KPMG

Taxation of international executives: Indonesia

February 2024

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Overview and Introduction

1 Overview and Introduction

Indonesia - utilizes the self-assessment method for individuals to calculate, settle and report income tax. The tax authorities have the right to audit any tax return to ensure the individual has correctly calculated the tax payable, within the 5-year statute of limitations.

For Indonesian-sourced income, there is an extensive framework of withholding taxes so that income tax is often collected by deduction at source, for example in relation to employment income paid/borne by a domestic entity, interest, royalties, rent, income from sales of property, and listed shares.

The extent of Indonesian income tax liability depends upon the individual's residence status in Indonesia. An Indonesian tax resident is defined as an individual who:

- Is an Indonesian citizen; or
- A foreigner who resides in Indonesia, or being present in Indonesia for more than 183 days within any 12-month period, and/or
- present in Indonesia during a tax year with the intention of residing in Indonesia.

Resident individuals are taxed on their worldwide income, regardless of where such income arises or for whom work, or services are performed. Non-resident individuals are exempted from the worldwide income reporting obligation and tax is imposed only on income derived in Indonesia.

Based on the Job Creation Law that was taken effect on 31 March 2023, the following individuals may be exempted from worldwide income taxation:

- An Indonesian national who resides outside Indonesia for more than 183 days will be treated as a non-resident taxpayer provided "several conditions" are met.
- Foreign employees meeting "certain skills" requirement will be exempted from worldwide income reporting for four years from first arrive in Indonesia. They only subject to Indonesian-sourced income

Indonesian-sourced income includes income in connection with a job, service or activity in Indonesia under whatever name or form obtained or paid within and outside Indonesia.

There are limited deductions available for an individual taxpayer, as follows:

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

Starting 2022, individual income tax rates ranges from 5 percent to 35% percent. Income of a non-resident individual is subject to income tax at a flat rate of 20 percent of gross income.

Income tax is calculated and paid in the official currency Indonesian Rupiah (IDR). Amounts in other currencies are converted for tax purposes into Rupiah using exchange rates published weekly by the Ministry of Finance.

Individual tax registration has only been widely enforced over the past decade. As a result, there are uncertainties relating to individual taxes which have not yet been tested during tax audits or clarified in regulations or official guidance.

Hereafter "host country/jurisdiction" refers to the country/jurisdiction to which the employee is assigned to. "Home country/jurisdiction" refers to the country/jurisdiction where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

The monthly Indonesian individual tax return is due for payment and lodgment by the 15th and 20th of the following month, respectively.

The annual Indonesian individual tax return should be lodged by 31 March of the following year. Any tax payable should be settled before the tax return is lodged.

What is the tax year end?

31 December.

What are the compliance requirements for tax returns in Indonesia?

Residents

Indonesian tax residents are required to file annual individual tax returns when their total income derived from sources within and outside of Indonesia exceeded the minimum threshold, which is between IDR54,000,000 for a single individual to IDR72,000,000 for a married individual with maximum three children/dependents.

Spouses may choose to file jointly or separately. The law requires couples with separate Tax Identification Number to calculate the tax payable based on the combined family gross income, then report the tax payable in each tax return based on the prorated income.

The obligation to withhold, remit, and report tax on compensation paid in connection with employment rests with the local employing entity. Income tax withheld by employers must be remitted on a monthly basis by the 10th of the following month and reported by the 20th of the following month.

The obligation to remit and report tax on income received from non-employment sources for a calendar year (such as interest, dividend, rental income, and capital gain) rests with the individual.

An individual taxpayer is obliged to comply with the following procedures:

- Registration for a tax file number
- monthly tax prepayment
- lodgment of an annual individual income tax return
- tax deregistration upon leaving the country permanently

Registration

In order to file a tax return, an individual must register to obtain a tax identification number (NPWP). The documents required for registration of an expatriate are:

- a copy of passport
- a copy of work permit (Notifikasi)
- a copy of limited stay permit (ITAS)
- the completed electronic registration form

Monthly tax prepayment

Individuals are required to calculate the provisional monthly income tax prepayment for the current fiscal year based on previous year's income (local employment income taxed at the source and certain irregular income can be excluded for this purpose). The monthly tax payment should be settled by the 15th of the following month and filed by 20th of the following month. For example, the January 2024 provisional tax has to be paid by 15 February 2024 and filed by 20 February 2024.

Late payment will be subject to an interest penalty which will be calculated from the tax underpayment and using the interest rate published by the Ministry of Finance (MoF) on a monthly basis, while late filing will be sanctioned with a penalty of IDR100,000.

It is advisable to be conservative when calculating the estimated amount of tax to be paid since any overpayment of tax by the individual on their annual (final) return will be subject to an immediate tax audit.

It should be noted that tax refunds are paid only after a full tax audit. Therefore, care should be taken to avoid overpayment of taxes.

