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Corporate Policy Considerations in Implementing 1.1% and 11% VAT on Coffee Sales

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ABSTRACT

Purpose: This study aims to analyze the conformity of the implementation of Value Added Tax (VAT) on the sale of unprocessed coffee beans and examine the company's policy considerations in selecting the applicable VAT rate at PT Arga Bumi Indonesia.

Methodology: This study employed a case study approach with data collection methods conducted through observations, interviews, and documentation of sales transactions, tax invoices, and the tax administration system implemented by the company.

Results: PT Arga Bumi Indonesia applies the 11% standard VAT rate in compliance with tax regulations, despite the availability of a 1.1% VAT scheme for certain agricultural products such as processed coffee. This choice is driven by customer characteristics, as most buyers are Taxable Entrepreneurs who require input VAT credit.

Conclusion: The company's policy on applying the VAT rate considers not only administrative convenience but also the needs of business partners, legal certainty, and the sustainability of the company's business relationships.

Limitations: This study is limited to a single company and focuses only on the implementation of VAT on Certain Agricultural Products (BHPT), specifically the sale of dried and roasted coffee beans. Therefore, the findings may not fully represent other agricultural sectors or companies with different characteristics.

Contribution: This study contributes to the understanding of VAT implementation in the agricultural sector and provides practical insights for companies in determining VAT policies that align with tax regulations and with business needs.

Keywords: *Certain Amount, Tax Compliance, Ungraded Coffee, Value Added Tax, VAT Rate.*

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1. Introduction

Taxable Entrepreneur (PKP) is a party that has the obligation to collect, deposit, and report Value Added Tax (VAT) on the delivery of Taxable Goods (BKP) and/or Taxable Services (JKP), as regulated in Law Number 42 of 2009 concerning Value Added Tax and Sales Tax on Luxury Goods which has been updated through Law Number 7 of 2021 concerning Harmonization of Tax Regulations. These regulatory changes affirm the role of the PKP in the VAT system, including adjustments to VAT rates that directly impact corporate tax obligations. According to Ong, Sabijono, and Kapojos (2025) companies after being confirmed as PKP face administrative consequences in the form of obligations to calculate, record, and report VAT that must be carried out accurately and in a timely manner because non-compliance can result in administrative sanctions. Therefore, PKP status becomes an important foundation for companies, including PT Arga Bumi Indonesia, in determining policies for applying VAT rates on the sale of unprocessed coffee, whether using specific or normal rates in accordance with applicable tax provisions (Annisa & Hamzah, 2025).

The Value Added Tax (VAT) rate generally applicable to the delivery of Taxable Goods and/or Taxable Services is set at 11%, as regulated in Law Number 7 of 2021 concerning Harmonization of Tax Regulations, which has been in effect since April 1, 2022. The government also set a policy to increase the VAT rate to 12% starting January 1, 2025, particularly for the delivery of Taxable Goods classified as luxury goods. However, in its implementation, adjustments were made to the VAT calculation mechanism so that the tax burden borne by consumers effectively still reflected a rate of 11% (Ikhsan, Trialdi, & Syahrial, 2005). This effective rate policy aims to increase state revenue by optimizing consumption taxes imposed on economic activities, so that VAT becomes an important instrument in maintaining fiscal sustainability (Setiawan, Wardhani, & Yanto, 2025).

According to Hanan, Hambani, and Aziz (2024) the application of VAT rates in accordance with statutory provisions affects the realization of Value Added Tax revenue, where the increase in VAT revenue is related to the consistent and appropriate application of rates on sales transactions. Therefore, the effective VAT rate of 11% remains the basis for taxation before the existence of special regulations that provide specific rate treatment for certain commodities, such as unprocessed dried coffee beans. Tax regulations in Indonesia not only recognize the application of VAT at the normal rate but also regulate a special mechanism in the form of imposing VAT at a certain amount on specific types of goods to adjust to the characteristics of the business and the taxable object (Wahyuni & Aira, 2026).

These provisions are regulated by Government Regulation Number 49 of 2022 concerning certain goods and services subject to VAT under a special mechanism and further clarified through Minister of Finance Regulation Number 64/PMK.03/2022 which regulates the imposition of VAT on the delivery of certain agricultural products such as unprocessed dried coffee beans. In the delivery of agricultural commodities such as unprocessed dried and roasted coffee beans at PT Arga Bumi Indonesia, this mechanism allows the application of VAT at a certain amount of 1.1% of the transaction value as an alternative to the normal VAT rate, as further emphasized in Minister of Finance Regulation Number 11 of 2025 Article 15 which aims to provide protection, law enforcement, and administrative ease in taxation for business actors in the agricultural sector (Alkahfi, 2024). The existence of these two VAT mechanisms requires the company to consider buyer preferences because some buyers prefer the application of the normal VAT rate of 11% so that the input tax obtained can be credited to them (Oka & Widiyanti, 2026).

