Added Tax Law, multiplied by the tax imposition basis in the form of Selling Price, Replacement, or a certain value.

In the VAT Law, educational services become taxable services with exempted facilities. Therefore, the tax imposition basis for educational services does not have a value when applied because it receives exempted facilities. Regarding the legal certainty of the tax imposition basis for value-added tax on educational services, it means that it is not fully satisfied. Although there is already a legal basis regulating educational services, there is still uncertainty regarding certain educational services in its implementation. Furthermore, this policy has not been entirely comprehended because there has been no socialization to educational service providers regarding this policy change. Even though educational services receive exempted facilities, there are additional costs to fulfill their tax obligations, namely administrative costs continuously incurred by educational service providers to obtain the exemption facilities. In the future, if educational services no longer receive exemption facilities, there will be new burdens in addition to administrative cost.

C. Conclusion

The aim underlying the change in VAT policy for educational services is to improve Indonesia's c-efficiency ratio, as the performance of VAT revenue collection in Indonesia has not been optimal. This change aims to broaden the tax base and align with the fundamental concept of VAT, which is to apply to all goods and services. The dynamic nature of educational services is seen as a potential source of future government revenue. However, education is a public interest, and for the time being, the government categorizes it as a service that receives VAT exemption facilities. In the future, there will be a need to differentiate the VAT treatment of these various educational services.

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