Annual individual income tax return

Filing

The annual individual tax return should be filed by 31 March of the year following the end of the calendar year. If there is any amount due, the payment has to be made before the tax return is lodged.

The penalty for late filing of the annual tax return is IDR100,000. Late payment of tax is subject to an interest penalty which will be calculated from the tax underpayment and using the interest rate published by the Ministry of Finance (MoF) on a monthly basis, calculated from the payment due date.

Extension of time to file the annual individual income tax return

Taxpayers who are unable to submit the annual individual tax return on time may request an extension of time to file the return up to 31 May (Form 1770-Y) by attaching a "tentative" current year taxable income. However, obtaining an extension of time to file does not provide an extension of time to pay and there is no certainty that the tax office will approve the request for an extension.

Attachments

The following documents should be attached to the annual income tax return (Form 1770/1770S):

- tax payment slip to show that the balance of income tax payable according to the tax calculation has been paid
- list of assets and liabilities
- copy of Employers' Certificate of Income Tax on Earnings (Form 1721-A1/1721-VI/1721/VII)
- list of taxpayer's dependents
- supporting documents for foreign tax paid (such as copies of home country/jurisdiction tax returns, tax payment vouchers, and so on).

Non-residents

Non-residents are taxed on income from Indonesia only, at a final flat rate of 20 percent.

The obligation to withhold, remit, and report tax on cash and non-cash compensation paid or provided in connection with employment rests with the local employing entity. Income tax withheld by employers must be remitted on a monthly basis by the 10th of the following month and reported by the 20th of the following month.

Non-residents foreigners do not have an obligation to register for an NPWP or file any individual income tax return.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Indonesia?

Residents

Income tax table for 2022 onwards

Taxable income bracket		Total tax on income below bracket	Tax rate on income in bracket
From IDR	**To IDR**	**IDR**	**Percent**
1	60,000,000	0	5
60,000,001	250,000,000	3,000,000	15
250,000,001	500,000,000	31,500,000	25
500,000,001	5,000,000,000	94,000,000	30
5,000,000,001	Onwards	1,444,000,000	35

Non-residents

Non-residents are taxed at a flat rate of 20 percent.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Indonesia?

An Indonesian tax resident is defined as an individual who:

- Is an Indonesian citizen; or
- A foreigner who resides in Indonesia, or being present in Indonesia for more than 183 days within any 12-month period, and/or
- present in Indonesia during a tax year with the intention of residing in Indonesia.

Generally, individuals who come to Indonesia with an intention to work and reside in Indonesia with a valid work permit and stay permit are treated as tax residents of Indonesia from the date of arrival.

An expatriate is resident until the date of final departure from Indonesia. An Indonesian national is considered a resident from birth unless they leave Indonesia permanently. An Indonesian national working overseas for more than 183 days in a 12-month period is also considered as non-resident, provided that he/she already obtained an approval as a Foreign Tax Subject from Indonesian Tax Authorities. If it is approved, they will only be taxed on their Indonesian-source income.

An individual who is resident in Indonesia for tax purposes is required to file an individual income tax return. In order to file a tax return, an individual must obtain a tax identification number (NPWP).

A twenty percent tax surcharge will be applied to the earnings of an employee who does not have an NPWP while income above the personal deduction threshold.

Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country/jurisdiction for more than 10 days after their assignment is over and they repatriate.

No.

What if the assignee enters the country/jurisdiction before their assignment begins?

There is no regulation which forbids an assignee to enter Indonesia before their assignment begins, however they should already have a valid work visa before starting work in Indonesia.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Indonesia?

Upon leaving Indonesia permanently, a resident expatriate must submit an application to cancel their Indonesian tax file number (tax deregistration). The tax office will perform a tax audit on the taxpayer's returns and supporting documents prior to granting approval to deregister. Therefore, the individual should ensure all tax related documents, including bank statements, foreign tax paid documents, salary slip, employment contract, and so on are readily available in anticipation of a tax audit.

The following documents are required for tax deregistration:

- Tax deregistration form
- a letter from the individual requesting deregistration of the tax file number due to no longer working at the company and leaving Indonesia permanently.
- a statement letter from the company that the individual is no longer working at the company starting from the effective date
- original Indonesian tax file number card (NPWP) and tax registration certificate (Surat Keterangan Terdaftar/SKT)
- copy of exit permit (EPO or ERP) issued by immigration office
- letter of authority to enable the tax professional/representative to handle the tax deregistration.

What if the assignee comes back for a trip after residency has terminated?

The assignee may come back to Indonesia on a social or business visa; however, without a valid work visa, they are not allowed to work in Indonesia. The business visa only allows the individual to enter Indonesia for promotional or research purposes, not to exercise employment.

Communication between immigration and taxation authorities

Do the immigration authorities in Indonesia provide information to the local taxation authorities regarding when a person enters or leaves Indonesia?

