KPMG

Investing in Indonesia 2021

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1 Introduction

The passing of Law No 11 Year 2020 on Job Creation (popularly known as the "Omnibus Law") marks an important milestone in Indonesia's effort to attract foreign investment to sustain future economic growth. The Omnibus Law revised 78 existing cross-sectoral laws to establish a coordinated framework in order to create more job opportunities across Indonesia. As of the publication of this report, 51 implementing regulations to the Omnibus Law have been issued. The impact of the Omnibus Law and its implementing regulations is discussed in various chapters of this publication. In our experience, it will likely take at least two years to see the positive impact of the Law.

While Indonesia is attractive to foreign investors because of its young workforce and large domestic market, its weak basic infrastructure relative to other comparable countries remains a major obstacle. During the period between 2014-2019, we have seen an unprecedented focus on infrastructure investments. Chapter 4 of this publication highlights the major infrastructure developments from 2014 to now.

In the last two years, like many countries, the Indonesian government was forced to reallocate significant resources to health care and the social safety net to tackle the negative impacts arising from the COVID-19 pandemic. Prior to COVID-19, the government was widely praised for its discipline in maintaining the fiscal deficit within the required limit of 3 percent. Since then, the deficit limit has been temporarily expanded to 5.82 percent in 2021 and 4.85 percent in 2022. The government's ability to rebalance the fiscal deficit is a key indicator to watch, as Indonesia expects to return to the 3 percent limit by 2023.

This publication is intended as a general guide to investing and doing business in Indonesia, primarily for new foreign investors looking to enter the Indonesian market. It also serves as a useful reference document for established foreign and domestic investors. Practical insights and other intelligence from KPMG's experience at the transaction "coalface" and from providing transaction, M&A and tax advisory services to foreign and local investors and lenders can also be found at appropriate junctures in this publication.

Note :
This publication is not intended to be a substitute for formal legal, tax or other professional advice. To the best of our knowledge, laws and regulations referred to throughout the document reflect the position as of 1 November 2021, or later where specifically referenced.

10 Taxation

Summary data

Corporate tax rates

Rate (percent)	Applicable year
22 (flat rate)	from 2020

Listed companies which meet certain conditions are eligible for a 3 percent reduction of the corporate tax rate.

A company with gross turnover less than IDR50 billion is eligible for up to a 50 percent reduction of the corporate tax rate based on the percentage of its taxable income which results when IDR4.8 billion is divided by its gross annual turnover.

If gross turnover is below IDR4.8 billion, the 50 percent reduction applies on all taxable income.

Article 31E Law Number 36/2008.

Personal tax rates

Rate (percent)	Taxable income
5	< IDR50 million
15	IDR50 million – IDR250 million
25	IDR250 million – IDR500 million
30	> IDR500 million

Article 17 Law No.36/2008

General

In Indonesia, taxes are levied under three laws that were introduced in December 1983. These cover:

- General tax provisions and procedures
- Income tax
- VAT on goods and services, and STLG.

With certain exceptions, withholding tax ("WHT") is imposed on payments to onshore and offshore parties, including payments, such as dividends, interest, royalties and fees paid for services. The GOI also collects taxes on land and buildings, stamp duty and import duties. Local governments collect various other taxes.

The official tax year runs from January 1 to December 31. Companies may adopt different year-ends in their AoA and may change their financial years with prior approval from the Indonesian tax authorities. A financial year cannot exceed 12 months for tax purposes.

Indonesia has a self-assessment system under which returns are considered final if not queried by the ITO within five years.

Residence

All organizations incorporated in Indonesia are subject to taxation. Corporate organizations include limited liability companies, other companies, partnerships, cooperatives, foundations, pension funds and associations.

Individuals present in Indonesia for more than 183 days per year and corporate organizations incorporated overseas receiving or accruing income from Indonesia are subject to taxation. These corporate organizations are obliged to register for tax purposes if they have a PE in Indonesia. Certain types of income payable to non-residents by resident taxpayers are subject to WHT.

Representative offices of foreign companies are also required to register as taxpayers, even though they may not be a PE. This is necessary as the representative office will have to withhold tax on payments to employees and third parties and lodge relevant tax returns.

VAT registration is available only to registered taxpayers.

Permanent Establishment

A PE generally covers representative offices, management base offices, branch offices, office buildings, plants, warehouses, dependent agencies and may also include construction projects, mines or other places of extraction of natural resources, as well as consultants providing services in Indonesia.

This is very broadly defined so that the presence of an employee in Indonesia performing work for a foreign company is sufficient to establish the existence of a PE. Foreign companies should be beware of inadvertently creating a PE and should take positive steps to enter into one of the formal arrangements permitted in Indonesia.

Significant economic presence permanent establishment and electronic transaction tax

Overseas e-commerce companies which have a significant economic presence in Indonesia will be deemed to have a PE for tax purposes. The significant economic presence will be further determined by the MOF based on the following factors:

- Consolidated gross revenue;
- Sales amounts in Indonesia; and/or
- The size of active members in Indonesia.

If the concept of a deemed a PE as stated above cannot be applied because of available tax treaty exemptions, an electronic transaction tax ("ETT") will be imposed on sales to Indonesian buyers/users. As per August 2021, the new rules have not been implemented and, therefore, do not yet apply.

Capital gains

Capital gains, regardless of the reason for the disposal of the asset, are taxable. A taxable gain, except for land and buildings, is defined as the net proceeds less the adjusted tax basis at the time of disposal. The tax rate is 22 percent for corporate taxpayers and progressive rates for individual taxpayers (this income is reported together with regular income in the annual tax returns).

Losses from a sale or transfer of property or rights used in a business to earn income are deductible unless the transaction is subject to final tax.

Disposals of land and buildings are subject to a 2.5 percent final income tax based on the selling price or the deemed tax market value of the property, whichever is higher. The acquiror is also required to pay a 5 percent levy/transfer title tax ("BPHTB") on the purchase price.

Capital gains on the sale of shares listed on the IDX are subject to a final tax rate of 0.1 percent of gross proceeds (plus an additional 0.5 percent for founder shares on the share value at the time of an IPO). However, certain types of venture capital companies are not required to pay tax on capital gains under certain circumstances.There is also a final tax, being 5 percent of gross proceeds, on the sale of unlisted shares held by a foreign shareholder in an Indonesian company, unless exempt under a double tax agreement ("DTA") subject to certain requirements.

Dividends

Dividends and other shares of profit derived by resident limited liability companies, cooperatives, SOEs or BUMD enterprises from participation in the capital of an enterprise established in Indonesia are excluded from the taxable income. Dividends and shares of profits from other sources, including offshore sourced, may be exempt under certain conditions. A foreign tax credit is allowed for any tax withheld on foreign-source dividends. A credit is however not available for foreign tax on underlying profits.

Losses

The carry forward of tax losses is limited to five years, commencing the first year after the loss was incurred. This period may be extended for up to 10 years under special facilities available for certain regions and/or industries. No provision for the carry-back of losses exists. Changes in shareholders do not affect the validity of the carried forward losses.

Capital losses are treated the same as operating losses provided that the losses are reasonable based on sound market practice. No foreign sourced losses can be included in the tax computation.

Grouping/consolidation

No provision exists for group or consolidated income tax returns under Indonesian law.

Tax depreciation/capital allowances

Depreciable property is defined as tangible property owned and used in the business or owned for the production, recovery and securing of income, which has a useful life of more than one year. Land is not depreciable, except for certain industries.

Buildings and other immovable property are depreciated only using the straight-line method. For all assets other than buildings and other immovable property, depreciation is calculated using either the declining balance or the straight-line method at a company's option. These assets must be grouped into categories defined by the tax regulations, as there are the useful lives to be applied in calculating tax depreciation for each category.