The application of a VAT rate at a certain amount of 1.1% has several advantages for companies and business actors in the agricultural sector, especially in terms of ease of calculation and tax administration (Siglé, Goslinga, van der Hel, & Wilson, 2024; Wang & Zhu, 2023). With this mechanism, the VAT is calculated directly from the transaction value or selling price without requiring detailed calculations of input tax and and output taxes the administrative process simpler and more efficient (Kusumaningrum, Wicaksono, Asmandani, & Puspita, 2024). The provisions regarding the imposition of VAT at a certain amount of 1.1% on the delivery of certain agricultural products are regulated in Minister of Finance Regulation Number 64/PMK.03/2022, which stipulates that VAT is collected at a certain amount of the selling price to provide legal certainty and simplify tax administration for business actors in the agricultural sector.

However, in business transactions, there are consequences that must be considered by companies. If a company chooses to use the 1.1% VAT mechanism, it cannot use the normal VAT mechanism that allows input tax crediting by the buyer. This condition can become an obstacle if the buyer prefers the application of the normal VAT rate so that the input tax can be credited to its business activities. If the buyer cancels the order or Purchase Order (PO), the company may incur losses. Therefore, the choice of VAT mechanism must be carefully considered to ensure that it remains in accordance with tax regulations and does not disrupt business relationships between the company and buyers (Fathoni, 2025).

The application of the normal VAT rate of 11% also has its own advantages, especially for buyers who are Taxable Entrepreneurs (PKP). In the normal VAT mechanism, PKP buyers can credit the input tax paid when acquiring Taxable Goods or Taxable Services against the output tax collected from their business activities, making the tax burden more efficient from a taxation perspective. This crediting mechanism is a key characteristic of the Value Added Tax system, which uses a credit method, meaning that tax collected at each transaction stage can be offset against tax previously paid as long as it relates to taxable business activities. With this system, PKP buyers generally prefer transactions with the normal VAT rate so that the tax invoice received can be used as an input tax that can be credited in their tax reporting (Ghasemi, Godarzi, Mousavi, & Mohammadrezaei, 2024).

According to Nariswari, Ardelia, Wahono, and Pahala (2024), input tax crediting is an important part of corporate tax planning to improve fiscal efficiency and optimize tax liability management. In addition, the use of the normal VAT rate indicates that the selling company has fully complied with its tax obligations as a PKP, including collecting, remitting, and reporting VAT, in accordance with applicable tax administration regulations. In practice, companies that have been confirmed as PKP are obliged to collect VAT on the delivery of Taxable Goods or Taxable Services and report it in accordance with applicable tax provisions (Leon, Haryadi, & Ricky, 2025).

PT Arga Bumi Indonesia is a company that trades agricultural commodities, particularly unprocessed dried coffee beans. As a company operating in Indonesia, PT Arga Bumi Indonesia is obliged to collect value-added tax (VAT) on the delivery of goods in accordance with applicable laws and regulations and remit it to the state treasury as part of the company's contribution to state revenue. In its implementation, PT Arga Bumi Indonesia faced a choice of VAT rates, namely, a certain rate of 1.1% or the normal rate of 11%. Appropriate company policy considerations are required to ensure that VAT implementation is in accordance with tax regulations and supports the company's tax management.

Based on the above description, the author views that the difference between the application of a 1.1% VAT rate and an 11% normal rate is not merely an administrative choice but also a form of strategic company policy that affects tax compliance and tax burden efficiency. Inaccuracy in determining the applicable rate may lead to tax collection errors and tax sanctions that could harm the company. Therefore, companies must carefully consider the implementation of VAT policies in accordance with the characteristics of the transactions carried out. Based on this, the author is interested in further analyzing the policy considerations of PT Arga Bumi Indonesia in applying VAT rates on the sale of unprocessed coffee beans.

2. Literature Review and Hypothesis/es Development

2.1 Tax Regulations Regulating the Imposition of 11% VAT on Coffee Objects

Value Added Tax (VAT) with an effective rate of 11% is a general provision applicable to the delivery of Taxable Goods (BKP) and/or Taxable Services (JKP) in Indonesia as regulated in Law Number 7 of 2021 concerning Harmonization of Tax Regulations. The application of this rate uses a tax credit mechanism, where the Input Tax can be credited against the Output Tax, thereby creating a neutral tax system for business actors. In addition, provisions regarding the effective VAT rate are clarified in Minister of Finance Regulation Number 131 of 2024, which regulates the use of Tax Base (DPP) in the form of another value amounting to 11/12 of the selling price then that other value DPP is multiplied by a 12% VAT rate, resulting in an effective tax burden that remains equivalent to 11%. This policy aims to maintain the stability of the tax burden borne by the public without neglecting state revenue from the taxation sector so that the tax system continues to provide legal certainty and support national economic stability (Taniya & Komalasari, 2026).