Yes, there have been some cases in which the tax authorities received notification from the immigration authorities regarding the arrival of expatriate assignees. On 15 May 2018, the Directorate General of Taxation (DGT) and the Directorate General of Immigration (DGI) signed cooperation agreement No. KEP-144/PJ/2018 and IMI-UM.01.01-2015. This regulation provides for the exchange of information, joint intelligence activities, collaboration within law enforcement and training in tax and immigration processes. The regulation states that DGT will provide DGI with taxpayer's identity data and DGI will provide DGT information regarding information on passports, transit and visa details, and stay permits.

Filing requirements

Will an assignee have a filing requirement in the host country/jurisdiction after they leave the country/jurisdiction and repatriate?

The assignee will still have an obligation to file their final individual income tax return for the period residency in Indonesia (from 1 January to the date of their permanent departure from Indonesia).

The final year tax return is due within 1 month after permanent departure.

2.5 Economic employer approach

Do the taxation authorities in Indonesia adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in Indonesia considering the adoption of this interpretation of economic employer in the future?

Currently the taxation authorities in Indonesia assume that the assignee's employer is the entity that:

- sponsors the work permit and stay permit for the individual
- bears the total remuneration cost of the assignee
- has control or authority over the assignee's employment.

It is expected that the employer should be a resident entity.

Indonesia is not a member of the OECD. However, the tax authorities may adopt the economic employer approach if they believe that there is any tax avoidance or abuse.

De minimus number of days

Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number of days?

Not applicable.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

Income is broadly defined as any economic benefit received or accrued by a taxpayer that is used for consumption or that increases the wealth of the taxpayer, in whatever name or form.

The following types of income are subject to tax:

- compensation or payments received or earned in connection with work or services
  - An expatriate is taxed on their actual salary, although salary guideline levels are sometimes used by the tax office where there is evidence of undeclared or under declared income. (Expatriates working in the offshore oil drilling sector are subject to tax at statutory-deemed salary levels, not actual salary.)
  - Based on Harmonization of Tax regulations Law (Undang-Undang Harmonisasi Peraturan Perpajakan/" the HPP Law"), benefits in kind ("BIK") and/or facilities provided to employees are categorized as taxable compensation, unless the BIK and/or facilities:
    - Are in form of food and beverages provided to all employees;
    - Are provided to the employees who work in remote area;
    - must be provided by the employer to employees to exercise their employment;
    - sourced from Government Budget; or
    - meet certain type and/or certain threshold.

- lottery, prizes, and awards
- gross profits from individual business activities
- gains from the sale or transfer of assets
- refunds of tax payments already deducted as expenses
- interest income
- dividends, in whatever name or form, paid by a corporation, payments of dividends by an insurance company to policy holders – unless the dividend meet certain requirement (explained in section 2.7 below)
- royalties
- rents from property annuities received or accrued
- gains from cancellation or forgiveness of indebtedness
- income or distribution from trust

Intra-group statutory directors

Will a non-resident of Indonesia who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Indonesia) trigger a personal tax liability in Indonesia, even though no separate director's fee/remuneration is paid for their duties as a board member?

No, as long as they do not reside nor obtain a Work Permit and stay permit in Indonesia.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Indonesia?

No, provided the individual is a non-resident

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Indonesia (i.e., as a general management fee where the duties rendered as a board member is included)?

Yes.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

Withholding tax will apply based on the amount cross-charged/borne by Indonesian entity.

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Indonesia? If so, please provide a general definition of these areas.

The followings are the types of income which are exempt from tax:

- Dividend income with certain requirements, among others:
  - Received by a domestic/resident taxpayer;
  - Distributed dividend is based on the General Shareholder's Meeting, or the like.
  - The dividend must be reinvested in qualifying investments in Indonesia;
  - Hold each reinvestment for a minimum 3 years;
  - The taxpayer who wants to enjoy this tax exemption must submit an annual Investment Realization Report every year for 3 years for each reinvestment

- For foreign dividend from private companies, the dividend will be 100% tax exempt if the amount reinvested in Indonesia is at least 30 percent of the Company's income after tax, proportional to the amount of shareholding.

- benefits-in-kind/BIK and/or facilities, as follows:
  - food and beverages provided to **all employees;**
  - are provided to the employees who work in remote area;
  - **must be** provided by the employer to employees to exercise their employment;
  - are sourced from Government Budget; or
  - BIKs of certain type and/or with certain thresholds, as follows:

