

## Export of Service Subject to 0% VAT Broadens

The government expands the imposition of Value Added Tax (VAT) rate of 0% on export of taxable service. It is stipulated in Minister of Finance (MoF) Regulation Number 32/PMK.010/2019 on Restriction on Activities and Types of Taxable Service whose Export is Subject to Value Added Tax, which was issued and effective on 29 March 2019.

Previously, the provision on the same issue was regulated under MoF Regulation Number 70/PMK/03/2010, which has been amended by the issuance of MoF Regulation Number 30/PMK.03/2011.

In the prior regulation, the government only classified 3 (three) types of export of taxable services that are subject to VAT of 0%, namely contract manufacturing service, repair and maintenance service, and construction service. Currently, the quantity increases to 10 (ten) Taxable Services, which are divided into 3 (three) categories. The list is as follows:

Category of Service	Type of Service
Service adhered to movable goods that are released to be used outside Customs and Excise Territory	Contract manufacturing service
	Repair and maintenance service
	Freight forwarding service
Service adhered to immovable goods outside Customs and Excise Territory	Construction consulting service
Other services whose results are utilized outside Customs and Excise Territory	Technology and information service
	Research and development service
	Carrier rent service (airplane and/or ship for international flight or shipping)
	Business and management consulting service, legal consulting service, architecture and interior design consulting service, human resources consulting service, engineering consulting service, marketing consulting service, accounting service, financial report audit service, and tax service
	Trading service to search for the seller of goods inside Customs and Excise Territory for export purpose
	Interconnection, satellite and or communication/data connectivity management service

However, to obtain 0% VAT rate, there are requirements that shall be considered. *First*, the export of such service must be conducted based on a written agreement between VAT-Registered Person and the recipient of export of Taxable Service.

The agreement must contain several information explicitly e.g. the type of services, the details of activity that will be utilized by those receiving export of Taxable Service, and the amount of service transferred. *Second*, there is a valid payment slip from the recipient to the party providing such service.

If the requirements are not fulfilled, the transfer of Taxable Service shall be subject to VAT of 10% with category of transfer inside Customs and Excise Territory. There will be no VAT payable if such service is rendered and utilized outside Customs and Excise Territory.

By the issuance of this regulation, the government expects that the competitiveness of the services rendered or offered by domestic entrepreneurs increases, so that Indonesia's export of service grows.

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