

Legal Certainty of Input Tax Credit on Taxable Goods for the Production of Fresh Fruit Bunches in Integrated Companies

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Abstract

This study examines the imposition of Value Added Tax (VAT) and the crediting of input tax on taxable goods used to produce Fresh Fruit Bunches (FFB) in integrated palm oil companies. The research is motivated by a tax dispute reflected in Tax Court Decision Number PUT-71015/PP/M.VIA/16/2016 in conjunction with Supreme Court Decision Number 1731 B/PK/PJK/2025. A normative juridical method with descriptive specification was employed, drawing on legislation, court decisions, and academic literature. The findings indicate that FFB produced by the plantation unit is not transferred to external parties, but is directly utilized as raw material in the internal production process to yield Crude Palm Oil (CPO) and Palm Kernel (PK). The transfer of FFB from the plantation unit to the processing unit does not constitute a taxable delivery under the VAT Law; thus, the VAT exemption provision is inapplicable. The equal treatment principle cannot be uniformly applied between non-integrated and integrated palm oil companies, as both operate under fundamentally different business structures. The Supreme Court affirmed that input tax in integrated palm oil companies is creditable. This study recommends the enactment of more comprehensive regulations to prevent interpretive disputes between taxpayers and tax authorities.

INTRODUCTION

Taxes are people's contributions to the state treasury based on the law (so they can be forced) without direct personal retribution¹. According to Article 1 number 1 of Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures, Tax is a compulsory contribution to the state owed by individuals or entities that are coercive based on the Law, by not receiving direct rewards and used for state purposes for the maximum prosperity of the people. Taxes are one of the main sources of state revenue that has a vital role in state administration and state development. Taxes, which are one of the compulsory collections, in their implementation must be carried out based on the principles of justice and the principle of legal certainty, as contained in Article 23A of the Constitution of the Republic of Indonesia of 1945 which reads "*Taxes and other levies that are coercive for the needs of the state are regulated by law*". Taxation is something that changes quickly according to rapidly changing circumstances, as well as tax revenues². Taxes have a coercive nature as contained in Article 23A of the Constitution of the Republic of Indonesia in 1945. The result of the coercive nature of taxes is that citizens in this case are obliged taxpayers or forced to fulfill their tax obligations. Taxes are an important and main instrument in terms of state revenue. There are 80% of the source of state revenue derived from taxes which include Value Added Tax (VAT), Income Tax (PPH), Luxury Goods Sales Tax (PPnBM), Land and Building Tax (PBB), and Land and Building Rights Acquisition Duty (BPHTB). ³

One of the types of taxes mentioned above is Value Added Tax (VAT). Value Added Tax (VAT) is a tax imposed on the existence of an added value of a goods or services subject to VAT ⁴, namely: (1) Delivery of Taxable Goods within the Customs Area carried out by entrepreneurs; (2) Import of Taxable Goods; (3) Delivery of Taxable Services within the Customs Area carried out by entrepreneurs; (4) Delivery of Intangible Taxable Goods from Outside Customs within the Customs Area; (5) Utilization of Taxable Services from outside the Customs Region within the Customs Area; (6) Export of Tangible Taxable Goods by Taxable Entrepreneurs (PKP); (7) Export of Intangible Taxable Goods by Taxable Entrepreneurs (PKP); and (8) Export of Taxable Services by Taxable Entrepreneurs. The value added that is the basis for the imposition of Value

¹ Negara, T.A.S. (2024). *Tax Law. Revised Edition*. Setara Press.

² Hoffman, W.H., et al. (2016). *South Western Federal Taxation-Comprehensive Volume*, Cengage Learning.

³ Rita & Astuti, P. (2023). The Impact of the Increase in Value-Added Tax Rates on Inflation. *Journal of Financial and Banking Accounting*, 4 (1).

⁴ Butarbutar, R. (2017). *Indonesian and International Tax Law*. Gramata Publishing.

