



Indonesia Tax Alert April 2019

New Updates on Export Services Subject to Zero-rated VAT

The Minister of Finance ("MoF") has issued Regulation Number 32/PMK.010/2019 ("PMK-32") regarding activity and type of taxable services considered as export that could enjoy a zero-rated VAT ("Export Services"), which was previously regulated under MoF Regulation Number 70/PMK.03/2010 as amended by 30/PMK.03/2011 ("PMK-70").

PMK-32 is issued by the Government with the aim to encourage development and improve competitiveness of Indonesian service providers in the global market, as more category of services are now added under the classification of Export Services. The salient points of PMK-32 are summarized below:

1. Definition of Export Services has changed, where previously it was defined loosely as 'delivery of export taxable services to outside Indonesian customs territory', but now is defined as 'taxable services furnished/rendered within Indonesian customs territory for the benefit of recipient located outside of Indonesian customs territory.
2. The recipient of Export Services is now defined in PMK-32 as individual or corporate who:
 - enters into agreement;
 - receives the direct benefit of the export service;
 - located outside Indonesian customs territory; and
 - is a foreign tax resident that does not have a Permanent Establishment in Indonesia.

3. PMK-32 expands and classifies the type of Export Services, based on its connection with related goods (movable vs immovable) and place of utilization (onshore vs offshore) as follows:
- a. Services in connection with movable goods exported for use outside Indonesian customs territory, covering:
 - Toll manufacturing services ("*maklon*") with certain criteria as further detailed in PMK-32;
 - Repair and maintenance services;
 - Freight forwarding services for goods to be exported.
 - b. Services in connection with immovable goods located outside Indonesian customs territory, i.e., construction consultation services, which cover assessment, planning, and design of construction related to building or plan for building outside Indonesian customs territory.
 - c. Services delivered for utilization outside the Indonesian customs territory which cover:
 - Technology and information (PMK-32 provides further elaboration concerning subcategory of services);
 - Research and development;
 - Charter of airplane and/or sea vessel, for international flight or shipping activities;
 - Business and management consultation, legal consultation, architectural and interior design activity, human resources consultation, engineering, marketing, accounting or bookkeeping, financial statement audit, and taxation;
 - Intermediary services, i.e., search of seller of goods in Indonesian customs territory of goods for export; and
 - Interconnection services, satellite, and/or data communication/ connectivity providers (PMK-32 provides further elaboration concerning subcategory of services).

These services can be delivered by way of:

- direct or indirect delivery such as via post and electronic channel, or
 - provision of right to use/access outside Indonesian customs territory.
4. PMK-32 imposes new conditions for services to be considered as Export Services:
- a. The services must be based on a written agreement or contract between the Indonesian service provider and the Export Services recipient, and it must contain:
 - Category of services;
 - Details of activity furnished/rendered within Indonesian customs territory for the use/benefit outside Indonesian customs territory by the recipient; and
 - Value of the delivery.
 - b. There is a payment from the recipient received by the Indonesian service provider, proven by valid evidence.

If the above conditions are not met, the delivery of Export Services will be deemed by the tax authority as delivery of taxable services within Indonesia customs territory subject to VAT.

5. Services that are furnished/rendered and utilized outside the Indonesian customs territory are not subject to VAT.

6. Some of the administrative provisions under PMK-32 in principle remain the same as those stipulated in PMK-70, such as:
- The trigger of taxable event, i.e. when the Export of Services is booked as receivable or revenue.
 - VAT-able entrepreneur who delivers the export services must issue Services Export Notification (“*Pemberitahuan Ekspor Jasa Kena Pajak*” or “PEJ”) using a prescribed form that can be treated as VAT Invoice, attached together with the commercial invoice upon delivery of export services.
 - For export of taxable goods produced in relation to *maklon* activity, the VAT-able entrepreneur must also issue Goods Export Notification (“*Pemberitahuan Ekspor Barang*” or “PEB”) in addition to the PEJ and the entrepreneur is required to report the export of taxable goods in their monthly VAT returns as export of taxable goods subject to 0% VAT.
 - Input VAT directly connected to the above services, i.e., on acquisition of taxable goods and/or taxable services, utilization of taxable services and/ or taxable intangible goods from outside Indonesian customs territory, and/or importation of taxable goods can be claimed as creditable input VAT in accordance with prevailing tax regulations.

PMK-32 was issued on 29 March 2019 and came into effect immediately.



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