The sale of coffee activities is subject to Value Added Tax (VAT) with an effective rate of 11% imposed on coffee products that have undergone processing and have added value so that they are included in the category of Taxable Goods (BKP) (Caesaria, Mumpuni, Mayasha, & Murti, 2024). These products include ground coffee, instant coffee, ready-to-drink coffee, and various other derivative coffee products that have undergone production, packaging, and quality standardization processes. The legal basis for the imposition of this rate is regulated in Article 7 paragraph (1) letter a of Law Number 7 of 2021 concerning the Harmonization of Tax Regulations, which sets the VAT rate at 11% starting April 1, 2022. In addition, the regulation regarding the use of other value DPP is clarified in Minister of Finance Regulation Number 131 of 2024. With these provisions, companies engaged in coffee processing and sales are required to apply the VAT rate in accordance with applicable regulations so that tax obligations can be implemented properly and in accordance with legal provisions (Silalahi & Kurnia, 2025).

Based on Table 1, the calculation of Value Added Tax (VAT) on the sale of coffee beans, there are certain conditions that use the Tax Base (DPP) of other values, as regulated in Minister of Finance Regulation Number 131 of 2024. The use of this other value DPP requires a special formula to determine the amount of VAT payable so that the calculation can be carried out accurately in accordance with applicable tax provisions. Through the use of an Other Value DPP of 11/12 of the selling price or compensation with a 12% VAT rate, the resulting tax amount still reflects an effective rate of 11%. This mechanism shows that the taxation system in Indonesia is designed to be flexible but still provides legal certainty for taxpayers, including companies conducting sales transactions of coffee or coffee beans and their derivative products (Taqwallah & Nugraha, 2026).

Table 1. Provisions for the imposition of 11% VAT on processed coffee products

Object	**Process**	**Effective Rates**	**Legal Basis of Tariffs**	**Formula**	**Invoice Code**
Coffee	Powdered, Grinding, Instant Coffee Powder, Ready-to-Drink Coffee and Coffee Derivative Products	11 %	Article 7 paragraph (1) letter a of Law No. 7 of 2021	Other Value DPP=11/12xSelling Price VAT Payable = Other Value DPP x 12% (PMK 131 of 2024)	04

2.2 Tax Regulations Regulating the Imposition of 1.1% VAT on Coffee Objects

The government establishes a special policy in the form of the imposition of Value Added Tax (VAT) at a certain rate of 1.1% aimed at the delivery of certain agricultural products such as dried or roasted coffee beans. This provision is regulated in Minister of Finance Regulation Number 64/PMK.03/2022 and updated through Minister of Finance Regulation Number 11 of 2025 as an adjustment to the characteristics of the agricultural sector, which has a business system different from other sectors. This mechanism uses a simplified approach, where VAT is calculated directly from the value of the delivery without going through the input tax credit mechanism. Thus, applying the 1.1% rate is expected to provide administrative convenience and legal certainty for business actors in the agricultural sector, including transactions involving the sale of unprocessed coffee beans, both dried and roasted (Purba, Alifiya, Lubis, Pratama, & Rambe, 2025).

Minister of Finance Regulation Number 64/PMK.03/2022 specifically regulates the imposition of Value Added Tax (VAT) on the delivery of certain agricultural products (BHPT) such as unprocessed coffee beans, both dried and roasted, using a certain amount mechanism. Unlike the general VAT provisions, this regulation provides a simpler alternative tax calculation by considering the characteristics of businesses in the agricultural sector. To understand the implementation of these provisions, it is necessary to understand the tax object, applicable rate, tax base, calculation formula, and VAT collection procedures in accordance with applicable regulations. Therefore, the certain amount VAT mechanism is one form of tax policy designed to adjust to business conditions in the agricultural sector, which has a long distribution chain and involves many business actors (Ramadani & Pramukti, 2023).

Certain agricultural products are goods produced from business activities in the agricultural, plantation, and forestry sectors, and other sectors directly related to the utilization of biological natural resources (Fane & Warr, 2008). These goods are generally produced through natural processes with simple processing, for example, drying; therefore, they have different characteristics compared to manufactured industrial goods. The regulation regarding certain agricultural products is set out in Minister of Finance Regulation Number 64/PMK.03/2022, which explains that the delivery of certain agricultural products by Taxable Entrepreneurs (PKP) may be subject to VAT using a certain amount mechanism from the Tax Base (DPP). The commodities included in this category are plantation products, food crops, ornamental plants, forest products, and non-timber forest products, including coffee produced from cultivation and harvesting activities in the plantation sector. In this study, the discussion is focused only on coffee beans, both in the form of dried and roasted coffee beans, because they have specific tax provisions that are relevant for analysis (Sonbay, Djamhuri, & Baridwan, 2022).