Added Tax is the value added by the manufacturer or entrepreneur to the raw goods or its purchase before selling newer or better services, goods. Value Added Tax (VAT) is very closely related to entrepreneurs because in this case the tax imposes every goods and/or services that experience economic value gain. Based on the explanation of the general section of Law Number 42 of 2009 concerning the Third Amendment to Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, Value Added Tax is a tax on the consumption of goods and services in the Customs Region that is imposed in stages in each production and distribution line. The characteristics of VAT in Indonesia (Butarbutar, 2017), namely (1) VAT is an indirect tax, (2) VAT is an objective tax, (3) *Multi Stage Tax*, (4) VAT collection mechanism uses tax invoices, (5) VAT is a tax on domestic public consumption, (6) VAT is neutral, (7) It does not have the impact of imposing double tax. VAT calculation in Indonesia has a calculation method called the credit method. Taxes are determined by subtracting the amount of tax received at the time of sale (*Output Tax*) from the amount of tax that has been paid at the time of purchase (*Input Tax*).⁵ In this way, what is deducted is the tax itself.

The agricultural sector is one of the important sectors in the national economy and national development. Oil palm plantations are an important actor in the economic order in the agricultural sector in Indonesia. The development of the palm oil industry has a considerable contribution to regional economic growth, job creation, poverty alleviation, or foreign exchange sources because it is spread across 25 provinces in Indonesia⁶. The role of the palm oil industry on a global scale as the world's largest palm oil producer is an important part of the global vegetable oil supply chain that ensures the availability of vegetable oils in the world, both for advanced raw materials, energy, and food in various countries. The establishment of palm oil companies in an area has a positive impact on social aspects such as education, health, and public facilities as well as on economic aspects such as increasing employment, reducing the unemployment rate, and increasing community income⁷. The raw material from the palm oil industry is Fresh Fruit Bunches (FFB) produced by oil palm plantations. Fresh Fruit Bunches (FFB) are the main raw materials in the palm oil industry that are harvested directly from oil palm trees to be processed into high-value derivative products. Furthermore, FFB will be processed by

⁵ Kusumastuti, et al. (2019) Mechanism for Crediting Value-Added Tax on Manual Input Tax Invoices. *Journal of Terapa Business Administration*, 1(1).

⁶ PASPI Monitor. (2021) Economic Sustainability of the Indonesian Palm Oil Industry: Review and Strategic Issues. *Palm Oil Journal*, II (42).

⁷ Angga, M.A., et al (2021). The Impact of the Existence of Palm Oil Companies on Social, Economic, and Environmental Conditions of the Community. *WIRATANI: Scientific Journal of Agribusiness*, 4 (1).

palm oil mills to be used as Crude Palm Oil (CPO) or other products. There are 3 types of palm oil mill actors, namely, integrated palm oil mills (PKS), commercial palm oil mills (PKS), and special palm oil mills (PKS).⁸ Integrated mills are the first and major contributors to the production of CPO for food use grade at the national level. The majority (50-70 percent) of FFB supply for integrated mills comes from their own plantations that are directly connected to the mills, so the Cost of Production (HPP) should be lower and the price should be more competitive⁹.

The Palm Oil Mill (PKS) is one of the instruments in the palm oil industry which includes business activities that have economic value, where every goods and/or services that have added economic value will be subject to Value Added Tax (VAT) as stipulated in the Law on Value Added Tax (VAT Law). The basic mechanism in VAT is input tax and output tax¹⁰. If in a tax period, the output tax is greater than the input tax, then the difference is the VAT that must be paid by the Taxable Entrepreneur (PKP) to the state treasury. There are times when there are corrections to input taxes or output taxes by Taxable Entrepreneurs carried out by the fiscal authorities, namely the Directorate General of Taxes, which causes tax disputes. Tax disputes start from tax audits at the level of the Tax Service Office, then PKP can file Objections at the level of the Tax Regional Office, then PKP can file an Appeal at the Tax Court level, and the last resort in tax disputes is to file a Review to the Supreme Court.