1	Gifts from the employer for religious holidays, i.e., Eid al-Fitr, Christmas, *Nyepi*, Vesak, or Chinese New Year	Received or earned by all employees
2	Gifts from employers that are given other than for religious celebrations	• Received or earned by employees; and • Maximum IDR 3 million/year per employee
3	Work equipment and facilities from employers, including computers, laptops, or cellular phones and their related costs such as phone credit or internet connection	• Received or earned by employees; and • Support employee's work
4	Health and medical treatment facilities from the employer	• Received or earned by employees; and • Provided for handling: 1) work accident; 2) occupational diseases; 3) life-saving emergencies; or 4) follow-up care and treatment due to work accidents or occupational diseases
5	Sports facilities from the employer, other than golf, horse racing, motorised boat racing, gliding, and/or automotive sports	• Received or earned by employees; and • Maximum IDR 1.5 million/year per employee
6	Communal residential facilities from employers, including dormitories, lodges, or barracks	Received or earned by employees
7	Residential facilities from employers whose utilisation rights are held by individuals, including apartments/landed houses	• Received or earned by employees; and • Maximum IDR 2 million/month per employee
8	Vehicle facilities from employer	Received or earned by employees who: • do not have capital investment in the employer; and • have an average gross income of maximum IDR 100 million/month in the last 12 months from the employer

9	Employer-borne contribution to pension funds approved by the Financial Services Authority (Otoritas Jasa Keuangan)	Received or earned by employees
10	Religious facilities, including prayer rooms, mosques, chapels, or temples	Intended solely for religious activities

- gift or assistance received from a close family member, and religious, educational, or social institutions or small-scale entrepreneurs including co-operatives, unrelated to the business or profession of the parties involved
- inheritance
- payments from an insurance company because of accident, illness, or death of the insured, and payments of scholarship insurance
- scholarship with approval from the Ministry of Finance.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Indonesia?

See the answer to question No. 2.9.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Indonesia? If so, how?

Based on Job Creation Law No. 6 of 2023, the following individuals may be exempted from worldwide income tax rule:

- An Indonesian national who resides outside Indonesia for more than 183 days will be treated as a non-resident taxpayer provided **"certain conditions"** are met.
- Foreigner employees meet **"specific skills"** requirement will be exempted from worldwide income reporting for four years from his/her first arrives in Indonesia. They only subject to Indonesian-sourced income.

Indonesian-sourced income includes income **in connection with a job**, service or activity in Indonesia under whatever name or form obtained or **paid outside Indonesia**."

Any income earned during the period of residence in Indonesia is subject to income tax in Indonesia. If income tax is already withheld/paid overseas, the amount can be claimed against the Indonesian tax payable up to a certain maximum.

An Indonesian citizen working overseas for more than 183 days in a 12-month period may qualify as a non-resident and, consequently, is exempted from tax on their foreign income in Indonesia, provided that they already obtained an approval as a Foreign Tax Subject from the Indonesian Tax Authorities.

In order to obtain the approval, the following requirements must be met:

- Having a permanent home, central of vital interest, or habitual abode outside Indonesia
- Obtain the Certificate of Domicile/COD from host country. The COD must meet the following requirements:
  - Issued in English

- Shows taxpayer's name, issuance date, validity period, name and signature (or the like) of the host country tax authority officer.
- Validity of the COD must be at least 6 months before the Foreign Tax Subject Request form is submitted

- Taxpayer has fulfilled all his/her Indonesian taxation obligation
- Complete and submit the Foreign Tax Subject Request form (together with the supporting documents for #1 - #3 above) to the tax office.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Indonesia? If so, how?

Based on worldwide income taxation concept, overseas investment income and capital gains are treated as normal income subject to income tax. However, sale of locally listed shares is subject to a final tax at 0.1 percent of gross sales proceeds, and sale of domestic real estate is subject to 2.5 percent final income tax on the sale price. Purchase of domestic real estate is subject to a 5 percent tax on transfer of title.

Pursuant to the 2023 Job Creation Law, dividend income from listed and unlisted companies located in Indonesia or overseas can be exempted from tax if the following qualifications are met:

- Received by domestic/resident taxpayer
- Distributed dividend is based on the General Shareholder's Meeting, or the like.
- Such dividend income must be invested in Indonesia for 3 years, no later than 3 months after the tax year (when the dividend is received) ends;
- If the dividends are paid by an overseas private/unlisted company, the amount invested in Indonesia should be at least 30% from the Company's net income after tax
- Taxpayer must submit a yearly report on the investment status to the Indonesian Tax Authority.

Taxpayer is unable to withdraw any of those investment, except transform to another investment instruments during the 3-years retention period.

Gains from stock option exercises

Gains on stock option are taxable. Timing of withholding tax imposition is heavily influenced by when the cost is recognized in the local employing entity's records. Information in the below table assumes that the option is not cross charged to the Indonesian entity.

Residency status	Taxable at:			
	Grant	Vest	Exercise	Sale
Resident	N	Y	Y	Y
Non-resident	N	N	N	N

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Indonesia? If so, please discuss?

Overseas capital gains are taxed at normal resident tax rates.

Are there capital gains tax exceptions in Indonesia? If so, please discuss?

None.

2.12 General deductions from income

What are the general deductions from income allowed in Indonesia?

An individual tax subject who is a resident of Indonesia is allowed the following deductions against employment income:

- Occupational expenses for permanent employee: 5 percent of gross employment income up to IDR6 million per year.
- Deduction on pension annuity for retiree: 5 percent of gross income up to IDR2,400,000 per year.

