

Rödl & Partner

TAX BOOKLET INDONESIA

Update on the Tax Regulatory Framework

2021
2022

Looking ahead



Looking ahead

“The Indonesian market continues to open its gates to foreign investors, creating an increasingly attractive environment for international business ventures.

This comprehensive tax booklet is supposed to provide you with a helpful overview of the current tax framework and its impact on your local business in Indonesia. We will of course be happy to discuss further details with you.”

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General Tax Provision

Law number 6 of 1983 regarding General procedures and provisions for taxation, as most recently amended by law number 7 of 2021 regarding The Harmonization of Tax Regulations, stipulates the following:

BASIS OF TAX SYSTEM

- Taxation in Indonesia is determined on the basis of Residency;
- Tax Returns are filed by taxpayers based on a self-assessment system;
- Members of group companies are taxed individually, no group relief provisions available;
- Statute of limitations of 5 (five years) for Directorate General of Taxes (“DGT”) / Indonesian Tax Authority (“ITA”) to issue tax assessments, except for criminal acts which are limited to 10 years.

ADMINISTRATION, BOOKS AND RECORDS

- Bookkeeping is mandatory for taxpayers in Indonesia, except for certain Individual taxpayers;
- Bookkeeping shall refer to the Generally Accepted Accounting Principles (GAAP);
- Generally, books and records, including electronic documents, should be maintained in IDR and Bahasa Indonesia and kept for 10 years in Indonesia.

Type of Tax	Monthly Payment Deadline	Monthly Filing Deadline	Annual Filing Deadline
Corporate Income Tax (CIT)	15 th of the following month	20 th of the following month	End of 4 th month after bookkeeping year ends ¹
Individual Income Tax (IIT)	15 th of the following month	20 th of the following month	End of 3 rd month after tax year ends ¹
Withholding tax article 21 / 26 (employee income tax return)	10 th of the following month	20 th of the following month	Employer shall provide annual payroll tax slips latest 31 st January of the following year
Withholding tax article 23 / 26	10 th of the following month	20 th of the following month	N / A
Withholding tax final article 4 sub article (2)	10 th of the following month	20 th of the following month	N / A
Withholding tax article 15	10 th of the following month	20 th of the following month	N / A
Withholding tax article 22 on certain industries	10 th of the following month	20 th of the following month	N / A
Value Added Tax (VAT) and Sales Tax on Luxury goods (STLG)	<ul style="list-style-type: none"> - Self-assess VAT at 15th of the following month - Payment of underpaid VAT before filing VAT 	At the end of following month	N / A

¹ Any underpayment of tax must be settled before submitting the annual tax return.

TAX PENALTIES AND ADMINISTRATIVE SANCTIONS

CIRCUMSTANCES	PENALTIES AND SURCHARGES
Late filing of monthly Tax Returns other than VAT returns	IDR 100.000 / tax returns
Late filing of monthly VAT Return	IDR 500.000
Late filing of Annual Individual Income Tax Return	IDR 100.000
Late filing of Annual Corporate Income Tax Return	IDR 1.000.000
Late Payment in General	Subject to an interest penalty based on the monthly interest penalty rate issued by the Ministry of Finance (i.e average 1 - 2 percent) / month; maximum of 24 months
<ul style="list-style-type: none"> - Issuing incomplete VAT invoice - Late in issuing VAT invoice - Reporting VAT invoice not in accordance with the period of issuance VAT invoice 	1% of the taxable base

Corporate Income Tax

Law Number 7 of 1983 regarding Income Tax, as most recently amended by Law number 7 of 2021 regarding The Harmonization of Tax Regulations, stipulates the following:

TAX RESIDENCE

A company is treated as a resident of Indonesia for tax purposes by virtue of having their incorporation or their domicile in Indonesia. A foreign company carrying out business activities through a permanent establishment (PE) in Indonesia will generally have to assume the same tax obligations as a resident taxpayer.

TAX RATES

- The Current applicable standard CIT rate is 22 percent;
- Resident corporate taxpayers with a gross revenue of up to IDR 50 billion will receive a 50 percent reduction on the corporate income tax imposed on the taxable income for their gross revenue up to 4.8 billion;
- Taxpayers fulfilling certain criteria and with a gross revenue not exceeding IDR 4,8 billion are subject to CIT of 0.5 percent of the gross revenue. These taxpayers may opt to be subject to the standard CIT rate by submitting a notification to the ITA;
- A public company which has a minimum of 40 percent of its total paid-up shares traded on Indonesian stock exchange, and which complies with the associated requirements, can obtain a 3 percent reduction from the applicable standard CIT rate.