Once applied, taxpayers are not allowed to change the method of depreciation without ITO approval. Special rules apply in the oil & gas and mining sectors.

Amortization of expenditure

The acquisition price of intangible property with a useful life of more than one year must be amortized consistently using either the straight-line or declining balance method over the useful life of the asset, following the rates of depreciation for tangible assets. For mining industries, forestry and other natural resources businesses, the taxpayer must use the unit of production method with a maximum of 20 percent per year. It should be noted that any newly declared assets under the Tax Amnesty Program, which ran from 1 July 2016 until 31 March 2017 (see further below), cannot be depreciated or amortized for tax purposes.

Interest

Interest on funds borrowed by a company for the purposes of obtaining, collecting and maintaining income is deductible from gross income (subject to thin capitalization rules). However, where funds are used to derive income subject to final tax (such as interest on domestic bank deposits) no deduction is available.

Interest may also be disallowed as a deductible item if such charges might be considered excessive, such as interest rates in excess of commercial rates. Interest-free loans from shareholders may in certain cases create the risk of the imposition of deemed interest and WHT obligations for the borrower.

Tax administration

Registration

All taxpayers are required to register for income tax purposes. A non-resident foreign company is only obliged to register if it has a PE as defined in the domestic tax law or applicable DTA. Upon registration, an NPWP is obtained. The ITO may register any entity or person which, in its opinion, should be registered as a taxpayer. Subsequently, that entity or person must meet all obligations stated in the law.

A taxpayer must deregister with the ITO when it ceases to be a taxpayer in Indonesia. The ITO will generally perform a tax audit in order to ensure that the taxpayer has met all obligations. Until the ITO deregisters a company, all obligations stated in the tax law continue to apply.

Tax installments

Corporate and individual taxpayers must pay monthly income tax installments. For most taxpayers, installments are based on the income tax payable reflected in the annual income tax return of the prior year. Banks and other taxpayers which are required to submit periodical financial reports should base their installments on such reports, as adjusted for tax purposes.

Returns

Companies are required to self-assess and lodge annual corporate income tax returns. Consolidated returns for commonly owned entities are not permitted. The returns must be lodged with the relevant ITO within four months after the end of the calendar year or tax year, this deadline may be extended for two months by notifying the ITO.

Withholding taxes - Transactions between residents

WHT is imposed at various rates on various amounts payable either by a resident corporation, a PE of a foreign company or certain individuals appointed as WHT collectors, to other residents. In most cases, the withholding liability arises when the expense is incurred, not when the payment is made. This WHT is generally prepaid tax (except for final tax WHT) and to be offset against annual tax payable. If claiming this prepaid tax results in tax overpayment, the taxpayer can ask for a refund (which will trigger an automatic tax audit).

The regulations are numerous and the following is a summary of the main types of transactions subject to WHT and the related WHT rate:

*Amounts payable to resident **individuals:***

- Compensation for work or services: 5-30 percent (special rates may apply for pensions)
- Dividends: 10 percent (final) or exempt under certain conditions
- Royalties: 15 percent
- Interest:
  - bank interest: 20 percent (WHT is final on interest from local banks)
  - bonds and certain other securities: 15 percent (final)
  - other interest: 15 percent
- Rental and other income relating to the use of real property: 10 percent (final)
- Prizes and awards - lotteries: 25 percent.

*Amounts payable to **resident companies** and **PEs:***

- Royalties: 15 percent
- Interest:
  - bank interest: 20 percent (WHT is final on interest from local banks)
  - bonds and certain other securities: 15 percent (final)
  - other interest: 15 percent
- Rental and other income relating to the use of real property: 10 percent (final)
- Rental of equipment and vehicles: 2 percent
- Services: 2 percent (includes technical services, management services, other services)
- Amounts payable to local banks are exempted from WHT
- Dividends to resident companies: exempt (dividends to PE's are deemed to be distributed to the foreign company).

The purchase of goods is generally not subject to WHT, except for certain goods as stipulated by the ITO.

Disposal of property

Tax is also imposed at source on proceeds of disposal of property:

- shares listed on the IDX - 0.1 percent (final)
- founders' shares are subject to an additional 0.5 percent (final) upon listing
- transfer of title of land and buildings – 2.5 percent income tax (final) for the seller and 5 percent title transfer tax (duty/BPHTB) for the buyer
- sale of unlisted shares held by a foreign shareholder in an Indonesian company - 5 percent of proceeds (final), unless exempt under a DTA.

Exemption

Where the WHT is a prepayment of the recipient's income tax liability, the recipient may be able to apply for an exemption from withholding in certain circumstances.

Tax Amnesty Law

On 28 June 2016 the Indonesian parliament approved the Tax Amnesty Law ("the TA Law"). The TA Law was effective during the period from 1 July 2016 until 31 March 2017. The TA Law aimed to increase tax revenues, make fairer tax reforms possible due to an expanded tax base and accelerate economic growth.

According to the TA Law, tax amnesty is a waiver of:

(i) The tax due,

(ii) Administrative sanctions, and

(iii) Criminal sanctions by way of declaring previously undeclared assets and paying a so-called Clearance Levy on these assets.

The tax amnesty was granted on tax obligations which had not been paid or fully settled by taxpayers up to fiscal years ending in 2016 (31 December 2016 at the latest). The tax amnesty covered income tax, VAT and STLG. The declaration period ran from 1 July 2016 until 31 March 2017. It is important to note that not only individuals could make use of the amnesty. The tax amnesty was also open to companies (including PMA companies).

In practice, many companies joined the program. One of the benefits of the amnesty was that tax audits would not be conducted up to the last tax year. In addition, the Clearance Levy rates were significantly lower than the normal corporate tax rate of 25 percent. In order to apply for the amnesty, a taxpayer had to file a so-called assets declaration letter for tax amnesty ("Declaration Letter").

The tax amnesty was granted for all non-declared net-assets (assets minus liabilities) in- or outside Indonesia, which were declared in the Declaration Letter. As mentioned above, on the non-declared assets, Clearance Levy had to be paid. The Clearance Levy rate was based on various variables (e.g., whether offshore based funds or Indonesia based funds, period of declaration, etc.). The rates varied from 2 percent to 10 percent. The "taxable" base of the Clearance Levy was calculated based on the Net Asset Value of the non-declared assets.

Tax incentives

Takeovers, mergers and acquisitions

Assets may be transferred at book value as part of a merger or in the context of certain other reorganizations, subject to prior approval from the ITO. A VAT exemption may apply as well. In addition, there may be partial relief from the 5 percent transfer of title tax on land and buildings and full relief from the 2.5 percent income tax on the transfer of land and buildings.

Tax holidays

Tax holidays may be available for significant investments in business sectors which constitute "pioneer" industries:

- Integrated upstream basic metals
- Integrated oil and gas refinery
- Integrated petrochemicals from oil, gas or coal
- Integrated inorganic basic chemicals
- Integrated organic basic chemicals from agriculture, plantation or forestry products
- Integrated pharmaceutical raw materials
- Irradiation, electro medical or electrotherapy equipment
- Main components of electronics or telematics equipment
- Machinery and main components of machinery
- Robotics components that support the creation of manufacturing machinery
- Main components of power plant machinery
- Motor vehicles and main components of motor vehicles
- Main components of vessels
- Main components of trains
- Main components of aircraft and activities supporting the aerospace industry
- Agricultural, plantation or forestry-based processing that produce pulp
- Economic infrastructure
- Digital economy which includes data processing, hosting and related activities.

The eligible industries are published in a separate list of KBLIs by the Head of the BKPM. The current list contains 185 KBLIs. Not listed business sectors may still be eligible to apply for a tax holiday if all remaining requirements have been fulfilled. To qualify, applicants must invest a minimum of IDR100 billion. The potential tax holiday percentage and duration depends on the investment amount. For investments between IDR100 billion and IDR500 billion, a 50 percent tax reduction may apply for a five-year period and a 25 percent reduction for the following two years after expiry.