The process that takes place during the sale of dried and roasted coffee beans, Value Added Tax (VAT) may be imposed using a certain amount of 1.1% of the selling price in accordance with the provisions of Article (15) of Minister of Finance Regulation Number 11 of 2025. The taxable object in this mechanism includes coffee that is still in the basic processing stage, such as being picked, hulled, aged, fermented or not, dried, up to roasted, as long as it has not become a final processed product, such as instant coffee or ready-to-drink coffee. In contrast to coffee products from further industrial processing that are subject to an effective VAT rate of 11%, coffee commodities in the basic processing stage, such as dried and roasted coffee beans, are subject to VAT at a certain amount of 1.1% of the selling price (Prismanda, Witono, Belgis, & Afriliana, 2023). This mechanism provides ease in tax calculation because it does not use the general rate of 11%, but instead directly uses a certain percentage of the delivery value so that VAT calculation becomes simpler and in accordance with the characteristics of agricultural sector businesses (Luo & Zhang, 2025).

The Tax Base (DPP) in the sale of dried or roasted coffee beans as part of certain agricultural products can use two mechanisms in accordance with applicable tax regulations: using another value or using the selling price directly. Based on Article 10 paragraph (1) of Minister of Finance Regulation Number 64/PMK.03/2022, Taxable Entrepreneurs (PKP) who previously used another value as the DPP based on PMK Number 89/PMK.010/2020 are considered to have used a certain amount of mechanism in VAT collection. In addition, Article 10, paragraph (2) provides a choice for PKP to use the general mechanism by making the selling price the Tax Base and multiplying it by the VAT rate in accordance with Article 7, paragraph (1) of the VAT Law. Thus, companies can choose to use a certain amount of VAT mechanism of 1.1% or use an effective rate of 11% according to business needs and the characteristics of the transactions carried out. However, if the company chooses to use the certain amount mechanism, then based on Article 4 of PMK Number 64/PMK.03/2022 the company is required to submit a notification to the Tax Office where it is registered no later than the deadline for submitting the first VAT Period Tax Return (SPT) for the use of the mechanism (Putri, Oroh, & Maulana, 2025).

Based on Table 2, the calculation of Value Added Tax (VAT) on the sale of coffee beans at a rate of 1.1%, the amount of tax payable is calculated directly from the total selling price or gross turnover without the need to separate the Tax Base (DPP). This mechanism provides convenience for business actors in carrying out tax calculations and reporting them in a simpler and more efficient manner. Based on Minister of Finance Regulation Number 64/PMK.03/2022, updated through Minister of Finance Regulation Number 11 of 2025 Article 15, VAT on the delivery of certain agricultural products is calculated directly from the delivery value or selling price without the need to determine the DPP separately. Therefore, the certain amount VAT mechanism of 1.1% is a form of simplification of tax administration that provides legal certainty while facilitating the implementation of tax obligations for Taxable Entrepreneurs in the agricultural sector, including in transactions for the sale of dried and roasted coffee beans.

Table 2. Provisions for the imposition of 1.1% VAT on processed coffee products

Objects	Process	Specific Rates	Legal Basis of Tariffs	Formula	Invoice Code
Coffee	Picked, peeled, fermented, fermented or not, dried and roasted	1.1 %	Article 15 PMK Number 11 of 2025	Certain VAT = Selling Price x 1.1% (PMK 64/PMK.03/2022)	05

3. Methodology

3.1 Research Design

This study uses a qualitative approach with a case study method to analyze the company's policy considerations in the application of Value Added Tax (VAT) rates on the sale of original coffee beans at PT Arga Bumi Indonesia (Creswell & Creswell, 2017). This research is included in observation- and interview-based research because data are obtained directly through observation of company activities, interviews, and documentation. The qualitative approach was chosen because the research does not focus on hypothesis testing or statistical analysis but on an in-depth understanding of VAT implementation practices, tax administration processes, and company considerations in choosing the VAT rate mechanism. The research was carried out during fieldwork practice activities at PT Arga Bumi Indonesia, which is engaged in the trading of agricultural commodities, especially dried and roasted coffee beans.

3.2 Data Sources and Types

This study uses primary and secondary data sources. Primary data were obtained directly from PT Arga Bumi Indonesia through interviews with the accounting and taxation department, observation of the company's tax administration activities, and documentation of coffee sales transactions. The documents observed include sales invoices, tax invoices, road letters, proof of bank income, and VAT reporting data from the Coretax system. Secondary data were obtained from tax regulations, scientific journals, and other literature related to Value Added Tax in Indonesia. The regulations used in this study include Law Number 7 of 2021 concerning the Harmonization of Tax Regulations, Minister of Finance Regulation Number 64/PMK.03/2022 concerning VAT on the Delivery of Certain Agricultural Products, and Minister of Finance Regulation Number 11 of 2025 concerning Other Value Provisions as the Basis for the Imposition of Taxes and Certain Amounts of VAT.

