

New Business Unit – PPN Registration Choice

Scenario: a PT operating a manufacturing unit at Rp 6 billion annual revenue is adding a second business unit – a retail distribution arm. The new unit is expected to reach Rp 2 billion in its first year. The PT is already PKP. The question is whether to operate the new unit under the same NPWP (and thus already under PKP status from day one) or to separate it as a new entity, and if the latter, when PKP registration becomes mandatory for the new entity.



Complementary worksheet for
Tax Optimization for SMEs
by Ibrahim Anwar

What This Is For

Adding a second business unit triggers a structural decision that operators often make on operational logic (ease of administration, cost of a new entity) without calculating the tax implications. This worksheet is for the moment before that decision is made. The two options — same entity (same taxpayer ID) versus separate entity — produce different VAT obligations, different PPh Final eligibility, different transfer pricing risks, and different bookkeeping complexity from day one.

Neither option is inherently correct. The right choice depends on the new unit's projected margin, its buyer base (PKP or non-PKP buyers), and whether the owner wants the new unit to access the PPh Final 0.5% regime while it is still available. This worksheet calculates both options side by side and ends with a question the operator must answer with numbers, not intuition.

Benefits

What you get when you actually run this worksheet on a real situation:

- Surfaces the VAT obligation difference between the two options immediately — same-entity means VAT from day one, separate entity means VAT only after crossing the threshold.
- Identifies the transfer pricing exposure that the separate-entity option creates the moment the first inter-entity transaction occurs.
- Calculates the PPh Final eligibility of the new unit under each option — a benefit that disappears under the same-entity option if the PT is already past its PPh Final window.
- Forces the owner to estimate the net VAT position of the new unit in Year 1, which determines whether VAT compliance is a cash-flow burden or a neutral-to-positive position.
- Produces a written comparison that can be reviewed with a tax consultant and used as the basis for the entity decision.

Framework To Use

— Two-Option Tax Architecture Compare

Run both options to their Year 1 outcomes before choosing. The option that feels simpler is not always the one that costs less.

Dimension	Option A: Same Entity (Same Taxpayer ID)	Option B: Separate Entity
VAT from day one?	Yes — all sales to all buyers	No — only after threshold or voluntary registration
PPH Final available?	No — entity is past or ineligible	Yes — if new entity < threshold and within time limit
Transfer pricing risk?	None — same taxpayer	Yes — from first inter-entity transaction
Bookkeeping complexity	One set of books, one return	Two sets of books, two returns, two consultants

How To Use

Follow these steps in order. Each one builds on the previous.

- 1** Step 1: Confirm the existing entity's PKP status and PPh Final eligibility. If the existing PT is already PKP, Option A means the new unit inherits that status from day one.
- 2** Step 2: Project the new unit's Year 1 revenue and estimate the monthly sales split: what proportion of sales go to PKP buyers (requiring tax invoices) versus non-PKP buyers.
- 3** Step 3: For Option A, calculate the monthly VAT obligation: output VAT on all PKP sales minus input VAT from purchases. Determine whether the net position is payable or overpaid in Year 1.
- 4** Step 4: For Option B, calculate the month when the new unit would cross the PKP registration threshold based on projected revenue. Note the registration deadline for that month.
- 5** Step 5: For Option B, list the first inter-entity transactions that would occur between the existing PT and the new entity (inventory purchases, shared warehouse, shared management). Note that each requires arm's length pricing documentation from the first transaction.
- 6** Step 6: Calculate PPh Final eligibility for the new entity under Option B. If the new entity is set up as a new PT, the 3-year PPh Final window starts from its first year of use.
- 7** Step 7: Estimate the combined Year 1 tax burden under each option. Include corporate income tax plus VAT net position plus the cost of additional bookkeeping and compliance for Option B.
- 8** Step 8: Write the decision criteria: which option produces a lower combined tax burden, which produces lower compliance cost, and which creates fewer inter-entity complications over the next three years.