For investments as from IDR500 billion up to IDR30 trillion and more, a 100 percent tax reduction applies for a period of five to 20 years and a 50 percent reduction for the following two years after expiry. The tax holiday starts at the time that commercial production has started. This will be assessed by the ITO during a field audit. Submission of the application should be done through the OSS system. Taxpayers applying for a tax holiday for not listed business sectors should file their application with the BKPM. The BKPM will subsequently discuss the eligibility with the various relevant ministries. If eligible, the head of the BKPM will forward the application through the OSS system.

The ITO should issue a decision within five working days after receiving the complete application proposal from OSS.

Tax Holiday proposals can be submitted until 8 October 2024.

Direct tax incentives for new enterprises

New entities established under the Foreign Investment Law may apply for an exemption from tax payable on the importation of capital goods and raw materials. New enterprises must secure an exemption certificate from the ITO where the new entity is registered. The exemption is granted for capital goods indicated in the BKPM Master list and must be applied for each year.

Investment in certain businesses and/or certain regions

Effective as per 13 December 2019, income tax relief is available for investments in 33 selected sectors (166 sub-sectors) irrespective of the location in Indonesia. In addition, there are seven business sectors (17 sub-sectors) that qualify if located in specific locations in various regions (mostly outside Jakarta). Investors should consult with the ITO or their tax advisors as qualifying sectors and geographical regions may change from time to time.

The tax relief for the selected sectors/regions comprise of four incentives:

- Additional tax deduction of 5 percent of the realized capital investment (depreciable and non-depreciable assets) each year up to six years (revoked if the assets are transferred during facility period)
- Option to use accelerated tax depreciation at double normal rates
- The period for tax loss carry forward may be extended to a maximum of 10 years (instead of five years)
- WHT on dividends to non-resident shareholders is reduced to 10 percent (or a lower DTA rate).

The selected business sectors are economic sectors that have high priority on a national scale, particularly in respect of boosting exports, employment creation or local content ratio. The selected regions are remote regions, which are economically potentially worthy of development but whose economic infrastructure is generally inadequate and where access by public transport is difficult, including maritime waters with a depth of over 50 meters where the seabed has mineral reserves, including natural gas.

The application to obtain the income tax benefits should be submitted electronically, utilizing the OSS system, together with an application for a business identification number or within one year after OSS has issued a business license for the investment and/or expansion.

Special economic zones

Companies conducting business in SEZ may make use of tax facilities comparable to the direct tax facilities like the tax holiday and the tax allowance. The SEZ are specifically regulated in a GR.

Investment in industries with certain features

Effective as per 26 June 2019, tax facilities exist for investments in labor-intensive industries, for human resources development in certain competencies and for certain research and development activities in Indonesia. It regards facilities creating a deduction of net income of 60 percent of the amount invested in tangible fixed assets over a certain period or a reduction of gross income of up to 300 percent of the amount spent for a qualifying activity.

Free trade zones and free port areas

FTZ and free port areas ("FPA") are treated as if they were outside of the Indonesian customs territory. There are no import duties and other taxes on the importation of goods. Goods delivered to other locations within Indonesia are treated as imports and are subject to normal customs and other impositions.

The regulations provide specific area coordinates and boundaries, including maps of the area coverage of the FTZ and FPA.

Business activities conducted in the FTZ and FPA include trading, maritime, industry, transportation, banking, tourism and other activities. Other activities are subject to further stipulation by separate GRs. The regulations stipulate that the economic development of the FTZ and FPA must be conducted in accordance with the regional master plan. These GRs do not revoke any agreements, arrangements or cooperation, as well as any licenses or facilities granted prior to the stipulation of the 2007 GRs. These will still apply until expiration.

Aid-funded projects

Goods, materials and construction equipment imported by a main contractor in connection with an approved government project funded by foreign loans or grants are entitled to the following relief:

- Exemption from import duty
- No collection of VAT and STLG
- Income tax is borne by the government for primary contractors, consultants and suppliers working on such projects.

Imported goods

The duty and tax relief available for the importation of goods are summarized in "Indirect and Other Taxes".

International tax

Double tax relief

Indonesia grants a credit for WHTs directly paid on income received or accrued in a foreign country. There is no credit for taxes on underlying profits. The credit is only granted if the income is taxable in Indonesia as being part of worldwide earned income. The credit is limited to the lesser of the tax payable in Indonesia on the foreign income or the amount of the foreign tax paid, or the maximum tax rate stated in the relevant DTA.

If the foreign tax is reduced or refunded, the credit will be reduced and the tax payable in Indonesia will have to be increased by the amount of the reduction or refund in the year that such refund or reduction is made.

Withholding taxes

Transactions with non-residents

WHT is imposed at 20 percent on various amounts payable to non-residents, unless the non-resident has a PE in Indonesia, whereby the rates applicable to payments to residents apply. The WHT may be reduced if the foreign resident is exempted or eligible for a reduced WHT rate by virtue of a DTA.

In order to qualify for any relief under a relevant tax treaty, non-residents must provide a certificate from the tax authority in their country of residence using a standard form (i.e., form Directorate General of Taxes or "DGT") issued by the ITO. The foreign competent authority must acknowledge this form DGT either by signing Part II of the form or by using their standard certificate of domicile.

WHT applies to the following:

- Dividends
- Interest, including premiums, discounts and compensation for loan guarantees (effective as per 2 August 2021, interest on fixed income securities is subject to 10 percent WHT instead of 20 percent)
- Royalties
- Rent and other income connected with use of property
- Cross border leases
- Gifts and awards
- Compensation for work by individuals or services or activities by overseas entities (applies irrespective whether services are performed outside or inside Indonesia)
- Insurance premiums (the rate of tax is reduced depending on the nature of the transaction)
  - Insured - 10 percent
  - Insurance company - 2 percent
  - Reinsurance company - 1 percent
- Disposals of shares in unlisted Indonesian companies. The effective rate of tax is 5 percent. If a foreigner is buying the shares in a company, the company must pay the WHT before the transfer of ownership can be recorded.

Branch profits tax

PE's of foreign enterprises are subject to 20 percent WHT on their after-tax income unless eligible for a reduced rate by virtue of a DTA.

Double tax agreements

In July 2021, Indonesia had DTA's with 70 countries in force (excluding the treaty with Saudi Arabia which only governs air transport). In addition, Indonesia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Instrument or "MLI") on 17 June 2017. The MLI allows jurisdictions to swiftly modify their tax treaties with the aim of reducing multinational tax avoidance and is a key component of the Organization for Economic Cooperation and Development ("OECD")'s Base Erosion and Profit Shifting ("BEPS") project. It was ratified by Indonesia on 12 November 2019. The MLI entered into force and effect as per 1 January 2021 for WHT and as per 1 November 2020 for the other provisions.

Anti-avoidance rules

Introduction

The income tax law contains specific anti-avoidance provisions. Where the ITO considers that transactions have not been conducted at arm's length due to the existence of a "special relationship" between the parties, the consideration paid may be adjusted. The ITO's power extends to all domestic and cross border transactions.

In addition to the power of the ITO to adjust transfer prices, there are "Thin Capitalization" considerations and controlled foreign company rules. These are summarized below.

Transfer pricing

The regulations/guidelines which have been issued with regard to transfer pricing are now largely in line with the OECD Transfer Pricing Guidelines.

A special relationship includes:

- A relationship between two or more taxpayers that are under common ownership or control, whether directly or indirectly
- A relationship between a taxpayer that owns 25 percent or more of the capital of another party, or a relationship between a taxpayer that owns 25 percent or more of two or more parties, and the relationship between the two or more parties last mentioned
- A family relationship, either of the same blood or by marriage in one straight descent line and/or one degree sideways.