These deductions are prorated according to the period of residence in the tax year. Additional deductions include the following.

- Personal allowance of between IDR54,000,000 (for a single individual) and IDR72,000,000 (for a married individual with three children/dependents) per year.
- Aids and donations, including ones made to government-authorized religious organizations can be claimed as a deduction by enclosing a copy of the official receipt.
- Employee's Pension contribution made to the pension funds approved by the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*)

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Indonesia?

Current year grossed up.

2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Indonesia? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Employee income withholding tax

Employee income tax is automatically withheld, paid, and reported by the company on a monthly basis as withholding tax obligation rests at the payer.

Personal income tax prepayments

Monthly prepayment on offshore salary and offshore personal investment income should be paid according to the amount of tax calculated based on the previous year's tax payable.

When are estimates/prepayments/withholding of tax due in Indonesia? For example: monthly, annually, both, and so on.

The monthly employee withholding tax should be paid and reported by the 10th and 20th of the following month, respectively.

The monthly individual income tax should be paid and reported by the 15th and 20th of the following month, respectively.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Indonesia? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

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 least amongst3:

- Actual tax paid in the source country/jurisdiction; or
- Maximum allowable on effective tax rate; or
- Tax treaty (DTT) rate

Note that the Indonesian tax authority uses the ordinary-credit-per-country/jurisdiction approach where tax credits can only be claimed against tax due on income from the relevant country/jurisdiction. For example, foreign taxes paid in the United States can be claimed only against tax due on U.S. source income.

2.16 General tax credits

What are the general tax credits that may be claimed in Indonesia? Please list below.

In the case of a registered resident taxpayer, tax due for a tax-year may be reduced by the following:

- withholding of tax on income from employment collection of tax on income from business
- withholding of tax on income in the form of interest, dividends, royalties, rents, and other remuneration
- prepayments made by the taxpayer themselves for the tax year
- tax paid or due abroad on income received or accrued abroad by the taxpayer in the same year.

2.17 Sample tax calculation

This calculation[4] assumes a married taxpayer resident in Indonesia with two children whose 3-year assignment begins 1 January 2023and ends 31 December 2025. The taxpayer's base salary is 100,000 US dollars (USD) and the calculation covers 3 years.

	2023 USD	2024 USD	2025 USD
Salary	100,000	100,000	100,000
Bonus	20,000	20,000	20,000
Cost-of-living allowance	10,000	10,000	10,000
Housing allowance	12,000	12,000	12,000
Company car	6,000	6,000	6,000
Moving expense reimbursement	20,000	0	20,000
Home leave	0	5,000	0
Education allowance	3,000	3,000	3,000
Interest income from non-local sources	6,000	6,000	6,000

Exchange rate used for calculation: USD1.00 = IDR15,000.00.

Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year and accrue evenly throughout the year.

- Interest income is not remitted to Indonesia.
- The company car is used for business and private purposes
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.
- The employee has obtained a tax identification number (NPWP)
- The employee is contributed into Indonesian social security system. The contribution is calculated form the regular earnings such as salary, cost-of-living allowance, housing allowance and education allowance. Bonus is considered irregular earnings although it is received every year.

Calculation of taxable income

Year Ended	2023 IDR	2024 IDR	2025 IDR
Days in Indonesia during year	365	365	366
Earned income subject to income tax			
Salary	1,500,000,000	1,500,000,000	1,500,000,000
Bonus	300,000,000	300,000,000	300,000,000
Cost-of-living allowance	150,000,000	150,000,000	150,000,000
Housing allowance	180,000,000	180,000,000	180,000,000
Company car	90,000,000	90,000,000	90,000,000
Moving expense reimbursement	300,000,000	0	0*
Home leave	0	75,000,000	0
Education allowance	45,000,000	45,000,000	45,000,000
Indonesian social security contributions-employer's portion: • Work accident insurance (0.24%) • Death insurance (0.3%) • Health insurance	11,091,000	11,091,000	11,091,000
Total earned income	2,576,091,000	2,351,091,000	2,276,091,000
Other income (interest)	90,000,000	90,000,000	90,000,000
Total income	2,666,091,000	2,441,091,000	2,366,091,000
Deductions: • Family relief of 67,500,000 • Occupational allowance of 6,000,000 • Social security: old age fund on employee's portion of 2%: 39,300,000	112,800,000	112,800,000	112,800,000
Total taxable income	2,553,291,000	2,328,291,000	2,253,291,000

* Assume received after leaving Indonesia.