Example Use

A manufacturing PT (already PKP, revenue \$375,000/year) is adding a retail distribution unit projected at \$125,000 in Year 1. About 40% of the new unit's sales will be to PKP buyers. The owner compares the two options.

Option A — Same entity.

The new unit's sales are added to the existing PT's VAT return from month one. Output VAT on PKP sales: $40\% \times \$125,000 \times 11\% = \$5,500$ per year. Input VAT from the distribution unit's purchases: \$80,000 in stock purchases $\times 11\% = \$8,800$ per year (assuming PKP suppliers). Net VAT position: \$8,800 input – \$5,500 output = \$3,300 overpaid. The overpayment can be carried forward to offset manufacturing unit's output VAT. Net cash flow: neutral to slightly positive. Bookkeeping: single consolidated set, one annual return, manageable.

No transfer pricing risk. No additional entity registration. No second set of books. No second consultant fee.

Option B — Separate entity (new PT).

The new PT starts below the PKP threshold ($\$125,000 < \$300,000$ equivalent). No VAT obligation in Year 1 unless voluntary PKP registration is chosen. PPh Final 0.5% applies: $\$125,000 \times 0.5\% = \625 annual tax. Low tax burden in Year 1.

But the moment the new PT purchases inventory from the manufacturing PT — the first inter-entity transaction — transfer pricing rules apply. The price must be arm's length. If the manufacturing PT sells to the new PT at cost without a markup, it under-reports income. If it sells at a marked-up price, the distribution PT pays more for its inventory than a third-party buyer would. Both positions require a documented arm's length reference from transaction one.

Additional costs in Year 1 for Option B: second entity registration, second set of books, second tax consultant engagement, transfer pricing documentation setup.

The owner compares: Option A Year 1 tax = existing combined obligation, essentially unchanged. Option B Year 1 tax = \$625 PPh Final for new PT, but compliance setup cost of \$3,000–\$5,000 for new entity plus transfer pricing advisory. Net Year 1: Option A is cheaper.

Over three years, if the distribution unit grows past the PKP threshold and the PPh Final window closes, the Option B advantage in Year 1 is eroded by increasing complexity. The owner documents both calculations and takes them to the tax consultant.

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

New Business Unit — PPN Registration Choice

Scenario: a PT operating a manufacturing unit at Rp 6 billion annual revenue is adding a second business unit — a retail distribution arm. The new unit is expected to reach Rp 2 billion in its first year. The PT is already PKP. The question is whether to operate the new unit under the same NPWP (and thus already under PKP status from day one) or to separate it as a new entity, and if the latter, when PKP registration becomes mandatory for the new entity.

ITEM	OPTION A: SAME ENTITY / SAME TAXPAYER ID	OPTION B: SEPARATE ENTITY
PKP status from day one?	Yes — inherited	No — until revenue crosses threshold or voluntary registration
VAT collection obligation on sales	Immediate, all PKP-buyer transactions	Only after PKP registration
Input VAT credit available on purchases	Immediate	Only after PKP registration
Monthly VAT return obligation	Already running (consolidated)	Starts after registration
Tax invoice system setup needed	Already set up	New entity: set up from scratch
Revenue consolidated with main entity for threshold check?	Yes — same taxpayer	No — separate taxpayer
Transfer pricing risk (inter-entity transactions)?	None — same taxpayer	Yes — affiliated parties; arm's length required from transaction one
PPH Final availability for new unit	Not available — entity already past or ineligible	Available if new entity within time limit and below threshold
Bookkeeping complexity	Single set of books, one return	Two separate books; two returns; two annual filings
Estimated net VAT position of new unit (Year 1)	\$	\$

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. If the new unit is added under the same entity and taxpayer ID, does the combined monthly VAT return workload remain manageable without additional finance staff? If not, what does that cost?
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2. If a separate entity is set up, what are the first inter-entity transactions that will occur between the two entities (inventory purchases, shared warehouse, shared management)? How will arm's length pricing be established for each?
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3. Which option produces a lower combined tax burden in Year 1? Calculate both scenarios using the projected revenue and cost figures before making the entity decision — not after.
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Tips and Traps