It is important to note that the above transfer pricing rules apply to domestic as well as cross-border transactions.

In 2013, the ITO released a standard transfer pricing questionnaire. This extensive questionnaire is not only sent to taxpayers that are under tax audit but also to other taxpayers.

A taxpayer may request for a mutual agreement procedure ("MAP"), should a transfer pricing adjustment lead to double taxation.

The ITO may also enter into advance pricing agreements ("APA") on prices with companies and other tax jurisdictions. The ITO issued an updated regulation covering the policies and procedures in 2020. Data published on the ITO's website indicates that Indonesia has negotiated a number of APA's and MAP's and that many requests are pending.

Local file, master file and country-by-country reporting

On 30 December 2016, the MOF of The Republic of Indonesia issued MOF Regulation No.213/PMK.03/2016 ("PMK-213") which implemented the OECD BEPS Action 13 initiative.

PMK-213 requires the preparation of three documents regarding related party transactions:

i. A master file ("MF"), containing general information on the group;

ii. A local file ("LF"), containing specific information on operations in Indonesia; and

iii. A country-by-country Reporting file ("CBCR"), containing detailed financial and other information on each of the members of the group.

The MF and LF must be available upon request four months after each fiscal year-end, in either Bahasa Indonesia or English (for taxpayers having approval to maintain bookkeeping in English language, but it must be accompanied by a Bahasa Indonesia translation). The CBCR submission is due within one year after each fiscal year-end.

Thresholds for preparing and maintaining master files and local files

An MF and LF are mandated if a taxpayer meets any of the following thresholds in a fiscal year (some of the explanations are our view on this regulation):

A taxpayer conducting:

1. any related-party transactions and its gross revenue was above IDR50 billion (approximately USD3.4 million) in the previous year - there is no threshold on the total amount of related party transactions; or

2. related party tangible goods transactions (sale and purchase of goods, materials, etc.) of more than IDR20 billion (approximately USD1.4 million) in the previous year; or

3. related party non-tangible goods transactions (interest, royalties and/or services) of more than IDR5 billion (approximately USD345 thousand) in the previous year; or

4. related party transactions of any amount with a related party in a jurisdiction which has a corporate tax rate lower than Indonesia's corporate tax rate, currently 22 percent. As there is no threshold for the level of the related party transactions, all such transactions, however small, are covered under this provision. A list of countries meeting this criterium has been published by the ITO.

Thresholds for preparing and maintaining CBCR files

A CBCR is mandated if a taxpayer meets either of the following thresholds in a fiscal year (some of the explanations are our view on this regulation):

1. It is a parent entity with consolidated group revenue of more than IDR11 trillion (approximately USD759 million) which applies to Indonesian group companies; or

2. It is a part of a foreign parent entity that:
   i. Is not required to submit a CBCR, or
   ii. Is in a country that does not have an information exchange agreement with Indonesia, or
   iii. If the ITO is unable to obtain a CBCR through an information exchange agreement.

The ITO has published a list of countries that have a suitable exchange of information arrangement with Indonesia.

PMK 213 includes an extensive list of the information to be disclosed in the CBCR. However, in most cases Indonesian subsidiaries of multinational entities are only required to file an online notification relating to the CBCR.

Penalties

A taxpayer that falls under the above requirements has four months (12 months for CBCR) after each financial year-end to prepare and declare, starting in its 2016 corporate tax return, that it is ready to submit the MF/LF. The MF/LF must be summarized in an attachment to the annual corporate income tax return ("CITR") and the CBCR attached to the tax return of the following year.

Penalties exist for failing to prepare and submit the MF/LF upon request. Failure to prepare MF/LF is treated under Article 3(3) as not applying the arm's length principle. Failure to deliver MF/LF when requested would result, under Article 5(3), in the taxpayer being deemed as not having transfer pricing documentation.

The ITO can request the above documents for compliance checking, a tax audit, an objection, a reduction of an administrative sanction and in other cases.

Application of "Thin Capitalization" concepts

Where a special relationship exists, interest may be disallowed as a deduction where such charges are considered excessive, such as interest rates in excess of commercial rates. Interest-free loans from shareholders may in certain cases create a risk of deemed interest being imposed, giving rise to withholding tax obligations for the borrower.

As per fiscal year 2016, Indonesia applies Thin Capitalization rules. Under these rules, a debt-to-equity ratio ("DER") is set of 4:1. Some corporate taxpayers are exempted from the DER:

1. Banks, including BI,
2. Financial institutions/leasing companies that engage in providing funds and/or capital goods,
3. Insurance and reinsurance companies, including sharia compliant insurance and reinsurance companies,
4. Oil and gas, and mining companies under a COW, PSC or other agreements with the government that have specific provisions for DER (if such provisions do not exist, the taxpayer is not exempted from the DER),
5. Companies subject to a final tax regime, and
6. Companies engaged in infrastructure businesses.

If a company does not comply with the DER, its financing costs related to the excessive debt portion are not deductible for corporate income tax purposes.

Controlled foreign company provisions

Effective from the 2019 tax year, the controlled foreign company ("CFC") rules whereby Indonesian resident shareholders may be subject to tax on deemed dividends have changed. A CFC is defined as a foreign unlisted corporation in which an Indonesian resident individual or corporate shareholder, either individually or as a group, hold directly or indirectly 50 percent or more of the total paid-in capital. Listed corporations are not CFCs. The Indonesian shareholders shall be deemed to receive dividends within four months after filing the tax return, or seven months after the end of the fiscal year where there is no obligation to file an annual tax return or there is no specific deadline of filing in the country of residence of the CFC. The CFC income subject to the deemed repatriation is limited to passive income.

Taxation of individuals

Introduction

An employer is obliged to withhold, remit and report tax on income received by an employee in connection with employment. Individuals who are resident in Indonesia for tax purposes are required to obtain a personal NPWP and file an individual tax return, unless he or she receives net income below the non-taxable income threshold (discussed below).

Residence

The tax law distinguishes between resident and non-resident taxpayers.

A resident taxpayer is defined as:

- An Indonesian citizen;
- An individual present in Indonesia for more than 183 days in any consecutive 12-month period; or
- Any individual present in Indonesia and intending to reside in Indonesia.

An Indonesian citizen is considered a resident from birth unless they obtain an approval as foreign tax subject or leave Indonesia permanently and close their NPWP. An expatriate is resident until the date of final departure from Indonesia.

Resident individuals are taxed at the normal rates on taxable income, i.e. worldwide gross income less allowable deductions and non-taxable income.

Taxable income

Gross income is broadly defined as any economic benefit received or accrued by a taxpayer, whether originating from within or outside Indonesia. Gross income includes wages, salaries, bonuses and other compensation for work performed, honoraria, lottery prizes and awards, gross profits from a business, gains from the sale or transfer of property, dividends, interest, royalties, rent and income from the cancellation of indebtedness.

Based on the Omnibus Law, which was ratified on 2 November 2020, the following individuals may be exempted from the worldwide income tax rule:

a. An Indonesian citizen who resides outside Indonesia for more than 183 days will be treated as a non-resident taxpayer provided "several conditions" are met in order to obtain an approval as a foreign tax subject;

b. Foreigner employees who meet "certain skills" requirement will be exempted from worldwide income reporting for four years starting from when they first arrive in Indonesia. They are only subject to tax on Indonesian-sourced income.

There are limited deductions available for individual taxpayers, which are as follows:

- Individual personal allowances,
- Social security contribution, and
- Certain religious offerings paid to the approved religious institutions.

Interest income earned by individuals from time deposits held in Indonesia is subject to a 20 percent final WHT, accounted for by the paying bank. This income is not subject to further taxation in the hands of the recipient.