Calculation of tax liability

	2023 IDR	2024 IDR	2025 IDR
Taxable income as above	2,553,291,000	2,328,291,000	2,253,291,000
Indonesian tax thereon	709,987,300	642,487,300	619,987,300
Less:			
Domestic tax rebates (dependent spouse rebate)	0	0	0
Foreign tax credits	0	0	0
Total Indonesian tax	709,987,300	642,487,300	619,987,300

Exchange rate used for calculation:

USD1.00 = IDR15,000.00

Footnotes

[1]Certain tax authorities adopt an 'economic employer' approach to interpreting Article 15 of the OECD model treaty, which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country/jurisdiction for a period of less than 183 days in the fiscal year (or a calendar year of a 12-month period), the employee remains employed by the home country/jurisdiction employer but the employee's salary and costs are recharged to the host entity, then the host country/jurisdiction tax authority will treat the host entity as being the "economic employer" and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied, and the employee would be subject to tax in the host country/jurisdiction.

[2]For example, an employee can be physically present in the country/jurisdiction for up to 60 days before the tax authorities will apply the 'economic employer' approach.

[3]Based on new regulation no. PMK-192/PMK.03/2018.

[4]Sample calculation generated by PT KPMG Advisory Indonesia, an Indonesian limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee, based on Indonesian Income Tax Law No. 17/2000, Income Tax Law No 36/2008, Job Creation Law No. 6 Year 2023, Regulation of the Directorate General of Taxation No PER-16/PJ/2016, Regulation of the Minister of Finance No 250/PMK.03/2008, No.252/PMK.03/2008 and No.101/PMK.010/2016, Tax Harmonization Law No. 7 year 2021, Ministry of Regulation No. 66 year 2023, Ministry of Finance Regulation No. 168 year 2023.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than **6 months**.

3.1 Residency rules

Are there special residency considerations for short-term assignments?

When an assignee obtains a work- permit for their employment and a multiple entry temporary stay permit in Indonesia which is valid for more than 183 days, this may be interpreted as an intention to reside in Indonesia. Thus, the tax authorities may conclude that this assignee is a tax resident, even if it is merely for a short-term assignment. Accordingly, it is suggested that for a short-term assignment, the work permit and stay permit should also correspond to the period of the assignment, such as 4 months or 6 months.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

Non-residents or short-term assignees who stay in Indonesia for less than 183 days are taxed on Indonesia-sourced income only.

3.3 Taxable income

What income will be taxed during short-term assignments?

Cash payment, including reimbursement and benefit in kinds are taxable at a flat 20 percent tax rate (non-resident tax rate).

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in Indonesia?

Closely monitor the requirements of the project, only apply for work permit for the time “required” to spend on the project.

Ensure that cumulative number of days present in Indonesia for all “short-term” assignees do not exceed time-test.

04

Other taxes and levies

4 Other taxes and levies

4.1 Social security tax

Are there social security/social insurance taxes in Indonesia? If so, what are the rates for employers and employees?

The national social security scheme applies to expatriates who have resided and worked for at least 6 months in Indonesia, except for pension contribution, which is not mandatory for expatriates. If the salary is not borne or paid by a local employer, no contributions are possible.

Employer and employee

Type of insurance	Paid by employer	Paid by employee	Total
Work accident*	0.24% - 1.74%	0.00%	0.24% - 1.74%
Old age	3.70%	2.00%	5.70%
Death	0.30%	0.00%	0.30%
Total Percent of Full Salary	4.24% - 5.74%	2%	6.24% - 7.74%
Pension (not mandatory for expatriates) **	2.00%	1.00%	3.00%
Health ***	4.00%	1.00%	5.00%
Max contribution on pension and health insurance	IDR655,092	IDR207,546	IDR862,638

* Depending on the industry.

** as of 1 March 2023, the cap is IDR 9,559,600. This cap will be adjusted every year based on the increase of annual GDP (Gross Domestic Product).

*** As of 1 January 2020, a fixed nationwide maximum salary cap of IDR 12,000,000 per month applies, while the minimum salary cap is stipulated to be such minimum salary as determined by each region from time to time. For 2024, in the DKI Jakarta region (being the capital city of Indonesia), the minimum salary cap is IDR 5,067,381per month.

4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Indonesia?

None.

4.3 Real estate tax

Are there real estate taxes in Indonesia?

Yes, Land and Building Tax (*Pajak Bumi dan Bangunan or PBB*) is imposed on land and buildings owned by individuals or entities in Indonesia. PBB tax is payable annually and the maximum rate is set at 0.5% of the value of the land and building as assessed by the regional governments.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Indonesia?

The rate of VAT (*PPN/Pajak Pertambahan Nilai*) is 10 percent but as of 1 April 2022, the rate increases to 11 percent. VAT is levied on exports at 0 percent.

A sales tax (*PPnBM/Pajak Penjualan atas Barang Mewah*) is imposed on the delivery of luxury goods by manufacturers in Indonesia and on the importation of luxury goods. The rates vary depending on the category of goods. The current rates range from 10 percent to 200 percent.

4.5 Unemployment tax

Are there unemployment taxes in Indonesia?

An unemployment insurance was launched in second half of 2021 under the Social Security Program. The contribution for Unemployment Insurance is 0.46% from the latest wages with a maximum of IDR 5,000,000. However, there will be no additional contribution to be paid, as the contribution to unemployment insurance will be recomposited from Work Accident insurance (0.14%) and Old Age Insurance (0.10%) plus the Government's subsidy (0.22%).