The type of data used in this study was qualitative data presented in the form of a descriptive description. The data include company profiles, tax administration procedures, the process of issuing tax invoices, VAT reporting mechanisms, and explanations of the application of VAT rates to coffee bean sales transactions. In addition, the study contains an explanation of the use of the Coretax and MASERP accounting systems in recording company transactions.

3.3 Data Collection Methods

Data were collected through observations, interviews, and documentation. Observations were made directly on the company's tax administration process, including the issuance of tax invoices, transaction input in the Coretax and MAS systems, and examination of supporting documents for coffee sales transactions. The interview was conducted in a semi-structured manner with the responsible party in the accounting and taxation section to obtain information about the company's considerations in choosing between a VAT rate of 1.1% or a normal rate of 11%. In addition, the documentation method was used to collect supporting data in the form of invoices, tax invoices, road documents, and other transaction documents related to the implementation of VAT in the company.

3.4 Research Procedures

This study was supported by the Coretax system implemented by the company to carry out tax administration and tax reporting processes in accordance with the regulations of the Directorate General of Taxes, as well as the MASERP accounting system used for recording sales transactions and financial administration at PT Arga Bumi Indonesia. Research data were obtained by observing the implementation of both systems in supporting the company's operational activities and tax administration processes.

This study assumes that all transaction documents provided by the company are valid and reflect the actual business transactions. The analysis was conducted based on the theory of value-added tax (VAT), using the credit method, as well as tax regulations governing VAT on certain agricultural products in Indonesia. The research procedure was carried out through several stages, namely observation of the VAT transaction process, collection of tax-related documents, interviews with the company's tax department, comparison of the company's practices with applicable tax regulations, and analysis of the conformity of the VAT rate applied by the company itself.

4. Results and Discussion

4.1 Conformity of the Implementation of VAT with PMK Number 64/PMK.03/2022

The suitability of applying value-added tax (VAT) at PT Arga Bumi Indonesia can be analyzed based on the provisions in Minister of Finance Regulation Number 64/PMK.03/2022 concerning VAT on Certain Agricultural Products. Certain Agricultural Products (BHPT) are goods originating from business activities in the agricultural sector and are still in their natural condition or have only undergone simple processing without changing their basic form. In this case, coffee beans sold in dried or roasted forms are still included in the category of certain agricultural products because they have not undergone further industrial processing into finished products such as instant coffee or ready-to-consume beverages. This provision is in line with page 11 of the appendix to Minister of Finance Regulation Number 64/PMK.03/2022, which lists coffee as one of the agricultural products that receive special treatment in the imposition of Value Added Tax.

Based on Article 2 paragraph (1) of Minister of Finance Regulation Number 64/PMK.03/2022, Taxable Entrepreneurs who deliver certain agricultural products such as dried and roasted coffee beans "may" use a certain amount to collect and remit the VAT payable. This provision provides an alternative VAT collection mechanism, namely using a certain amount of 1.1% of the selling price or continuing to use the effective VAT rate of 11% under the general mechanism of VAT collection. The use of the word "may" indicates that the application of the VAT mechanism with a certain amount is not mandatory, but an option that can be adjusted to the company's conditions (Hartanto, 2024). Thus, Taxable Entrepreneurs are still allowed to use the effective VAT rate of 11% without violating applicable tax regulations. This provides flexibility for companies in determining the most appropriate tax policy in accordance with the characteristics of transactions and business relationships with buyers.

The application of Value Added Tax (VAT) at PT Arga Bumi Indonesia began after the company was confirmed as a Taxable Entrepreneur (PKP) in April 2025. Since then, the company has started collecting VAT on every coffee bean delivery transaction. This can be seen from the company's sales data, which shows that in the period from January to March, there was no VAT collection, whereas starting in April and onwards, the company consistently collected VAT on its sales transactions. After being confirmed as a PKP, the company began issuing tax invoices as proof of VAT collection on every delivery of Taxable Goods. These tax invoices are used as the basis for reporting value-added tax through the VAT periodic tax return. In addition, the company systematically records and archives tax documents to support orderly tax administration.

In practice, PT Arga Bumi Indonesia applies an effective VAT rate of 11% to every transaction of raw dried and roasted coffee beans. This rate is applied using a Tax Base in the form of other values stated in the tax invoice, which is then multiplied by the applicable VAT rate of 12%, resulting in an effective rate of 11%. The amount of output VAT collected reflects the suitability of the sales transaction value for the company. In addition, the company does not use the VAT mechanism with a certain amount of

1.1% as regulated in PMK Number 64/PMK.03/2022. In tax administration, the company uses the MASERP and Coretax systems to support transaction recording, tax invoice creation, and systematic and structured VAT reporting.