Income from the rental of land and buildings is subject to 10 percent final WHT. Corporate tenants must deduct the 10 percent tax from amounts payable to the lessor.

Indonesian tax can be reduced by tax paid or due abroad on income received or accrued abroad by an individual in the same fiscal year. The permitted foreign tax credit for such year shall be limited to the lesser of the actual tax paid in the source country/jurisdiction, the maximum allowable on effective tax rate or the tax treaty rate.

Capital gains tax

Similar to companies, capital gains derived by individuals are taxable as normal income.

Dividends

Dividends are taxable to individuals. Dividends received from domestic taxpayers are subject to a final WHT of 10 percent. The dividend may be exempt if certain conditions are fulfilled.

A foreign tax credit may be available for any foreign taxes paid on dividends received from overseas.

Employment income/employee benefits

By special concession, Indonesian nationals are allowed the full benefit of non-taxable income allowances and the lower bands of tax rates against part-year employment income. In all cases, the occupational support deduction is limited to the lower of 5 percent of gross income or IDR500,000 per month.

Employee benefits

Generally, the full cost of benefits-in-kind is excluded from the taxable income of an employee and is not an allowable deduction from gross income in determining the taxable income of the employer.

Benefits-in-kind are any benefits received by the employee or his or her family from an employer not in the form of cash. For example, the medical expenses of an employee paid directly by the employer to a hospital are excluded from taxable income because the benefit was not received as cash and was paid directly to a third party. Such benefits can also include housing (except in isolated areas), home leave, motor vehicles, children's education expenses and tax borne by an employer on behalf of an employee.

For oil & gas and mining contractors, the cost of benefits-in-kind may be deducted from taxable income.

Personal allowances

Resident individual taxpayers can also deduct the following in determining taxable income:

- For the individual taxpayer – IDR54,000,000/year
- For a married taxpayer who is the principal earner – an additional IDR4,500,000/year
- For each lineal family member by blood or marriage who is a full dependent (up to a maximum of three dependents) – an additional IDR4,500,000/year per dependent.

Resident individual taxpayers are also allowed the following tax deductions:

- For occupational support, an additional allowance of 5 percent of gross income up to a maximum of IDR6,000,000/year
- Contributions to registered pension funds and the BPJS scheme.

Tax rates

The following are the rates of tax applied to the annual taxable income of resident individuals:

Rate (percent)	Taxable income
5	< IDR50 million
15	IDR50 million – IDR250 million
25	IDR250 million – IDR500 million
30	> IDR500 million

Article 17 Law No.36/2008

An employee who does not have an NPWP is subject to a surcharge of 20 percent on the tax rate, such that the maximum rate will be 36 percent.

Subject to relevant DTAs, income received or earned by a non-resident for any work or services performed in Indonesia and paid by, or charged to an Indonesian entity, is subject to a final withholding tax of 20 percent applied to the gross amount of the income. The payer of the income is responsible for the WHT due on the income paid to the non-resident.

Payments to non-residents in the form of dividends, interest, royalties, rent for property, compensation for services, prizes and awards, pensions and other periodic payments, rentals, insurance premiums or the deemed gain (i.e., 25 percent of the transaction value) from the disposal of shares in unlisted Indonesian companies in Indonesia are also subject to a 20 percent WHT, unless reduced or exempted by an applicable DTA. This 20 percent WHT can be treated as a prepayment of tax if a non-resident becomes a resident taxpayer.

The tax year is the calendar year.

Tax administration

Payment of taxes

Individuals must pay and submit their annual income tax return by 31 March of the following year. They must pay monthly installments based on regular non-employment income declared in the previous year's tax return by the 15th of the following month.

Income tax withheld by employers from payments of wages, salaries, honoraria and other payments to individuals subject to tax, must be remitted on a monthly basis by the 10th day of the following month.

Employers must file a monthly tax return by the 20th day of the following month outlining total compensation and taxes withheld. There is no annual employee tax return. However, the December tax return to be lodged on 20 January, must detail, by individual, all taxes paid and income earned during the year by employees and other individuals subject to withholding. Any income tax payable as shown in such December tax return must be remitted before the filing date of 20 January.

Individual tax returns may be subject to tax audit. Payment of tax audit assessments is due within one month following the issuance of the tax assessment by the ITO.

There is a five-year statute of limitations.

Other issues

Standard salary guideline

Under the tax law, resident individuals including expatriates are taxed on worldwide income. The ITO has issued a schedule of salary guidelines, the most recent version of which was issued in April 2002. The guidelines address the industry of employment, nationality and job title. They are used by the ITO in circumstances that indicate that salaries are not being properly declared for employee income tax purposes.

For expatriates commencing or terminating employment during the year, annualization of income is required for calculating the tax payable on the part-year income. This effectively pro-rates the non-taxable income allowances and the lower bands of tax rates. As such, the timing of arrival in or departure from Indonesia of expatriates is of no significance for tax purposes.

Expatriate employees of drilling companies are subject to withholding tax on a deemed salary basis, for which separate regulations exist. Nonetheless, if the employee is a tax resident, he/she must self-report the full salary and other worldwide income in the individual annual income tax return.

Indirect and other taxes

Value-added tax

Overview

A person or body, in whatever form, which in the course of its operations, produces, imports or exports taxable goods, conducts trading activities or renders taxable services, is required to register as a "Taxable Entrepreneur" with the ITO. However, only a resident or a PE can obtain a VAT registration. Registration by non-residents is not allowed.

The rate of VAT is 10 percent, but under the law, the government may amend this rate to a minimum of 5 percent and a maximum of 15 percent. VAT on exports (including export of certain services) is levied at 0 percent.

Goods and services subject to VAT

VAT is imposed on:

- The delivery of taxable goods (tangible or intangible) in Indonesia by Taxable Entrepreneur
- The importation of taxable goods
- The rendering of taxable services in Indonesia
- Utilization of intangible taxable goods from outside the Indonesia
- Utilization of offshore taxable services in Indonesia
- Export of taxable goods by a Taxable Entrepreneur
- The activities of self-construction
- The disposal of fixed assets by a Taxable Entrepreneur, including the transfer in the course of a merger (except where VAT on the original acquisition could not be credited).

Special schemes for VAT apply to sales of cigarettes, pre-recorded cassette tapes and compact discs.

Collection, filing and payment of tax

VAT is determined by applying the tax rate of 10 percent to the sale, replacement or import price. The sales price is the money value, including all costs of delivery, installation, insurance, technical and maintenance, commission, guarantees, interest and others, as long as they relate to the delivery of goods. Compensation for services is the money value, including all costs, which relate to the delivery of the services.

Excluded from the sales price, are sales tax and discounts and rebates, as long as these are included on the tax invoice.

For imported goods, the import value is the value used as the basis for calculating the import duty together with other levies imposed on the basis of the provisions in the customs law, but excluding VAT and STLG.

In cases where a special relationship exists between two parties involved in a transaction, the ITO may substitute a market price that becomes the basis on which the VAT is charged.

Monthly remittances to the government are required for the excess of output VAT over input VAT. Output VAT is VAT charged by a taxable entity on its sales of goods and services. Conversely, input VAT is the VAT incurred on purchases of goods and services used in the business. If input VAT exceeds output VAT for any month, it can be carried forward to the next month or a refund can be claimed (except input VAT for certain transactions). A refund claim triggers a tax audit. Input VAT, supported by a valid tax invoice, is only creditable if it is reported within three months after the end of the period stated in the tax invoice.

There is a self-collection obligation in relation to input VAT on offshore services purchased from non-residents for the benefit of residents.

Monthly VAT returns must be filed by the end of the following month and any VAT payable must be paid before the submission of the return.

Certain government bodies, production sharing contractors and mining companies are subject to special rules as they are designated VAT collectors. These bodies are obliged to remit VAT related to their purchases directly to the ITO.