Rachmat Sumitro said that tax law is a collection of regulations that regulate the relationship between the government as a tax collector and the people as taxpayers¹¹. Tax law, also called fiscal law, is a set of regulations that include the government's authority to take a person's wealth and hand it back to the public through the state treasury. Tax law is a part of public law that regulates legal relations between the state and people or *badang-badang* (law) that are obliged to pay taxes¹².

The case raised in this article is the Tax Court Decision Number PUT-71015/PP/M.VIA/16/2016 dated May 24, 2016 in conjunction with the Supreme Court Decision Number 1731 B/PK/PJK/2025 dated April 15, 2025. The case is a tax dispute settlement related to the imposition of VAT on integrated palm oil companies. An integrated palm oil company is a company that owns a plantation that produces FFB and

⁸ PASPI Monitor. (2024). Pros and Cons of Palm Oil Mills (PKS) Without Plantations and the Importance of Partnerships. *Article Dissemination & Policy Brief*, 21.

⁹ PASPI Monitor. (2024). Pros and Cons of Palm Oil Mills (PKS) Without Plantations and the Importance of Partnerships. *Article Dissemination & Policy Brief*, 21.

¹⁰ Butarbutar, R. (2017). *Indonesian and International Tax Law*. Gramata Publishing.

¹¹ Negara, T.A.S. (2024). *Tax Law. Revised Edition*. Setara Press.

¹² Marzuki, P.M. (2022). *Legal Research. Revised Edition*. Kencana.

a FFB processing plant into CPO and/or Palm Kernel (PK) and/or its derivatives. The subject of dispute in this case is whether the acquisition of Taxable Goods of a strategic nature used for units or activities that produce Fresh Fruit Bunches upon delivery is exempt from the imposition of Value Added Tax on companies that carry out integrated business activities and whether the input tax can be credited.

METHODS

This type of research is normative juridical. Normative legal research is carried out by examining written sources that are secondary data, which is also known as literature law research. The normative juridical approach method applied is the collection of positive laws in the form of laws and regulations and other legal sources, then linked to the cases discussed in this study. The results of this research will provide a new perspective or paradigm regarding the interpretation of laws and regulations and the judge's decisions¹³. This study uses descriptive research specifications (Suteki and Galang, 2020), namely to describe a problem and try to reveal the most complete facts about the imposition of Value Added Tax on Integrated Palm Oil Companies and how the Panel of Judges considers it in the Supreme Court Decision¹⁴.

The type of data used for this study is secondary data with the data collection technique being a literature study. The source of this research uses primary legal materials and secondary legal materials. The primary legal material consists of laws and regulations and court decisions¹⁵, especially tax regulations related to the problems being researched and Tax Court Decision Number PUT-71015/PP/M.VIA/16/2016 dated May 24, 2016 *in conjunction with* Supreme Court Decision Number 1731 B/PK/PJK/2025 dated April 15, 2025. Meanwhile, secondary legal materials consist of books, journals, papers, articles, research reports and other forms of writings related to the problems discussed as a complement to qualitative research¹⁶.

¹³ Wibisana, M.R.A.G., et al. (2022). *A Handbook for Writing Scientific Papers. Print I*. Published by the Faculty of Law, University of Indonesia.

¹⁴ Suteki & Taufani, G. (2020). *Legal Research Methods: Philosophy, Theory and Practice. Edition 1 Print 3*. Rajawali Press.

¹⁵ Marzuki, P.M. (2022). *Legal Research. Revised Edition*. Kencana.

¹⁶ Sugiyono. (2013). *Qualitative Quantitative Research Methods and R&D. 19th Edition*. Alfabet.