4.6 Other taxes

Are there additional taxes in Indonesia that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

Local taxes[1]

Companies employing expatriates are required to pay USD100 per month for the Skill Development Fund (certain exemptions apply). This levy must be paid 12 months in advance and is required for the issuance of the expatriate's work permit. This levy is intended to fund the education and training of Indonesian employees.

Annual property tax[2]

A property tax of 0.5 percent is levied on a specified percentage of the taxable sales value of land and buildings. For the following types of property, the percentage is 40 percent of the sales value:

- property with a value in excess of IDR1 billion (approximately USD100,000) plantations, forestry, or mining business.

For other types of property, the percentage is 20 percent. Thus, the effective tax rate is 0.2 percent or percent, respectively.

Foreign financial assets

Is there a requirement to declare/report offshore assets (e.g., foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

Yes, it is a mandatory requirement to declare worldwide assets (included but not limited to foreign financial accounts, securities, properties, vehicles, etc.) and/or liabilities in the Indonesian tax return (wealth declaration). There is no wealth tax in Indonesia, but this information will be used by the Indonesian tax authorities to analyze the reasonableness of the income reported.

Footnotes

[1]Decision of the Minister of Manpower and Transmigration of the Republic of Indonesia No. KEP 20/MEN/III/2004.

[2]Law Number 12 Year 1994, Government Regulation No. 25/2002

05

Immigration

5 Immigration

Following is an overview of the concept of Indonesia's immigration system for skilled labor.

(E.g., which steps are required, authorities involved, in-country/jurisdiction and foreign consular processes, review/draft flow chart illustrating the process)

Expatriates working in Indonesia must obtain a valid work permit and stay permit. The host employer in Indonesia is the sponsor of the permits and therefore deemed as the expatriates' local employer. Permits are issued up to 12 months and can be extended.

The procedure to obtain a work permit and stay permit is lengthy and complicated, and it is strongly recommended that advice from a specialist be obtained.

Aside from the work permit, an expatriate and accompanying family members (spouse and children under 18-years of age) are required to obtain a dependent stay permit.

This information is of a general nature and should not be relied upon as legal advice.

5.1 International Business Travel/Short-Term Assignments

Describe (a) which nationalities may enter Indonesia as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.

The following nationalities are able to enter Indonesia without applying for a visa:

ASEAN countries: Brunei Darussalam, Philippines, Cambodia, Laos, Malaysia, Myanmar, Singapore, Thailand, Vietnam and Timor Leste.

Foreigners with visa free entry are allowed to visit Indonesia for vacation, and tourism only.

Describe (a) the regulatory framework for business traveler being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.

There are several types of visit visas:

- Single visit visa: This visa includes Visa-on-arrival, grants 60 or 180 days stay.

  Single visit visa is granted to foreigners who will visit Indonesia for the following purposes/activities:

  Holiday, family, transit, business, meeting, buying goods or products, medical treatment, governmental duty, journalistic, Social, Art and cultural, non-commercial sport activity, benchmarking, short course, short training, giving lecture or attend seminar, participating in international exhibition, pre-investment, joint vessel, movie making, emergency work, Giving consultation and training in implementing technological innovation in industry to improve Indonesian industrial product design quality, foreign marketing, audit, quality control, inspection of a branch office in Indonesia, probation, machine installation and repair, attending judicial process, internship.

- Multiple visit visa: this visa can be valid for 1, 2, 5 or 10 years.

  Multiple visit visas are granted to foreigners who will visit Indonesia for the following purposes/activities:

  Holiday, family, transit, business, meeting, buying goods or products, medical treatment, governmental duty, pre-investment, movie making, audit, quality control, inspection of a branch office in Indonesia.

The actual activities fall into the above categories are subject to change from time to time.

Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.

Visa-on-arrival is available upon arrival in Indonesia.

A foreigner has to apply for a single visit visa at the Directorate General of Immigration. Documents required for the single visit visa are:

1. travel documents that are valid for at least 6 months;
2. guarantee proof from a Guarantor, except for holiday, family, transit, business, meeting, buying goods or products, journalistic, and pre-investment;
3. proof of having sufficient living expenses while in Indonesian territory;
4. recent colored passport photo; dan
5. other documents (specified in the Special Requirements).

Documents required for the multiple visit visa are:

1. travel documents that are valid for at least 6 months;
2. guarantee proof from a Guarantor, except for holiday, family, transit, business, meeting, buying goods or products, and pre-investment. But the exception does not apply to business, meeting and buying goods or products with the timeframe 5 and 10 years.
3. proof of having sufficient living expenses while in Indonesian territory;
4. recent colored passport photo; dan
5. other documents (specified in the Special Requirements).

The visa application process will take approximately 7 workdays.

Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?

No.