Exemptions and reliefs

The principal activities not subject to VAT are as follows:

- Goods produced by mining or drilling that are taken directly from their source: crude oil, natural gas, geothermal energy, sand and gravel, coal (before processed into briquettes), and ores (iron, tin, gold, copper, nickel, silver and bauxite)
- Basic necessities needed by the population as a whole: rice, corn, sago, soybeans and salt
- Money, gold ingots and negotiable instruments
- Banking, insurance, leasing services and securities
- Manpower services
- Social, health, religious and education services
- Public transportation, postal services, non-commercial broadcasting
- Entertainment services
- Hotel and catering services
- Government services.

There are also goods and services that are granted an exemption from VAT.

Relief for export manufacturers

There is a number of relief schemes to allow exporter manufacturers to operate on a virtually VAT and duty-free basis. Such schemes include bonded zones, economic development zones ("KAPET") and FTZ. The government has approved a number of bonded areas located throughout Indonesia.

FTZ and FPA are located in Indonesia but are considered outside the customs area and, therefore, goods brought into these areas are exempted from import duties, VAT and STLG. Business activities that can be carried out in a FTZ include, among others, trade, services, mining, transportation, banking and manufacturing.

An import incentive is granted to a manufacturer who imports raw materials to be used for processing, assembling or installing goods, provided those goods will be 100 percent exported. A manufacturer must be registered in order to be entitled to this incentive. A bank guarantee or customs bond is required for the full amount of the import duty, excise, VAT and STLG that would otherwise have been payable. When goods are exported, the guaranty or bond is released. A refund can be granted on any import duty, excise and tax paid on imported goods that are later used in producing items for export.

VAT transactions by foreign e-commerce players

As of 1 July 2020, the DGT can appoint foreign e-commerce players carrying out transactions with Indonesian customers as VAT collectors (if certain conditions are met). If appointed, the foreign e-commerce players have to charge, report and pay 10 percent VAT on their transactions with Indonesian customers. It should be noted that the appointed foreign e-commerce players are not considered to be Indonesian VAT payers. They are only collecting the VAT. The obligation to charge 10 percent VAT applies on both business-to-business ("B2B") and business-to-customer ("B2C") transactions. Registered Indonesian VAT payers can credit the VAT levied as input VAT in their monthly VAT returns.

Sales tax on luxury goods

The VAT law also imposes a STLG on deliveries of luxury goods by manufacturers in Indonesia and on the importation of luxury goods. The rates vary depending on the category of the goods. The current rates range from 10 percent up to 75 percent, although the law allows for a maximum of 200 percent. Conceptually, this tax is charged only once. Like VAT, STLG is charged at 0 percent on the export of luxury goods and any STLG suffered may be reclaimed. STLG is calculated by multiplying the applicable rate against the sales price or import price, excluding VAT. The STLG payable on the purchase of luxury goods cannot be credited against the VAT collectable when the goods are subsequently sold.

It is necessary to determine the applicability of the STLG on a case-by-case basis as the rules are complex and subject to change. There is an exemption from STLG on certain items for public use.

Customs duties

Customs duties are imposed on items imported into Indonesia. Customs duties are generally imposed on an ad valorem basis.

Duties are payable based on the harmonized system classification. Duties are based on the cost, insurance and freight ("CIF") value of the imported item and, in general, are imposed at rates of 0 percent to 20 percent for most goods, 25 percent to 80 percent for cars, and 170 percent for alcoholic beverages.

The Indonesian customs procedures are based upon General Agreement on Tariffs and Trade ("GATT") principles.

Some key features of the current system are:

- Ports have a "red and green channel" system for imported goods. Red channel goods are all inspected. Green channel goods are normally not inspected unless there is some justification
- Duties and taxes shown on the import declaration must be paid through a designated bank in order for the goods to be released
- Valuation of goods is based on GATT conventions
- The accuracy of the declaration and value is subject to subsequent audit of the importer's records.

Simplified procedures apply for goods entering bonded areas. Special rules apply for imports in the oil & gas sector, and goods for government projects funded by loans or grants from other governments.

Import duties are not payable in certain circumstances, including:

- Imports used in the production of exports where the manufacturer is located in a bonded zone or FTZ
- Certain imports by the petroleum, geothermal and mining industries.

Other relief includes:

- For certain goods which are imported on a temporary basis, the importer must pay 2 percent of the import duty and VAT each month for the period of usage. The remaining amount can be guaranteed. If the goods are not re-exported, the full amount of import duty and taxes plus a 100 percent penalty on the import duty must be paid
- Import duty tariffs are reduced to 5 percent on importation of goods by approved foreign and domestic investment companies using master list facilities.

Excise duties

Excise duties are levied on specific products whose consumption is restricted or controlled, namely alcoholic beverages and tobacco products.

Stamp duty

A stamp duty tax of IDR10,000 is charged on certain documents, such as receipts, agreements, powers of attorney and other legal documents.

Tax on land and buildings

This is a tax levied on the holding of land or buildings within Indonesia. The ITO, or in practice delegated regional authorities, will initially determine who the taxpayer is and issue a report on the tax object to that property. Normally, the owner is responsible for paying the tax due.

Tax rate and method of calculation

Tax is currently imposed at 20 percent or 40 percent of the full statutory rate, which is 0.5 percent of the sales value. Thus, the actual tax rate is 0.1 percent or 0.2 percent. The sales value is the actual transaction price or, in the absence of a transaction, the price of a similar holding can be used. The law provides that the sales value is to be fixed every three years, except for certain areas where it is fixed annually.

The tax is to be determined for the tax year, being the calendar year, based on the condition of the land and buildings as at 1 January. Specific calculation formula are stipulated for plantations, mining and forestry businesses.

Property title transfer tax

A transfer tax is payable on every transfer of title of land or land and buildings. The taxpayer is the recipient of the rights.

The definition of "transfer" is broadly defined, and includes:

- A sale and purchase transaction
- An exchange of assets
- A grant or a gift
- A testamentary grant
- The enforcement of a judicial ruling with permanent legal force
- A business merger, liquidation or expansion.

Exemptions

Tax is not imposed on certain transfers, such as:

- Transfers of title to the state for the public interest
- Transfers to diplomatic representatives and certain international organizations
- Donations for certain religious and community purposes.

Tax rate and method of calculation

The tax is 5 percent of the transfer price. There is a non-taxable amount of IDR60 million. The amount to be taxed is the acquisition cost. If the deemed sale value determined for land and buildings tax purposes is higher, that amount will be used as the basis for the transfer tax.

The property title transfer tax can be reduced in certain cases, including:

- Grant of property to certain close family members - 50 percent reduction
- Transfer of property in an approved merger or consolidation - 50 percent reduction.

Collection of tax

This tax becomes payable before the transfer is legalized. A lawyer or notary cannot legalize any legal documents in relation to a transfer if the tax has not been paid. The ITO is granted the power to review the property title transfer tax. If any underpayment is found, the ITO can issue a tax assessment.

Payroll taxes

There are no additional payroll taxes in Indonesia other than the employee income tax withholding system. However, BPJS are based on payroll, most of which are borne by the employer.

Regional and local taxes

Local governments collect regional and local taxes. These taxes include:

- Entertainment tax
- Advertisement tax
- Motor vehicle taxes
- Hotel and restaurant tax
- Street lighting tax
- Tax on the use of underground and surface water.