The analysis of the suitability of VAT implementation at PT Arga Bumi Indonesia shows that the company has fulfilled its tax obligations in accordance with applicable regulations. In terms of the object being traded, namely unprocessed dried coffee beans, it meets the criteria for using the VAT mechanism with a certain amount of 1.1%. However, the company's decision to continue using the effective VAT rate of 11% does not conflict with PMK Number 64/PMK.03/2022 because the use of a certain amount mechanism is optional. One of the company's main considerations is the buyer's requirement for input tax that can be credited (Kusumaningrum et al., 2020). Based on Article 7 of PMK Number 64/PMK.03/2022, the input tax on the delivery of certain agricultural goods using the certain amount mechanism cannot be credited; therefore, the use of the 1.1% rate is considered less beneficial for the buyer. Therefore, the company chooses to use an effective VAT rate of 11% to maintain business relationships and meet buyers' transaction needs. Thus, the implementation of VAT at PT Arga Bumi Indonesia can be stated to be in accordance with applicable tax regulations both in terms of legal provisions and its practical implementation in the field.

Table 3. Conditions for using a specific VAT mechanism

Requirements	**Legal Basis**
Has been confirmed as a Taxable Entrepreneur	Article 2 paragraph (1) of the Regulation of the Minister of Finance Number 64/PMK.03/2022
Delivering Certain Agricultural Products	Page 11 Table A Number 3 PMK 64/PMK.03/2022
Deliver Notifications on the restoration of a specific amount scheme	Article 4 of the Regulation of the Minister of Finance Number 64/PMK.03/2022
Administrative Compliance	PMK Number 64/PMK.03/2022

Table 3 shows the requirements for applying the scheme are regulated under PMK 64/PMK.03/2022. The company must be confirmed as a Taxable Entrepreneur (Article 2 paragraph (1)), distribute certain agricultural products as specified in Table A Number 3, and submit a notification regarding the use of the specific amount refund scheme in accordance with Article 4. In addition, administrative compliance must be fulfilled based on the provisions of PMK 64/PMK.03/2022.

4.2 Fulfillment of the Requirements for the Use of a Certain Amount of VAT of 1.1%

The fulfillment of the requirements for the use of Value Added Tax (VAT) with a certain amount of 1.1% at PT Arga Bumi Indonesia can be analyzed based on the provisions of the Minister of Finance Regulation Number 64/PMK.03/2022. This evaluation is carried out to assess the extent to which the company has met the administrative and substantive requirements in implementing the VAT mechanism of a certain amount. These requirements include the company's status as a Taxable Entrepreneur (PKP), the obligation to submit a notification to the Tax Service Office, the suitability of the type of goods submitted, and the provisions for creating tax invoices. Based on the identification results in Table 4., PT Arga Bumi Indonesia has fulfilled several main requirements in the use of the mechanism, especially in terms of objects and tax subjects regulated in PMK Number 64/PMK.03/2022.

In terms of tax subjects, PT Arga Bumi Indonesia has qualified as a Taxable Entrepreneur, as stipulated in Article 2, Paragraph (1) of PMK Number 64/PMK.03/2022. In addition, objects traded by the company in the form of dried and roasted coffee beans are included in the category of Certain Agricultural Products, as listed in the attachment on page 11 of Table A3 of PMK Number 64/PMK.03/2022. Thus, the company meets the requirements for using the VAT mechanism with a certain amount of 1.1%. The company has also carried out the preparation of tax invoices in accordance with the applicable tax provisions so that in terms of general tax administration the company has shown good compliance.

However, there are several administrative requirements that PT Arga Bumi Indonesia has not met in the use of a certain amount of VAT mechanism. One of the main requirements that has not been met is the obligation to submit a notification to the Tax Service Office as stipulated in Article 4 paragraph (1) of PMK Number 64/PMK.03/2022. Based on the research results, the company did not submit a notification of the use of a certain amount of VAT mechanism to the Tax Service Office, where the company was confirmed as a PKP. In addition, the company does not use tax invoice code 05, which is a special code for transactions with a certain amount mechanism, as regulated by the Directorate General of Taxes and related to the provisions of Law Number 7 of 2021 Article 9A. This shows that administratively the company does not apply the VAT scheme of 1.1% in its sales transaction practices.

Although it has not met all administrative requirements for the use of a certain amount of VAT, PT Arga Bumi Indonesia still shows good compliance in the implementation of tax obligations in general. The Company has issued tax invoices, transaction recording, and tax reporting through the Core taxxandd MASERPsystemsm in a systematic and structured manner. Thus, it can be concluded that the company has substantially fulfilled some of the requirements for the use of VAT of 1.1%, especially in terms of tax objects and subjects, but has not fulfilled the administrative provisions that are the main requirements for the implementation of the mechanism. This condition shows that the company does not use the 1.1% VAT scheme not because it does not meet the criteria completely, but because it does not carry out the administrative stages required in tax regulations.