RESULTS AND DISCUSSION

1. Imposition of Value Added Tax on Taxable Goods Used to Produce Fresh Fruit Bunches

In order to facilitate national development, encourage the development of the business world and increase competitiveness, there are facilities provided in the form of exemption from VAT on Taxable Goods (BKP) which is strategic. According to the explanation of the general section of Government Regulation Number 12 of 2001 concerning the Import and or Delivery of Certain Taxable Goods of a Strategic Nature Exempt from the Imposition of Value Added Tax, it is stated that "*Based on the Value Added Tax Law, tax eases can be provided for the success of high-priority sectors of economic activities on a national scale, encouraging the development of the business world and increasing competitiveness, and facilitate national development, by assisting the availability of strategic goods*". So, Taxable Entrepreneurs will get facilities in the form of VAT exemption on Taxable Goods that are strategic in order to increase competitiveness and encourage the development of the business world, as well as facilitate national development.

Fresh Fruit Bunches (FFB) are the main raw materials in the palm oil industry that are harvested directly from oil palm trees to be processed into high-value derivative products. Furthermore, FFB will be processed by palm oil mills to be used as Crude Palm Oil (CPO) or other products. According to Article 1 number 1 letter c, Article 1 number 2 letter a, and Article 2 paragraph (2) letter c of Government Regulation Number 12 of 2001 concerning the Import and or Delivery of Certain Taxable Goods of a Strategic Nature Exempt from the Imposition of Value Added Tax as last amended by Government Regulation Number 31 of 2007, regulates that agricultural products produced from business activities in the plantation sector are Certain Taxable Goods of a strategic nature which upon delivery are exempt from the imposition of Value Added Tax, in other words FFB which is agricultural product goods resulting from business activities in the plantation sector is a Certain Taxable Goods which upon delivery are exempt from the imposition of Value Added Tax.

One of the principles that is actually held in the National Tax Law is the principle of enforcing and applying equal treatment to all taxpayers (*principle of equality*). In essence, cases in the field of taxation adhere to the provisions of laws and regulations. The principle of *equality* (Brotodiharjo, 1996) in the principle of tax collection demands for balanced tax collection and providing equal and non-discriminatory treatment. In this case, the fiscal authorities emphasized that the same treatment as a form of implementation of *the principle of equality* in the exemption of VAT on FFB as a Certain Taxable Goods that is strategic because it is an agricultural product can be applied to *non-*

integrated palm oil companies) and integrated palm oil companies. The application of this principle is in accordance with the purpose and objectives of Government Regulation Number 31 of 2007 by providing facilities to increase competitiveness and provide equal treatment¹⁷.

There are differences in legal interpretations carried out by taxpayers which interpret grammatical laws. Grammatical legal interpretation is a method or type of legal interpretation by looking for the meaning of legal provisions by relying on the literal meaning of words and grammar in the text of the law¹⁸. From the explanation above, the Taxpayer interprets that FFB is indeed a Certain BKP that is strategic, but to obtain the VAT exemption facility, it is required that there be a submission of the Certain BKP first and not in order to produce it. WP, which is an integrated palm oil company, is a company that produces the final product of *Crude Palm Oil* (CPO) and *Palm Kernel* (PK), so there is no handover of FFB to other parties, but its own use for production purposes. The handover of products carried out by an integrated company from the plantation unit to the factory unit is not a transfer of BKP according to the VAT Law, but only a transfer between business units in an integrated company because it is still part of the production process to produce CPO and PK. The use of FFB to be further processed into CPO and PK is not the definition of "own use" which is included in the meaning of the submission of BKP as Article 1A paragraph (1) letter d of the VAT Law states that "*self-use and/or free giving of Taxable Goods*". The processing of FFB into CPO and PK is not a handover of BKP because the FFB is not in order to be consumed, but a processing process which is a process of one production line.