Sources:
(1) KPMG Research and Intelligence
(2) Law on General Provisions and Procedures of Taxation: Law No.6/1983 (amended by Law No.16/2000) concerning General Provisions and Procedures of Taxation
(3) Income Tax Law: Law No.7/1983 (amended by Law No.17/2000; amended by Law No.36/2008) concerning Income Tax
(4) Value Added Tax Law: Law No.8/1983 (amended by Law No.18/2000) concerning Goods and Services and Sales Tax on Luxury Goods
(5) Customs Law: Law No.10/1995 (amended by Law No.17/2006) concerning Customs
(6) Tax Court Law: Law No.14/2002 concerning Tax Court
(7) www.pajak.go.id

Glossary

2016 Negative List	PR No. 44 of 2016
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEO	Authorized Economic Operator
AHU	*Administrasi Hukum Umum* or administration of general laws
AML	Anti-Money Laundering
AoA	Articles of Association
AP I	Angkasa Pura I
AP II	Angkasa Pura II
APA	Advance Pricing Agreement
APBN	*Anggaran Pendapatan dan Belanja Negara* or state budget
API	*Angka Pengenal Impor* or import identification number
API-P	*Angka Pengenal Importir Produsen* or producer importer identification number
API-U	*Angka Pengenal Importir Umum* or general importer identification number
ASEAN	Association of Southeast Asian Nations
B2B	Business-to-business
B2C	Business-to-customer
BAPEPAM-LK	*Badan Pengawas Pasar Modal dan Lembaga Keuangan* or capital market and financial institution supervisory board
BAPPEBTI	*Badan Pengawas Perdagangan Berjangka Komoditi* or commodity futures trading regulatory agency
BAPPENAS	*Badan Perencanaan Pembangunan Nasional* or Indonesian national development agency
BCBS	Basel Committee on Banking Supervision
BEPS	Base Erosion and Profit Shifting
BHI bank	*Bank Berbadan Hukum Indonesia* or legal entity bank
BI	Bank Indonesia or Indonesian central bank
BI Regulation 18	BI Regulation No. 18/40/PBI/2016
BKPM	*Badan Koordinasi Penanaman Modal* or Indonesian investment coordinating board
BOC	Board of Commissioners
BOD	Board of Directors
BOO	Build, Own and Operate
BOOT	Build, Own, Operate and Transfer
BP Migas	*Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* or executive agency for upstream oil and gas business activities
BPH Migas	*Badan Pengatur Hilir Minyak dan Gas Bumi* or regulatory agency for downstream oil and gas
BPHTB	*Bea Perolehan Hak atas Tanah dan Bangunan* or levy/transfer title tax on tax and building
BPJS	*Badan Penyelenggara Jaminan Sosial* or social security administrative bodies
BPJS *Kesehatan*	Health social security agency
BPJS *Ketenagakerjaan*	Workers social security agency
BPJS *Pensiun*	Social security pension plan
BPJT	*Badan Pengatur Jalan Tol* or toll road regulatory agency
BPLJSKPB	*Balai Pengujian Laik Jalan dan Sertifikasi Kendaraan Bermotor* or vehicle test and certification
BPM	*Badan Pemberdayaan Masyarakat* or investment board
BPN	*Badan Pertahanan Nasional* or national land agency
BPOM	*Badan Pengawas Obat dan Makanan* or food and drug administration
BPP	*Biaya Pokok Penyediaan Pembangkitan* or basic production price
BPS	*Badan Pusat Statistik* or central statistic agency
BRT	Bus Rapid Transit
BUMD	*Badan Usaha Milik Daerah* or regional-owned business entities
CAGR	Compound Annual Growth Rate

CBCR	Country-by-Country Reporting
CBD	Central Business District
CBU	Completely Built-Up
CCOW	Coal Contract of Work
CEP	Comprehensive Economic Partnership
CFC	Controlled Foreign Company
CFT	Counter Terrorism Financing
CIF	Cost, Insurance and Freight
Circular 31	OJK Circular Letter No. 31/SEOJK.05/2015
Circular Letter 31	Ministry of Manpower Circular Letter No. B.31/PHIJSK/I/2012
Circular Letter 17	Circular Letter 17/11/DKSP
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
CITR	Corporate Income Tax Return
CLA	Collective Labor Agreement
Company Law	Law No.40/2007
COW	Contract of Work
Currency Law	Law No.7/2011
Customs Office	The Indonesian Directorate General of Customs and Excise
CV	*Commanditaire Venootschap* or limited partnership
DDI	Domestic Direct Investment
Decision 27	Constitutional Court Decision No. 27/PUU-IX/2011
Declaration Letter	Assets declaration letter for the application of Tax Amnesty
Decree 228	Ministry of Manpower Decree No. No. 228/2019
DER	Debt-to-Equity Ratio
DGCE	Director General of Customs and Excise
DGT	Directorate General of Taxes
DKP-TKA	*Dana Kompensasi Penggunaan Tenaga Kerja Asing* or compensation for the use of foreign manpower
DPD	*Dewan Perwakilan Daerah or Council* of Regional Representatives
DPR	*Dewan Perwakilan Rakyat or House* of Representatives
DTA	Double Tax Agreement
DWT	Deadweight Tonnage
EDI	Electronic Data Interchange
EPI	English Proficiency Index
ERP	Electronic Road Pricing
ETT	Electronic Transaction Tax
FA	Firma or general partnership
FCPA	Foreign Corrupt Practices Act
FDI	Foreign Direct Investment
Forex	Foreign Exchange
FPA	Free Port Area
FTA	Free Trade Area
FTZ	Free Trade Zone
G20	Group of twenty, a strategic multilateral platform connecting the world's major developed and emerging economies
GATT	General Agreement on Tariffs and Trade
GCG	Good Corporate Governance
GDP	Gross Domestic Product
GESF	General Expenditure Support Fund
GFC	Global Financial Crisis
GMS	General Meeting of Shareholders
GOI	Government of Indonesia

GR	Government Regulation
GR 1/2019	Government Regulation No. 1 of 2019
GRR	Grass Root Refinery
GT	Gross Tonnage
GW	Giga Watt
HGB	*Hak Guna Bangunan* or right to build
HP	*Hak Pakai* or right to use
HR	Human Resources
IBC	Insurance Business Company
ICAAP	Internal Capital Adequacy Assessment Process
IDR	Indonesian Rupiah
IDX	Indonesia Stock Exchange
IFRS	International Financial Reporting Standards
IIF	Indonesia Infrastructure Finance
IIGF	PT Penjaminan Infrastruktur Indonesia or Indonesian Infrastructure Guarantee Fund
IMB	*Izin Mendirikan Bangunan* or building permit
IMD	International Institute of Management Development
IMF	International Monetary Fund
IMTA	*Izin Mempekerjakan Tenaga Kerja Asing* or working permit
INSW	Indonesian National Single Window
Investment Law	Law No.25/2007
IO	*Izin Operasional* or operational license
IPO	Initial Public Offering
IPP	Independent Power Producers
ISCO	International Standard Classification of Occupation
ISRM	Indonesian Single Risk Management
ITAS	*Izin Tinggal Terbatas* or limited stay permit
ITO	Indonesian Tax Office
IUP	*Izin Usaha Pertambangan* or mining business license
IUPK	*Izin Usaha Pertambangan Khusus* or special mining business license
JAMSOSTEK	*Jaminan Sosial Tenaga Kerja* or workers social security
JKN	*Jaminan Kesehatan Nasional* or national healthcare benefits program
JO	Joint Operation
JV	Joint Venture
KAPET	*Kawasan Pengembangan Ekonomi Terpadu* or economic development zones
KBJI	*Klasifikasi Baku Jabatan Indonesia* or Indonesian standard classification of positions
KBLI	*Klasifikasi Baku Lapangan Usaha Indonesia* or Indonesian standard industrial classifications
KBMI	*Kelompok Bank berdasarkan Modal* Inti or bank based on core capital
KITAS	*Kartu Ijin Tinggal Terbatas* or limited stay permit card
KPBU	*Kerjasama Pemerintah dengan Badan Usaha* or PPP joint office
KPPIP	*Komite Percepatan Penyediaan Infrastruktur Prioritas* or committee for acceleration of priority infrastructure delivery
KSBSI	*Konfederasi Serikat Buruh Sejahtera Indonesia* or confederation of Indonesian prosperous labor unions
KSPI	*Konfederasi Serikat Pekerja Indonesia* or confederation of Indonesian labor unions
KSPSI	*Konfederasi Serikat Pekerja Seluruh Indonesia* or all-Indonesian workers union confederation
l/s	Liters per second
Labor Law	Law No.13/2003
Lao PDR	Lao People's Democratic Republic
LF	Local File
LKPP	*Lembaga Kebijakan Pengadaan Barang/Jasa Pemerintah* or national public procurement agency
LLL	Legal Lending Limits