In addition to administrative factors, there are business considerations, which are the main reasons why the company does not use a certain amount of VAT mechanism of 1.1%. In the practice of business transactions, buyers need Input Tax from each purchase transaction so that it can be credited against their tax obligations. Based on Article 7 of PMK Number 64/PMK.03/2022, Input Tax on the delivery of certain agricultural products with a certain amount mechanism cannot be credited (Kusumaningrum et al., 2020). This condition causes the use of the 1.1% VAT scheme to be less profitable for the buyer because it does not provide the benefit of crediting the Input Tax. Therefore, PT Arga Bumi Indonesia chooses to continue to use an effective VAT rate of 11% so that buyers can still credit Input Tax and the company's business relationship can run smoothly. Thus, the company's decision not to use the 1.1% VAT mechanism is not only based on administrative aspects but also considers the continuity of the business relationship and the needs of transactions with buyers.

Table 4. Fulfillment of the 1.1% VAT usage requirement

Requirements	**Legal Basis**	**Status**	**Description**
Taxable Entrepreneurs	Article 2 Paragraph 1 of PMK Number 64/PMK.03/2022	Fulfilled	Has been confirmed as a VAT-registered entrepreneur in April 2025
Submission of Notification to the Tax Service Office Confirmed	Article 4 Paragraph 1 of PMK Number 64/PMK.03/2022	Unfulfilled	Caused by certain considerations and aspects of the business
Delivery of Certain Agricultural Goods (Dried or Roasted Coffee Beans)	Appendix Page 11 Table A3 PMK Number 64/PMK.03/2022	Fulfilled	Selling dried or roasted coffee beans
The Suitability of Making Tax Invoices According to Tax Provisions	Article 9 PMK Number 64/PMK.03/2022	Fulfilled	The company has made a tax invoice in accordance with the applicable tax provisions
Use of Tax Invoice Code 05	Directorate General of Taxes	Unfulfilled	companies use an effective rate of 11 % with the Tax Basis (DPP) Other Value (04)

Table 4 shows the company has generally complied with VAT requirements under PMK No. 64/PMK.03/2022, including VAT-registered status, delivery of certain agricultural products (coffee), and proper issuance of tax invoices in accordance with regulations. However, the submission of notification to the Tax Service Office and the use of Tax Invoice Code 05 have not been fulfilled. Instead, the company applies an effective VAT rate of 11% using Tax Invoice Code 04 based on Other Value Tax Base (DPP).

4.3 Companies' Considerations in Implementing the 11% VAT Rate

In the application of Value Added Tax (VAT), PT Arga Bumi Indonesia chooses to use an effective rate of 11% even though under the provisions it has the option to use a certain amount mechanism of 1.1% as regulated in Minister of Finance Regulation Number 64/PMK.03/2022. This decision is based on the consideration that the use of the 11% effective rate is more in line with the company's operational conditions and provides flexibility in conducting transactions with various parties, especially buyers with large-scale businesses. In addition, the use of the general rate is considered to better support the company's tax administration system because it is in accordance with common taxation practices applied in business-to-business transactions among large companies.

One of the main considerations for the company in choosing the 11% effective VAT rate is the buyers' need for input tax credits. PT Arga Bumi Indonesia sells its products to large companies that, in their business activities, require input tax as part of the tax crediting mechanism. If the company uses the certain amount VAT scheme of 1.1%, then in accordance with Article 7 of PMK Number 64/PMK.03/2022, the input tax on such transactions cannot be credited (Kusumaningrum et al., 2020). This condition causes buyers to tend to object or be unwilling to conduct transactions because it increases the tax burden they must bear in their business activities. Therefore, the use of the 11% effective VAT rate is considered more beneficial and can maintain smooth business transactions with buyers.

In addition to considering the needs of buyers, the company also considers the sustainability of business relationships and long-term business development strategies. PT Arga Bumi Indonesia had previously considered using the 1.1% VAT rate but ultimately chose to continue using the 11% effective rate to maintain good relationships with buyers and facilitate transaction processes. In the long term, the company aims to continue growing and expanding its business scale; therefore, maintaining buyer trust and comfort is a very important factor. In addition, the company also considers the provisions of Article 5 paragraph (6) of PMK Number 64/PMK.03/2022, which states that Taxable Entrepreneurs who have used the general VAT rate as regulated in Article 7 paragraph (1) of the VAT Law are not permitted to return to using the certain amount VAT mechanism in the following tax period or fiscal year. With this provision, the decision to use the 11% VAT rate becomes strategic and long-term in nature; therefore, it must be carefully considered before being determined by the company.

The use of the 11% effective VAT rate also provides certainty in the implementation of the company's tax administration, especially in terms of transaction recording, input tax crediting and VAT periodic return reporting. By using the general rate, the company can align its tax system with administrative practices commonly used by large companies, thereby minimizing the risk of administrative errors and potential future tax disputes. In addition, the use of the general rate makes it easier for the company to archive tax documents and issue tax invoices in accordance with applicable regulations, because the VAT mechanism under the general rate emphasizes administrative compliance and proper documentation of input and output taxes (Wijaya & Sabina, 2021). This shows that PT Arga Bumi Indonesia's decision to use the 11% effective VAT rate considers not only operational aspects and business relationships with buyers but also compliance, legal certainty, and security in the company's tax management.

