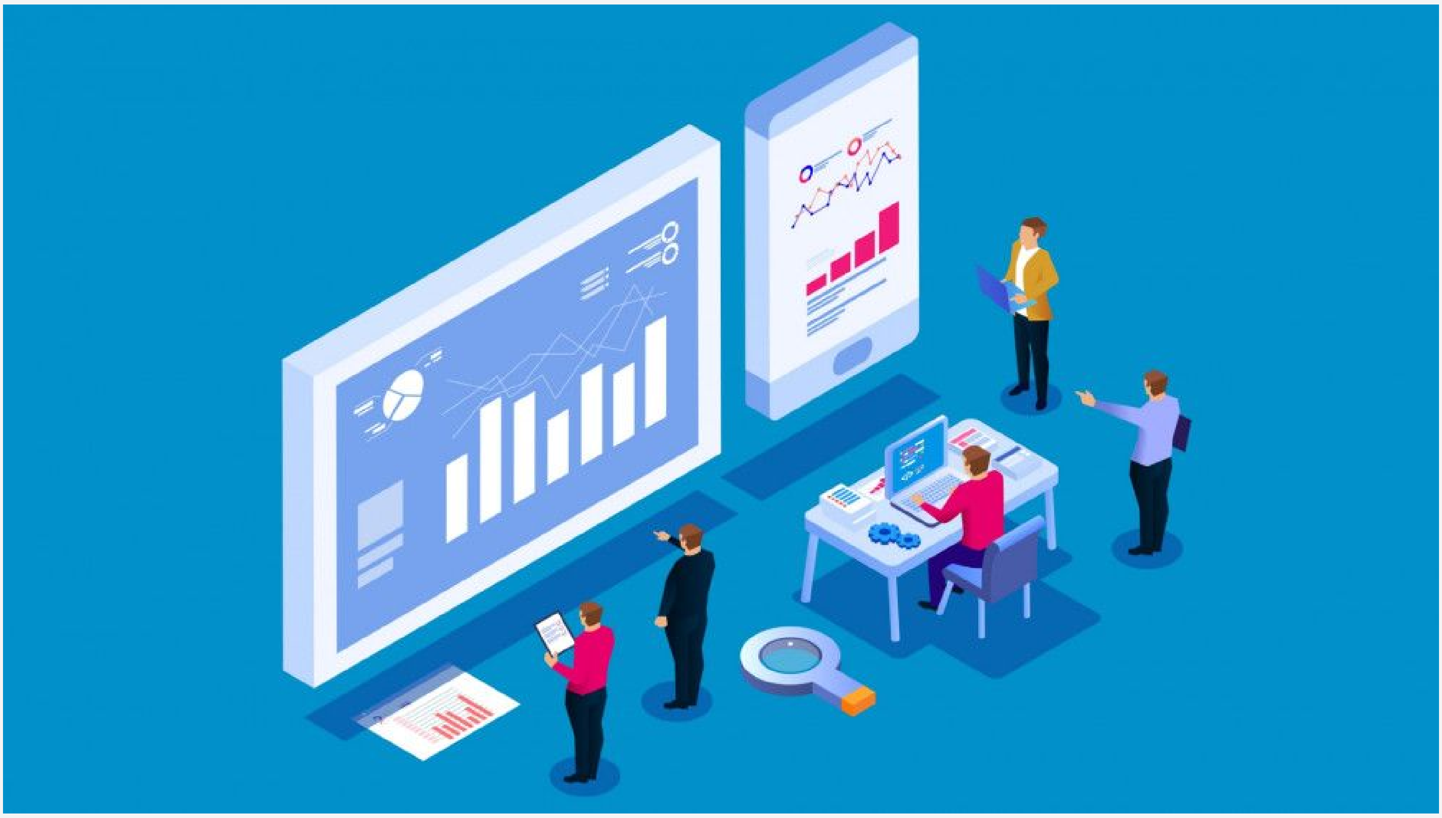
EXPORTSNEWS

Indonesia Scraps VAT Tax For Export of Some Tech Services

ASIA Nov 16, 2020 2 min read

Back in 2019, the Indonesian finance minister, Sri Mulyani Indrawati, disclosed that the nation would move the tax requirement for companies and individuals that export tech services. This move came in an attempt to ignite innovation and growth in the economy. According to the minister, services like information technology, security consulting, and software design would greatly benefit from this new initiative and address the nation’s trade deficit.

Under these new VAT rules and regulations, services such as research and development, international rental of planes and ships, communication, and business consultation are exempt from paying the usual value-added tax. Instead, the country has recently added ten more international technology companies like Twitter and Zoom onto its list of non-resident companies that must charge VAT onto their sales. This new rule has gone into full effect in October 2020 and is expected to repair some of the damages caused by the coronavirus pandemic.



Earlier Initiatives

The technology sector isn't the only sector that Indonesia wanted to develop for international trade purposes. Construction, manufacturing, and repair services have also been enjoying zero taxes, thanks to the imposition of VAT in these industries. Typically, these services pay a 10% tax on the value of any services or goods sold domestically but, exports of the same goods and services to international buyers have exempted these businesses from such taxes.

Implications for Trade Deficit

This is a significant incentive for all businesses operating within these industries to target international buyers. Indonesia's international trade deficit for goods and services was at a staggering $9.1 billion in 2018. In other words, for the final quarter of 2018, the country's trade deficit was 3.57% of its gross domestic product.

This figure stands as the highest recorded in more than four years. With the pandemic affecting different industries and countries around the world, the future of international trade is still very uncertain. However, it's never too late or too early to take measures to boost export and international trade.

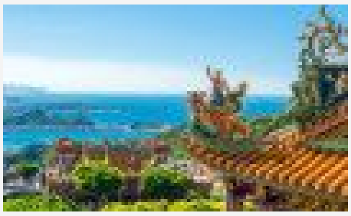
Learn More with Export Portal

If you enjoyed this article, make sure to check out Export Portal for more! We bring the latest news on all international events.

More posts on the same topic on **Exportsnews.com**

ASIA

UAE focuses on strengthening its position as global trade hub



ASIA

US and Taiwan to work on reshaping supply chains away from China

ASIA

Why India's exports are continuing to grow

ASIA

Is global manufacturing moving away from China?

Link to the post

https://exportsnews.com/post/indonesia-scraps-vat-tax-for-export-of-some-tech-services