2. Input Tax Credit on Goods Why Tax to Produce Fresh Fruit Bunches in Integrated Palm Oil Companies

Input Tax crediting is always associated with the existence or absence of non-BKP or non-JKP submissions, and whether the submission of BKP or JKP gets a VAT exemption facility or not, which can be interpreted as if in its business activities the Taxable Entrepreneur (PKP) makes a submission of goods that are not subject to VAT (non-BKP and non-JKP), then the Input Tax on its business expenses should not be credited, Likewise, if PKP submits BKP and/or JKP but for the submission receives a VAT exemption facility which means that Input Tax on its business costs cannot be credited either. WP is an oil palm plantation company which is also a processing plant to process FFB produced by plantation units to be processed at the processing plant into Crude Palm

¹⁷ Brotodihardjo, R.S. (1996). *Introduction to Tax Science*. Eresco.

¹⁸ Susanti, D.I. (2019). *Interpretation of Theory and Method Law*. Graphic Rays.

Oil (CPO) and/or Palm Kernel (PK). That the subject of the dispute is the crediting of Input Tax on the acquisition of strategic Taxable Goods used for units or activities that produce FFB which are exempt from the imposition of VAT on companies that carry out integrated business activities. If you look at non-integrated companies or only oil palm plantations that only produce FFB, it is certain that the Input Tax from the process of producing FFB cannot be credited because the submission receives facilities from the state in the form of exemption from the imposition of VAT as stipulated in Article 9 paragraph (5), Article 16B paragraph (1) b and paragraph (3) of the VAT Law and Government Regulation Number 31 of 2007 which stipulates that FFB, which is agricultural products produced from business activities in the plantation sector, is a Certain Taxable Goods which are exempt from the imposition of Value Added Tax. However, an integrated palm oil company is a company in which there are oil palm plantations that produce FFB and then process the FFB into CPO and/or PK at its processing plant which is BKP as the company's final product.

The Panel of Judges of the Tax Court is of the opinion that the definition of "use for self-interest" is the use for the purpose of further processing by the entrepreneur himself as stipulated in Article 1A paragraph (1) letter d of the VAT Law, so that FFB is further processed in stages in the production line to produce CPO, including the meaning of delivery in the form of self-use of FFB. According to the Panel of Judges of the Tax Court, FFB produced by plantation units which are subsequently used or used as raw materials in processing units, is basically a delivery of certain BKP that is strategic because the processing of FFB is carried out, including in the sense of the delivery of BKP referred to in Article 1A paragraph (1) of the VAT Law. Use for productive purposes is included in the sense of submission that is payable VAT, but for ease of administration no collection is carried out and it is not mandatory to issue tax invoices, because in the end the Output Tax on self-use will be credited by the entrepreneur himself as much as the Output Tax collected by the entrepreneur himself. Unlike if the BKP itself is used to be exempt from the imposition of VAT, the VAT collected by the PKP for its own use is an Input Tax that cannot be credited. The Panel of Judges of the Tax Court is of the opinion that Article 16B of the VAT Law is based on the philosophy that states that one of the principles that must be upheld in the Tax Law is the enforced and applied equal treatment to all Taxpayers or to cases in the field of taxation which is essentially the same as adhering to the provisions of the applicable laws. The transaction of selling FFB to a buyer by handing over self-use FFB to be processed in the processing unit is a tax case that is essentially the same, namely the process of handing over BKP which receives a VAT exemption facility, therefore the Panel of Judges of the Tax Court is of the opinion that the transaction of handover and

self-use to be processed in stages on the production line must be enforced and applied the same tax treatment. Article 16B paragraph (1) of the VAT Law aims to provide convenience by providing the necessary tax facilities to succeed in high-priority economic activity sectors on a national scale, encourage the development of the business world and increase competitiveness, as well as facilitate national development.

