

TaxFlash



Confirmation of Value Added Tax base for freight forwarding services

In our TaxFlash No.06/2013 we discussed the addition of other “values” regarded as Value Added Tax (VAT) base, following the issuance of Minister of Finance (MoF) Regulation No.38/PMK.011/2013 (PMK-38) that amends MoF Regulation No.75/PMK.03/2010 regarding the same matter. One of the additions is that VAT base on the delivery of freight forwarding services is determined to be 10% of the actual billing if it includes freight charges (giving an effective VAT rate at 1%).

On 12 July 2013, the Director General of Tax (DGT) released Circular Letter No.SE-33/PJ/2013 (SE-33) to further clarify VAT base determination on the delivery of freight forwarding services. SE-33 confirms that the 10% base is applicable as long as the service bill includes freight charges, even if they are invoiced separately from other elements of the freight forwarding services (e.g. document handling and temporary storage). Input VAT paid by the freight forwarder company in regard to this type of delivery cannot be credited against Output VAT.

However, reimbursement on freight provided by a third party may be allowed and can be excluded from the VAT base of freight forwarding services subject to satisfying the following reimbursement criteria:

1. the invoice from the third party, including all payments to the government, is in the name of the customer;
2. the reimbursement to be made by the freight forwarding company to the third party is reflected in the contract with the customer; and
3. no income or expense is recognised by the freight forwarding company on the reimbursement.

Under this arrangement, the freight forwarding company should charge VAT on the service delivery using the normal tax base (i.e. 100% of the actual billing). The freight forwarder company can claim the relevant Input VAT in this regard.

Detailed examples of VAT base determination for various ways of invoicing are provided in this regulation.

Administrative requirements for retail shops participating in VAT refunds for foreign individuals

VAT and Luxury-goods Sales Tax that has been paid for the purchase of taxable goods taken out of the Indonesian customs area by an individual person holding a foreign passport may be refunded. VAT refund procedure and administrative requirements for the participating retail shops have been regulated under MoF Regulation No.76/PMK.03/2010 (PMK-76), most recently amended by MoF Regulation No.100/PMK.03/2013 (PMK-100) on 5 July 2013.

PMK-100 has been issued to provide more clarity on the VAT registration of retail owners as well as a better service for foreign individuals claiming the VAT refund, including VAT invoice form improvement. In PMK-76,

the DGT appointed the retail shops under each retail owner as eligible to participate in this VAT refund scheme. PMK-100 now stipulates that the DGT only have to appoint the retail owners as eligible VAT-able Entrepreneurs. The retail owners then have to register their retail shops to be able to join the program. In this regard, VAT invoices on the delivery of taxable goods to foreign individuals should be provided by the retail shops using the retail owner's VAT registration number, instead of the retail shop's VAT registration number as in PMK-76.

PMK-100 comes into effect 30 days after its enactment (i.e. 5 August 2013). A more detailed procedure regarding VAT registration and administrative obligations for retail owners is regulated further in DGT Regulation No.PER-28/PJ/2013 dated 25 July 2013.

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