

Tax News Flash

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Guidelines for determining domestic and foreign tax subjects – PER-23/PJ/2025

On 9 December 2025, The Directorate General of Taxation (DJP) issued Regulation Number PER-23/PJ/2025 (PER-23) to replace PER-43/PJ/2011 and PER-02/PJ/2009. It aims to reassess the determination of domestic and foreign tax subjects, aligning Indonesia's tax residency framework with updates in the Income Tax Law, Job Creation Law, and its guideline - Minister of Finance Regulation No. **PMK-18/2021**.

The updated provisions aim to strengthen certainty regarding whether individuals or entities are categorized as domestic tax subjects (*Subjek Pajak Dalam Negeri/SPDN*) or foreign tax subjects (*Subjek Pajak Luar Negeri/SPLN*).

Definition of tax subjects:

Similar to previous regulations, under PER-23, tax subjects consist of:

- a. 1. individuals
 2. undivided inheritance as a single entity replacing an heir
- b. entities
- c. permanent establishments (BUT)

These tax subjects are further classified into **SPDN** and **SPLN** tax subjects.

Domestic tax subjects

A. Individuals

A person—whether an Indonesian citizen (*Warga Negara Indonesia/WNI*) or a foreign national (*Warga Negara Asing/WNA*)—is categorized as SPDN if they:

1. Reside in Indonesia.

An individual is considered to be residing in Indonesia if they:

- a. **Live or dwell in a place in Indonesia** that is controlled, owned, rented, or otherwise available for use, and **the place is not a temporary stopover**
- b. **Have their center of vital interest in Indonesia**, which includes personal, social, economic, and/or financial activities being primarily conducted in Indonesia; **or**
- c. **Maintain a habitual abode in Indonesia**, which includes carrying out regular activities, hobbies, or having a habitual presence in Indonesia that indicates an established pattern of life.

2. Stay in Indonesia for more than 183 days within any 12-month period. The presence test counts every day (or part of a day) a person is physically present in Indonesia, including transit.

or

3. Are present in Indonesia within a tax year and demonstrate an intention to reside in Indonesia. Intention to reside is determined through a KITAP, or VITAS/ITAS that is valid for more than 183 days, employment or business contracts over 183 days, long-term leases, or family relocation.

B. Entities

Entities are considered domestic tax subjects if established or domiciled in Indonesia except for certain units of government agencies. Domicile is determined through a registered address as stated in the deed of establishment, the location of the head office or administrative/finance center or the location of management and the control center.

PER-23 elaborates that “the location of management and the control center” refers to where decision-making on strategic policies regarding investments are made (such as the transfer of shares and the supervision of dividend distribution) and/or where the entity’s operating activities take place (such as management appointments, frequent board meetings).

C. Undivided inheritance

Inheritance treated as a single undivided unit, replacing the rightful heirs.

Foreign tax subjects

SPLN includes:

- Individuals who do not reside in Indonesia
- WNA staying **≤183 days** over a 12-month period
- WNI abroad for **>183 days** in a 12-month period **and who meet** multi-layered **requirements** demonstrating ties outside of Indonesia, including:

No.	Multi-layered requirements	Notes and conditions
1	Having a permanent residence abroad	<p>This criteria is mandatory.</p> <p>If the WNI only has a permanent residence abroad, then criteria no. 2 and 3 below do not need to be fulfilled.</p> <p>However, if the WNI meets the criteria of having a permanent residence abroad as well as in Indonesia, they must continue with requirement no. 2 below.</p>
2	Main economic/personal/social ties abroad	<p>If the WNI only has a center of vital interest overseas, requirement no. 3 below is not needed.</p> <p>However, if the WNI has a center of vital interest overseas and in Indonesia, requirement no. 3 below must be fulfilled.</p>
3	Daily habitual activities abroad	<p>Needs to be fulfilled if requirements 1 and 2 are not met.</p>
4	Tax residency in another jurisdiction	<p>Mandatory requirement.</p> <p>WNI abroad must obtain a Tax Resident Certificate or Certificate of Residence issued by the tax authority where the WNI is residing.</p> <p>The certificates must be in English and include:</p> <ol style="list-style-type: none">1. the WNI’s name;2. an issuance date;3. a validity period (the absence of a validity period means the issuance date is treated as the validity date); and4. the signature of an authority. <p>An application to determine a foreign tax subject must be filed with the authorities concerned within six months from the expiry of the certificate.</p>
5	Other specific requirements	<ol style="list-style-type: none">a. Has fulfilled all the Indonesian tax obligations when the WNI was an SPDN, andb. Has obtained an SPLN Status Approval Letter from the DJP

Tie-breaker and treaty rules:

PER-23 provides clarification that P3B (A Double Taxation Avoidance Agreement) shall prevail when determining whether a domestic tax subject (an individual or entity) qualifies as a resident of Indonesia or a partner country.

KPMG's observations:

This regulation does not alter the fundamental taxation principles for domestic and foreign tax subjects that were set out in the previous two regulations. Instead, it modernizes Indonesia's tax residency framework, offers greater clarity through detailed examples, and aligns the determination of residency with global standards and Indonesia's updated income tax structure.

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