LMAN	*Lembaga Manajemen Aset Negara* or national asset management agency
LPI	Logistics Performance Index
LRT	Light Rail Transit
M&A	Merger & Acquisition
MAP	Mutual Agreement Procedure
MDBs	Multilateral Development Banks
MEMR	Ministry of Energy and Mineral Resources
MF	Master File
MINT	Mexico, Indonesia, Nigeria and Turkey
MITA	Mitra Utama or main partner priority
MLI	Multilateral Instrument
MOF	Ministry of Finance
MOH	Ministry of Health
MOLHR	Ministry of Law and Human Right
MOM	Ministry of Manpower (formerly known as Ministry of Manpower and Transmigration or "MOMT" or Manpower Affairs)
MOT	Ministry of Trade
MPBI	*Majelis Pekerja Buruh Indonesia* or Indonesian labor movement council
MPR	*Majelis Permusyawaratan Rakyat* or People's Consultative Assembly
MRT	Mass Rapid Transit
MSME	Micro Small and Medium-scale Enterprise
New Insurance Law	UU No. 40/2014
NIA/INA	Nusantara Investment Authority or Indonesia Investment Authority
NIB	*Nomor Induk Berusaha* or single business number
Non-PDAM	Non-regional water supply companies
NPWP	*Nomor Pokok Wajib Pajak* or taxpayer identification number
NRE	New Renewable Energy
OECD	Organization for Economic Cooperation and Development
Oil & Gas Law	Law No.22/2001
OJK	Otoritas Jasa Keuangan or Indonesia financial services authority
Omnibus Law	Law No. 11 of 2020
OSS	Online Single Submission
PBAS	Performance Based Annuity Schemes
PBI 17/2015	BI regulation No. 17/3/PBI/2015
PDAM	Perusahaan Daerah Air Minum or regional water supply companies
PE	Permanent Establishment
PEB	*Pemberitahuan Ekspor Barang* or declaration of goods exported
PERTAMINA	PT Pertamina (Persero) or state-owned oil & gas company
PIB	*Pemberitahuan Import Barang* or customs import declaration
PIP	Priority Infrastructure Projects
PLN	PT Perusahaan Listrik Negara (Persero) or state-owned power company
PMA	*Penanaman Modal Asing* or foreign investment
PMDN	*Penanaman Modal Dalam Negeri* or domestic investment
PMK-213	Minister of Finance regulation No.213/PMK.03/2016
POJK 45	*Peraturan Otoritas Jasa Keuangan* (POJK) or OJK regulation No. 45/POJK.03/2020
POJK 67	OJK regulation No. 67/POJK.05/2016
PP	*Peraturan Perusahaan* or company rules
PPA	Power Purchase Agreement
PPP	Public Private Partnerships
PPU	Private Power Utility
PR	Presidential Regulation

PSC	Production-Sharing Contract
PSIP	Payment System Infrastructure Providers
PSN	*Proyek Strategis Nasional* or national strategic projects
PSP	Payment Service Providers
PSSPs	Payment System Services Providers
PT	*Perseroan Terbatas* or limited liability company
PUPR	*Pekerjaan Umum dan Penataan Ruang* or Minister of Public Works and Public Housing
RBC	Risk-Based Capital
RCEP	Regional Comprehensive Economic Partnership
RDTR	*Rencana Detail Tata Ruang* or detailed spatial plan
Reg 21/2019	BI Regulation No. 21/1/PBI/2019
Reg. No. 16/20	BI Regulation No. 16/20/PBI/2014
Reg. No. 16/21	BI Regulation No. 16/21/PB/2014
Reg No. 16/22	BI Regulation No. 16/22/PBI/2014
Reg. No. 5/2019	Ministerial Regulation No. 5/2019
Regulation 10	Presidential Regulation No. 10 of 2021
Regulation 12	BKPM Regulation No. 12/2013
Regulation 19	Regulation No.19/2012
Regulation 4	Regulation No. PER-04/MEN/1994
Regulation 41	Government Regulation No. 41 of 2021
Regulation 85	Government Regulation No. 85 of 2015
Regulation No. 23/2020	BI Regulation No. 22/23/PBI/2020
RITJ	*Rencana Induk Transportasi Jabodetabek* or greater Jakarta transportation plan
RMDP	Refinery Development Master Plan
RPJMN	*Rencana Pembangunan Jangka Menengah Nasional* or national medium-term plan
RPTKA	*Rencana Penggunaan Tenaga Kerja Asing* or expatriate manpower utilization plan
RUEN	*Rencana Umum Energi Nasional* or national energy general plan
RWA	Risk-Weighted Assets
SAFE FoS	Safe Framework of Standard to Secure and Facilitate Global Trade
SAK	*Standar Akuntansi Keuangan* or Indonesia financial accounting standard
SEZ	Special Economic Zones
SIPB	*Surat Izin Penambangan Batuan* or rock mining license letter
SIPT	*Sistem Informasi Perizinan Terpadu* or licensing information system
SIUP-MB	*Surat Izin Usaha Perdagangan Minuman Beralkohol* or business license certificate of liquor business
SJSN	*Sistem Jaminan Sosial Nasional* or national social security system
SKK Migas	*Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi* or special task force for upstream oil and gas business activities
SKSP Migas	*Satuan Kerja Sementara Pelaksana Kegiatan Hulu Minyak dan Gas Bumi* or temporary working unit for upstream oil and gas activities
SME	Small and Medium-scale Enterprise
SMI	PT Sarana Multi Infrastruktur
SOEs	*Badan Usaha Milik Negara* (BUMN) or State-Owned Enterprises
SREP	Supervisory Review and Evaluation Process
STLG	Sales Tax on Luxury Goods
Supporting Providers	Parties who support PSP and PSIP to organize payment system services
TA Law	Tax Amnesty Law No. 11 of 2016, effective during the period from 1 July 2016 until 31 March 2017
Taxable Entrepreneur	A person or body, in whatever form, which in the course of its operations, produces, imports or exports taxable goods, conducts trading activities or renders taxable services
TDP	*Tanda Daftar Perusahaan* or company registration certificate
TEU	Twenty-foot Equivalent Units
THR	*Tunjangan Hari Raya* or religious festivity allowance
UK	The United Kingdom

UKBA	UK Anti-Bribery Act
UMK	*Upah Minimum Kabupaten/Kota* or regency minimum wage
UMP	*Upah Minimum Provinsi* or provincial minimum wage
UNCTAD	United Nations Conference on Trade and Development
UPPKB	*Unit Pelaksanaan Penimbangan Kendaraan Bermotor* or motor vehicle weighing implementation unit
USA/US	The United States of America
USD	United States Dollar
VAT	Value-Added Tax
VITAS	*Visa Izin Tinggal Terbatas* or limited stay visa
WG4	Working Group Four
WHT	Withholding Tax
WIUP	*Wilayah Izin Usaha Pertambangan* or mining business license area
WIUPK	*Wilayah Ijin Usaha Pertambangan Khusus* or or special mining business license area
Work Contract	Working agreement for a specified period
WtE	Waste-to-Energy

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