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- MoF Regulation No. 32/PMK.010/2019

More Services Now Subject to 0% VAT on Export

MoF Regulation No. 32/PMK.010/2019

In a welcome development, the Minister of Finance issued Regulation No. 32/PMK.010/2019 ("MoF-32") expanding the types of exported services that are subject to 0% VAT. The aim is to increase the export of services and improve Indonesia's competitiveness. MoF-32 revokes MoF Regulation No. 70/PMK.03/2010 and is in effect from 29 March 2019.

Definitions

For the purpose of this regulation, certain terms have been defined in order to clarify the scope of exported services that are subject to 0% VAT:

Export of taxable services are activities that entail the delivery of taxable services which are conducted within the customs area to be utilized outside of the customs area by a recipient located outside the customs area.

Recipient of export of taxable services is an individual or a company that has an agreement for and receives a benefit directly from the exported services, who resides outside of the customs area, is a foreign taxpayer, and has no permanent establishment in Indonesia.

Based on the above, if a recipient of an exported service is a foreign taxpayer that has a permanent establishment in Indonesia, 0% VAT on the exported service cannot be applied.

Services covered

The exported services which are now subject to 0% VAT are:

- Services connected to moveable goods to be used outside of the customs area:
 - toll manufacturing
 - repair and maintenance
 - freight forwarding related to goods for export
- Construction consulting services connected to immovable goods outside the customs area.
- Services in the form of activities in which the output is delivered to be utilized outside of the customs area, through either (i) direct or indirect delivery (by post or electronic delivery) or (ii) the provision of a right to be accessed outside the customs area, based on a request from the recipient of the exported service. These services are:
 - technology and information services
 - research and development services
 - rental services for aircraft and/or ships for international flights or shipping/cruise activities

- d) business and management consultancy services, legal consultancy services, architectural and interior design consulting services, human resource consulting services, engineering services, marketing consulting services, accounting or bookkeeping services, financial statement auditing services, and tax services
- e) trading services, in the form of finding sellers in the Customs Area for export purposes
- f) interconnection services, satellite operations and/or communication/data connectivity

The regulation provides further detail as to the specific requirements for toll manufacturing and the types of services covered by 3(a) and 3(f) above.

Required evidence and documentation

To be eligible for the 0% VAT the export of taxable services must:

- a) be based on a written agreement between a domestic taxable entrepreneur (PKP) and an overseas party as the recipient of the exported service which states (i) the type of service, (ii) details of the activities conducted in the customs area to be utilized outside of the customs area, and (iii) value of the service; and
- b) have a valid proof of payment by the overseas party (as the recipient of the exported service) to the domestic taxable entrepreneur.

If the above requirements are not met, the service will be considered as being delivered within the customs area and subject to 10% VAT.

Other

- If the services are conducted and utilized outside the customs area, they will not be subject to VAT (instead of being subject to 0% VAT).
- The 0% VAT on exported services is payable when the compensation is recorded or recognized as a receivable or income.
- A taxable entrepreneur conducting the exported service is required to prepare a VAT invoice in the form of a Notification of Export of Services (*Pemberitahuan Ekspor Jasa Kena Pajak*), with an invoice attached.
- The export of services is reported in the monthly VAT return. For export of toll manufacturing services, the export of taxable goods generated from the toll manufacturing services is also reported in the monthly VAT return.
- Input VAT related to the export of taxable services represents creditable input VAT.

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