Table 5. PT Arga Bumi Indonesia's considerations in choosing the VAT mechanism for BHPT

Considerations	Remarks	Legal Basis
Buyers' need for input tax that can be credited	The buyer (large company) needs input VAT, which cannot be credited under the 1.1% VAT scheme.	Article 7 of PMK No. 64/PMK.03/2022
Maintaining business relationships with buyers	The use of an 11% tariff simplifies transactions and avoids buyer objections.	

Business development and sustainability strategy	Choosing an 11% rate supports buyer trust and long-term business growth.	
Long-term tax policy certainty	Taxable entrepreneurs (PKP) who have already used the general rate cannot return to the 1.1% rate.	Article 5, paragraph (6) of PMK No. 64/PMK.03/2022
The existence of an alternative mechanism for VAT collection on BHPT	Taxable entrepreneurs (PKP) can choose between a general rate of 11% or a special rate of 1.1% in accordance with the applicable regulations.	Article 2, paragraph (1) of PMK No. 64/PMK.03/2022

Table 5 shows the company's decision to apply the 11% VAT rate is driven by several considerations, including buyers' need for creditable input VAT, as the 1.1% scheme does not allow VAT input to be credited (Article 7 of PMK No. 64/PMK.03/2022). Maintaining strong business relationships and ensuring transaction simplicity also support the use of the 11% rate. In addition, this choice aligns with long-term business sustainability and strengthens buyer trust. From a regulatory perspective, taxpayers who have opted for the general VAT scheme are not permitted to revert to the 1.1% scheme (Article 5 paragraph (6) of PMK No. 64/PMK.03/2022). Furthermore, applicable regulations provide flexibility for taxable entrepreneurs to choose between the 11% general rate and the 1.1% special mechanism for certain agricultural products (Article 2 paragraph (1) of PMK No. 64/PMK.03/2022).

5. Conclusion

5.1 Conclusion

Based on the results of the research conducted, it can be concluded that the application of Value Added Tax (VAT) on coffee bean sales at PT Arga Bumi Indonesia, both in terms of subject and object, is in accordance with applicable tax regulations, particularly Minister of Finance Regulation Number 64/PMK.03/2022 concerning VAT on Certain Agricultural Products. The taxable objects in the form of dry (raw) coffee beans and roasted coffee beans traded by the company fall into the category of Certain Agricultural Products (BHPT); thus, in principle, the company meets the criteria to use the VAT mechanism with a specific rate of 1.1%. However, administratively, the company does not meet the criteria because the mechanism is optional; thus, the company is not required to use it and is still allowed to apply the general VAT rate or the effective rate of 11%.

The research results also show that PT Arga Bumi Indonesia chooses to use an effective VAT rate of 11% by considering buyers' need for input tax that can be credited. Under the 1.1% VAT mechanism, input tax cannot be credited, making it less beneficial for buyers, especially large companies that are business partners. Therefore, the use of the 11% VAT rate is a company strategy to maintain business relationships, support smooth transactions and increase business competitiveness. In addition, the use of the general rate provides better tax administration certainty in terms of record-keeping, issuance of tax invoices, and VAT periodic return reporting. Thus, the research objective of analyzing the suitability of VAT implementation and the company's considerations in choosing the VAT rate has been achieved.

5.2 Research Limitations

This study has several limitations that need to be considered. First, the research only focused on the application of Value Added Tax (VAT) on the sale of dried and roasted coffee beans at PT Arga Bumi Indonesia; therefore, the results of the study have not been able to describe the application of VAT on all types of certain types of agricultural products. Second, the research uses a case study approach on one company, so the research results are specific to the company's conditions and cannot necessarily be generalized to other companies with different business characteristics. Third, limited access to company data causes the research to only use certain documents and transactions that can be observed during the fieldwork practice period.

5.3 Suggestions and Directions for Future Research

Based on the research results, the author suggests that PT Arga Bumi Indonesia maintain compliance with tax obligations, especially in recording transactions, issuing tax invoices, and reporting VAT in accordance with applicable regulations. In addition, companies are advised to continue to evaluate the VAT rate selection policy to keep it in line with tax regulatory developments and the company's business needs.

It is recommended that researchers conduct research with a wider scope, for example, by comparing the application of VAT to several companies in the agricultural sector or analyzing the influence of the selection of VAT mechanisms on the tax efficiency and business sustainability of companies. In addition, future researchers are advised to expand the research object to various commodities of Certain Agricultural Products (BHPT) so that the research results become more comprehensive. The use of more diverse research methods, such as quantitative and mixed methods, can also improve the quality of analysis and strengthen research results. Thus, the study results are expected to provide a more comprehensive picture of the VAT application on certain agricultural products in Indonesia.

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