TIPS

- Calculate the net VAT position of the new unit before choosing Option A or B. If the new unit has more input VAT than output VAT (high material costs, low PKP buyer base), Option A's consolidated return absorbs the overpayment cleanly. Option B would require a refund application to get the cash back.
- For Option B, build the inter-entity pricing documentation at the moment the first transaction occurs, not at year-end. The document dated at the time of the transaction is the correct one. A document dated months later explaining a transaction that already happened is weaker.
- If the new unit will reach the PKP threshold within 18 months, the Year 1 advantage of Option B's PPh Final is short-lived. Model Year 2 and Year 3 compliance costs before treating the Year 1 tax saving as the deciding factor.
- The PPh Final window for a new PT starts from the first year it uses PPh Final. If the new PT is set up in Year X and immediately starts under PPh Final, the 3-year window closes at the end of Year X+2. Plan the bookkeeping setup for Year X+1, not after the window closes.

TRAPS

- Treating Option A's VAT inheritance as automatically negative. If the new unit purchases more VAT-able inputs than it collects in output VAT, it is a net input position — and consolidated into the existing PT's return, that overpayment offsets the existing unit's output VAT liability, reducing the overall cash outflow.
- Setting up a separate entity without modelling the arm's length pricing for the first inter-entity transaction. The first loan, the first inventory purchase, the first management fee — each of these creates a transfer pricing obligation from day one. Operators who discover this six months in are already retroactively non-compliant.
- Choosing Option B primarily to access the PPh Final 0.5% rate, without calculating how long that access lasts and what happens in Year 4 (for a PT). If the business plan projects crossing the revenue threshold in Year 2, the PPh Final advantage lasts less than two full years.

Appendixes

Appendix A – Year 1 Combined Tax Estimate Comparison

Option A – Same entity

Existing entity tax (corporate income tax): \$ _____
 New unit revenue folded into same return (no separate tax calculation)
 VAT net position – new unit's sales: \$ _____
 VAT net position – new unit's purchases: \$ _____
 Net VAT impact on combined monthly return: \$ _____
 Additional bookkeeping / compliance cost: \$ _____
 Year 1 total combined tax + compliance cost: \$ _____

Option B – Separate entity

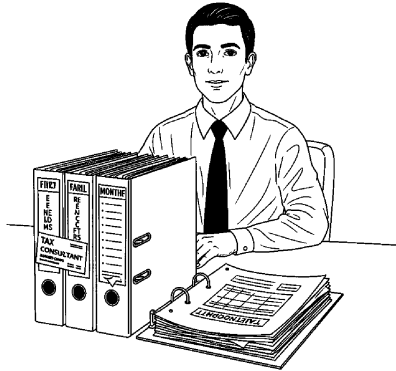
Existing entity tax (unchanged): \$ _____
 New entity PPh Final (0.5% × revenue): \$ _____
 New entity VAT obligation (if PKP threshold
 crossed in Year 1): \$ _____
 Transfer pricing documentation setup: \$ _____
 Additional bookkeeping + second consultant: \$ _____
 Year 1 total combined tax + compliance cost: \$ _____

Lower total → preferred option for Year 1.
 Repeat for Year 2 projections before finalising.

Appendix B – Inter-Entity Transaction Checklist for Option B

If separate entity is chosen, complete this before the first inter-entity transaction:

Transaction	Arm's length reference needed	Document to create
Inventory purchase (new PT buys from existing PT)	Price to independent buyers for same product + volume	Sales invoice + pr for comparable buy
Shared warehouse space	Market rental for comparable area in same location	Lease / sublease a + market survey PD
Management / admin services	Actual costs + 10-15% margin	Service contract + monthly activity
Working capital loan	BI / OJK working capital rate for the origination month	Loan agreement wit and term specified



WHERE THIS WORKSHEET COMES FROM

Tax Optimization for SMEs

Paying Tax Correctly Is the Kind of Business That Sleeps at Night

by Ibrahim Anwar

This worksheet is one of nine in the *Tax Optimization for SMEs* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

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