In practice in the community, entrepreneurs who hand over FFB are farmers or other entrepreneurs who generally have limited capital capacity so that they do not have enough capital to build palm oil mills. The goal to be achieved by providing facilities for exemption from VAT is to increase competitiveness for these entrepreneurs. If entrepreneurs who carry out integrated businesses can credit Input Tax on the acquisition of FFB, while FFB farmers and entrepreneurs are not allowed to credit their Input Tax, then the purpose of providing convenience in the form of increasing competitiveness cannot be achieved because as a consequence of the exemption facility provided by the state, FFB farmers/entrepreneurs cannot credit their Input Tax and charge VAT into the element of Cost of Goods Sold (COGS). which ultimately increases the selling price so that it cannot compete with entrepreneurs who carry out integrated businesses. Therefore, the Panel of Judges of the Tax Court is of the opinion that Input Tax related to plantations that produce FFB cannot be credited. The Panel of Judges of the Tax Court is of the opinion that an integrated palm oil company that delivers goods that are exempt from the imposition of VAT in the form of FFB has paid VAT at several stages of the manufacture of the goods, the VAT can be credited if the delivery of the goods is an object that can be subject to VAT, but if the delivery is exempt from the imposition of VAT (Output Tax), then VAT (Input Tax) that has been paid at several stages of the manufacture of the goods cannot be credited. The Panel of Judges concluded that the Input Tax on the acquisition of BKP or JKP used for activities to produce FFB, which is a strategic item, cannot be credited.

There is a *dissenting opinion* from one of the Tax Court Judges related to this tax dispute. The Tax Court Judge, Tri Hidayat Wahyudi, S.H., Ak., M.B.A., expressed a different opinion related to the Input Tax credit on BKP to produce FFB in an integrated company. The judge argued that in determining the creditability of an Input Tax it must be associated with the business field and the delivery carried out by the PKP, not associated with the type of goods produced by the PKP. In this case, the taxpayer who is a PKP is a company engaged in the palm oil industry that produces the main products in the form of CPO and PK, the taxpayer processes all FFB produced by its plantation unit and sells the final product to other parties in the form of palm oil (CPO) and palm kernel oil (PK) which is BKP. Judge Tri Hidayat Wahyudi argued that the existence of a

regulation that provides benefits and economic benefits for palm oil companies that own plantations and processing plants is made in order to provide welfare for the people and the country as a whole as the final goal of making a regulation that provides these facilities. In the event that there are palm oil companies that only own plantations and then do not get facilities, it is reasonable because economically palm oil companies that only own plantations will contribute to the economy not as much as those provided by integrated palm oil companies. Thus, between palm oil companies that only own plantations and palm oil companies that have plantations and processing plants cannot be compared because they are not the same. Therefore, the concept of *equal treatment* cannot be applied between palm oil companies that only own plantations and integrated palm oil companies. The condition between palm oil companies that only own plantations compared to integrated palm oil companies cannot be said to be in the same situation or situation. In this opinion, Judge Tri Hidayat Wahyudi argued that the Fiscal Authority's correction of Input Tax in order to produce FFB was not in accordance with the provisions and therefore the correction could not be maintained.

The settlement of this tax dispute in the extraordinary legal remedy of review, was decided by the Supreme Court Decision Number 1731 B/PK/PJK/2025 dated April 15, 2025. In this decision, the Supreme Court granted the application from the taxpayer and canceled the Tax Court Decision Number Put-71015/PP/MVIA/16/2016 dated May 24, 2016. With the granting of this request for review from the taxpayer, the correction to the Input Tax determined by the Fiscal Authority cannot be maintained. In its legal considerations, the Supreme Court agreed with the opinion of Tax Court Judge Tri Hidayat Wahyudi who stated that the Input Tax on BKP to produce FFB in integrated palm oil companies can be credited. The Supreme Court held that WP is a company engaged in the integrated palm oil industry that processes all FFB produced by its plantation unit and sells the final product to other parties in the form of palm oil (CPO) and mustard kernel oil (PK). The Supreme Court argued that in the facts of the trial it was shown that the taxpayer did not make an unpayable or tax-exempt delivery to another party in the form of FFB produced by his plantation unit, so Article 9 paragraph (5) of the VAT Law cannot be applied to this dispute. Based on these facts, the Supreme Court held that it was proven that the taxpayer did not hand over the production of his plantation unit in the form of FFB, which according to Article 16B paragraph (3) of the VAT Law and Government Regulation Number 31 of 2007, the submission of FFB was exempt from the imposition of tax. Therefore, Input Tax can be credited.

