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Indonesia – Deadline Nears for Registering Employees for New Health Insurance System

by KPMG Advisory Indonesia (a KPMG International member firm)

flash Alert

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Companies are reminded that they have less than 45 days to register their employees in Indonesia under the new health-care insurance system. According to the regulation, small, medium, and large enterprises must register their employees with BPJS Kesehatan by 1 January 2015.¹

It appears unlikely that there will be any revision to the terms for expatriate participation, since the new government has only recently been inaugurated.

Why This Matters

As we noted in our previous report, [Flash International Executive Alert 2014-042](#) (9 April 2014), the changes to the system of health insurance, health-care coverage, and benefits in Indonesia are significant for employers and employees covered under the new rules. The changes will have administrative and cost implications for employers and their employees. Indonesian expatriate employees (Indonesian citizens and residents) working overseas are obliged to join the new health insurance system. This could have double taxation implications if those Indonesian employees overseas are also required to participate in their host-country plans.

Background in Brief

Presidential Decree 12/2013 concerning health-care insurance and President Decree No. 111/2013 on the comprehensive social security scheme introduced important changes. (For prior coverage, see [Flash International Executive Alert 2014-042](#), 9 April 2014.) The previous social security agency (*Jamsostek*) has changed its name to Workers Social Security Agency (*BPJS Ketenagakerjaan*). The health-care programs previously managed under *Askes*, *Jamsostek*, *Asabri*, and *Jamkesmas* will now be managed under a single organization known as *BPJS Kesehatan* starting 1 January 2014; beginning 1 January 2019, it will manage health insurance for all Indonesians, including those currently covered under private health insurance plans.

KPMG Note

Here are some steps employers need to consider undertaking in light of the upcoming changes and impending deadline.

Start Collecting Information -- With the impending deadline, employers must start collecting information from employees, including expatriates who have resided in Indonesia for more than six months, in order to register them with BPJS Kesehatan on a timely basis.

Employers must begin gathering the required information from/about employees -- the information required does not only pertain to the employee, but also includes his/her

KPMG Note cont'd

dependents. The BPJS Kesehatan regulation does not limit the number of dependents in a family. However, if a family exceeds five people, there is an additional contribution of 1 percent of the basic salary per person per month required.

Update IT Systems -- Employers that previously opted out of the health-care maintenance scheme under Jamsostek should now update their IT programs to include these mandatory health-care contributions and the upcoming additional "Pension" contributions under BPJS Ketenagakerjaan (see our comments in the next section).

Issue Communications to Employees -- Communications should also be issued to employees about this additional social security program, given that the BPJS contribution is partly borne by employees (currently 0.5 percent of the base salary up to a cap of IDR 4,725,000 per month).

Self-Employed May Participate -- It is important to note that self-employed individuals and individuals working in informal sectors, such as personal drivers and household helpers, are now able to participate and gain access to government subsidized health-care, provided they have a local ID card (KTP).

IDR 1 = EUR 0.000066
IDR 1 = USD 0.000082
IDR 1 = GBP 0.000053
IDR 1 = AUD 0.000095

Workers' Social Security (BPJS Ketenagakerjaan) – Rules/Procedures to Follow

To date, the government has not issued further regulations governing BPJS Ketenagakerjaan. However, in July 2014, the Director of BPJS Ketenagakerjaan stated at a press conference that a new Pension Security program will be mandatory for all employees working in Indonesia. Employees in the private sector will have to start contributing as of 1 July 2015, while the civil servants' obligations will start in 2029.

Jakarta's governor has mandated all companies to register with BPJS Ketenagakerjaan. Furthermore, all companies must be participants of BPJS Ketenagakerjaan when applying for business domicile letters.

According to the plan, the contribution of the pension program will be set at 8 percent of an employee's monthly basic wages, 5 percent of which is paid by the employer and 3 percent by the employee, up to a cap of IDR 16 million per month.

Sanctions for Non-Compliance

Company owners who do not register their employees in the BPJS are subject to sanctions, including:

- Two warning letters;
- Interest penalty of 0.1 percent per day;
- Shut-down of public services including water and electricity services;
- Up to 8 years of imprisonment or a fine up to IDR 1,000,000,000 as regulated in Law No. 24 year 2011.

Ambiguities and Apprehensions Regarding BPJS Ketenagakerjaan

Currently there are no clear explanations from BPJS Ketenagakerjaan regarding the difference between the current Old Age Fund program (*Jaminan Hari Tua*) and the upcoming Pension Security program.

Moreover, the Indonesian Chamber of Commerce and Industry is apprehensive about the pension program², as the cost to be borne by employers will be significant, especially considering the significant number of workers in the informal sector which outnumbers those in the formal sector³.

Next Steps Concerning BPJS Ketenagakerjaan

Initially, the government intends to prioritize the Pension Security program for large enterprises. However, small and medium enterprises are encouraged to participate in the program as well.

The regulation regarding BPJS Ketenagakerjaan, including the additional pension program, is still awaited; there is an expectation that it will be issued by the end of the year.

Footnotes:

1 For additional information (in Indonesian), see the dedicated government Web site at: <http://bpjs-kesehatan.go.id/index.php/pages/detail/2014/15> .

2 See: <http://manajemen-jaminankesehatan.net/index.php/list-berita/707-pengusaha-keberatan-tanggung-jaminan-pensiun-bpjs> .

3 Workers in the informal sectors are those who are employed by an individual or a small-scale family business, most likely with no employment contract in place, e.g., street vendors, fishermen, domestic help, drivers, farmers, etc.

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This article is excerpted with permission from "Healthcare Social Security (BPJS Kesehatan)" in *Global Mobility Services Bulletin* (October 2014), a publication of the KPMG International member firm in Indonesia. Go to:

<http://www.kpmg.com/ID/en/industry/CM/Documents/GMS%20Bulletin-October-2014.pdf> .

For further information or assistance, contact your local GMS or People Services professional or Esther Kwok (tel. +62 21 570 4888 or e-mail: Esther.Kwok@kpmg.co.id), a tax professional with PT KPMG Advisory, the KPMG International member firm in Indonesia.

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