5.2 Long-Term Assignments

What are the main work permit categories for long-term assignments to Indonesia? In this context outline whether a local employment contract is required for the specific permit type.

There is only one type of work permit for long-term assignments to Indonesia, called Notifikasi (previously was *IMTA/Ijin Mempekerjakan Tenaga Asing*).

The new work permit application process is regulated by Law No 6-year 2023 and Ministry of Manpower regulation No. 8 year 2021. The process requires submission of an employment agreement covering a definite period (fixed term) between the foreigner and the Indonesian entity sponsoring the foreigner's work permit.

Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).

The process of obtaining a work permit can take approximately 4 – 6 weeks. Here is the general process to obtain a work and stay permits:

No	Type of Documents Processed	Timeline	Issued by	Applied by	Note
1	RPTKA (Foreign Employee Manpower Plan)	2 weeks	Ministry of Manpower	HR of Indonesian entity	Before arrival in Indonesia
2	Work Permit Notification (Notifikasi)	2 weeks	Ministry of Manpower	HR of Indonesian entity	Skill and Development Fund Fee (DPKK) for foreign employee of USD1,200/year must be paid
3	Telex approval on e-visa of limited stay visa	8 workdays	Directorate General of Immigration	HR of Indonesian entity	Before arrival in Indonesia. Should be applied for foreign worker and accompanying family members.
4	Stay Permit (Ijn Tinggal Terbatas/ITAS)	7 workdays	Immigration office	Foreign worker and accompanying family members	Immediately once arrived in Indonesia

Is there a minimum salary requirement to obtain a long-term work and residence permit for assignments? Can allowances be taken into account for the salary?

No, but from a tax perspective, there is a standard salary guideline for expatriates in Indonesia.

Is there a fast-track process which could expedite the visa/ work permit?

No.

At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?

The foreign employee is permitted to start working after his arrival in Indonesia.

Can a short-term permit/ business visa be transferred to a long-term permit in Indonesia?

No, after the pandemic is ended, a short-term permit/business visa cannot be transferred to a long-term permit. To obtain a long-term permit in Indonesia, the individual must depart from Indonesia first and thereafter apply a long term permit from the beginning

Is it possible to renew work and residence permits?

Yes.

Is there a quota or system or a labor market test in place?

Not applicable.

5.3 General Immigration Related Questions

Would it be possible to bring family members to Indonesia?

Yes, family members can obtain a dependent stay permit with legal properly documents.

Is it possible to obtain a permanent residence permit?

Yes, but restrictions apply.

What if circumstances change after the Work and Residence application process (e.g., change of employment or personal situation, including job title, job role or salary)?

If the changes are related to the employment situation such as changes to job title, job role, office address, employer, etc., the process must be re-started from the beginning.

If the changes are related to the personal situation such as changes in residence address in Indonesia, marital status, etc., submitting the updated data application to Immigration or Manpower Department is sufficient.

How long can a permit holder leave Indonesia without their permit becoming invalid?

There is no limitation as long as the permit has not expired when they enter Indonesia again.

Must immigration permissions be cancelled by the end of the assignment/employment?

Yes, so that the expatriate will receive the EPO (Exit Permit Only) or ERP from the Immigration Office. EPO or ERP is needed for tax purposes to cancel the tax registration in Indonesia.

Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?

Yes. The available penalties include fines, deportation, re-entry ban, exit ban, restrictions on residing in specific places within Indonesia, mandatory residency in a certain area, and changes or cancellation of a foreign stay permit (ITAS).

5.4 Other Important Items

List any other important items to note, or common obstacles faced, in Indonesia when it comes to the immigration processes.

- Employment agreement for work permit application: the new work permit application process requires submission of a definite period (fixed term) employment agreement between the foreign employee and the Indonesian entity sponsoring the work permit.
- Any person bringing cash into or taking cash out of the country in the amount of IDR100,000,000.00 (one hundred million Indonesian Rupiah) or more, or other currency in equivalent amount, must declare same to Customs.
- Dual nationality: Indonesian law does not allow dual nationality for those aged 18 and older. Individual who has retained Indonesian nationality might have to renounce his/her nationality or hand in your Indonesian passport.
- University Degree of a foreigner must be submitted with the annual work permit application
- Currency of salary for foreigner working in Indonesia
- Foreign employees working in Indonesia for more than 6 months are obligated to contribute to the Indonesian social security system.
- Beware of inconsistencies in documentation: For example, if there is a discrepancy in the name or signature of the applicant as shown on their passport, the authorities may require further supporting documents.
- A foreigner that has an outstanding tax bill in Indonesia may be banned from traveling outside Indonesia; if the foreigner is a director of an Indonesian company that has any outstanding tax bill may be banned from traveling outside Indonesia.
- To issue a stay permit for foreigner work in the finance industry, the Immigration Authority also needs approval from the Financial Services Authority (OJK/Otoritas Jasa Keuangan).

- Computer system error in Immigration or Manpower department may create a delay in the permit application process.

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