Input Tax on Taxable Goods to produce Fresh Fruit Bunches in integrated palm oil companies, can be credited because FFB produced by plantation units which are then

processed at processing plants is included in the production process of the final products of integrated palm oil companies, namely *Crude Palm Oil* (CPO) and *Palm Kernel* (PK). In the production process carried out, there is no submission of BKP which is a condition for VAT to be payable. The concept of *equal treatment* cannot be applied between palm oil companies that only own plantations and integrated palm oil companies. The condition between palm oil companies that only own plantations compared to integrated palm oil companies cannot be said to be in the same situation or situation.

CONCLUSION

Based on the results of the research and discussion that has been described, several conclusions can be drawn as follows. The imposition of Value Added Tax on Taxable Goods used to produce Fresh Fruit Bunches in integrated palm oil companies cannot be equated with tax treatment on ordinary oil palm plantation companies that are not integrated. Fresh Fruit Bunches are indeed certain Taxable Goods that are strategic in nature so that their delivery is exempt from the imposition of Value Added Tax as stipulated in Government Regulation Number 31 of 2007. However, in an integrated palm oil company, the Fresh Fruit Bunches produced by the plantation unit are not handed over to other parties, but are used directly as raw materials in the internal production line to produce the final product in the form of Crude Palm Oil and Palm Kernel. The transfer of Fresh Fruit Bunches from plantation units to processing units is part of a series of production processes that do not contain the event of delivery of Taxable Goods within the meaning of the Value Added Tax Law, so the provisions of exemption from the imposition of Value Added Tax are not relevant to be applied in this context. The concept of *equal treatment* cannot be applied uniformly between unintegrated oil palm plantation companies and integrated palm oil companies. The two types of companies are in fundamentally different conditions and business situations, so the application of the principle of equality has the potential to cause injustice if forced without considering the differences in their respective business structures. Input Tax on the acquisition of Taxable Goods used to produce Fresh Fruit Bunches in integrated palm oil companies can be credited. This has been affirmed by the Supreme Court through Decision Number 1731 B/PK/PJK/2025 dated April 15, 2025 which granted the request for review from the Taxpayer and canceled the Tax Court Decision Number PUT-71015/PP/M.VIA/16/2016. The Supreme Court held that because the Taxpayer did not hand over Fresh Fruit Bunches that were exempt from the imposition of Value Added Tax to other parties, the provisions of Article 9 paragraph (5) and Article 16B paragraph

(3) of the Value Added Tax Law could not be applied in this dispute. Thus, the correction of Input Tax made by the Fiscal Office cannot be maintained.

Based on the above conclusion, there are several suggestions that can be made. For the Directorate General of Taxes as a tax authority, it is necessary to improve regulations or issue more comprehensive and explicit technical instructions regarding the treatment of Input Tax on companies that carry out business activities in an integrated manner. The absence of clear guidance so far has opened up space for differences in interpretation between Taxpayers and Fiscal Authorities, which leads to long and resource-consuming tax disputes, so that legal certainty is an urgent matter to be realized. For Taxable Entrepreneurs in the integrated palm oil industry sector, it is recommended to always document in an orderly and comprehensive manner the entire production flow from plantation units to processing units. Strong documentation will be crucial evidence in proving that Fresh Fruit Bunches are not handed over to other parties and are solely used in the internal production process, especially when facing tax audits and dispute resolution processes. For tax policy makers, it is necessary to conduct an in-depth evaluation and study of the provisions of Value Added Tax that apply in the agricultural and industrial sectors that are vertically integrated. Value-added tax exemption policies intended to increase competitiveness should not create distortions of tax treatment or hinder the growth of industry players who have invested in integrated production chains.

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