TAX RATES FOR PERMANENT ESTABLISHMENT

- A standard CIT Rate applies to income earned by a non-resident taxpayer through a Permanent Establishment (PE) in Indonesia;
- A PE is also subject to 20 percent of branch profits tax, which applied to the PE's net profit after tax
- A lower tax rate for branch profit tax may apply based on relevant tax treaties.

FINAL INCOME TAX REGIME

Certain income are subject to a final income tax at a fixed percentage of the gross income. This final income tax rate is applicable for both, corporate and individual taxpayers.

TYPE OF INCOME	FINAL INCOME TAX RATE
Interest or discount on SBI, Savings and Fixed deposits	20%
Interest on bonds other than payable to banks operating in Indonesia and government-approved pension funds	10%
Lottery prizes	25%
Dividend paid to the resident individual shareholders	10% or exempted
Sale of listed shares	<ul style="list-style-type: none"> - 0,1% - Additional 0,5% for founder shareholder
Sale of land and / or buildings (including real estate business)	2,5%
Rental of land and / or buildings	10%
Construction planning and supervisory services	<ul style="list-style-type: none"> - 4% for certified contractor - 6% for non-certified contractor
Construction contracting services	<ul style="list-style-type: none"> - 2% for small contractor - 3% for medium and big contractor - 4% for non-certified contractor
MSME-final income tax, gross income earned by an individual or corporate taxpayers (other than PE) that does not exceed IDR 4,8 billion within fiscal year and subject to certain condition	0,5%

TAX OBJECTS

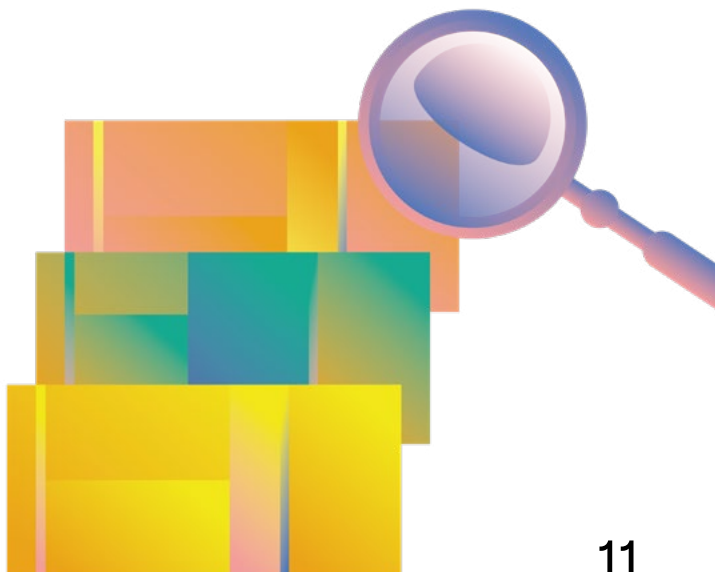
Tax objects are broadly defined as income, that is any additional economic capacity received or obtained by the Taxpayer, both from Indonesia and from outside Indonesia, which can be used for consumption or to increase the wealth of the Taxpayer concerned, in whatever name and form.

NON-TAXABLE INCOME

- Dividends received by a resident corporate taxpayer from another resident company;
- Dividends received by a resident corporate taxpayer from outside of Indonesia, provided these are invested in Indonesia within a certain period of time and do meet certain related requirements.

LOSS CARRIED FORWARD

Losses are available to be carried forward for a maximum of 5 years. Carry back of losses is not allowed.



Individual Income Tax

Law Number 7 of 1983 regarding Income Tax, as most recently amended by Law number 7 of 2021 regarding The Harmonization of Tax Regulations, stipulates the following:

TAX RESIDENCE

An individual resident taxpayer is an individual, either an Indonesia citizen or foreign citizen, who:

- resides in Indonesia;
- is present in Indonesia for more than 183 days within a period of 12 months; either continuously or intermittently; or
- is present in Indonesia during a fiscal year and has the intention to reside in Indonesia.

An individual is considered as an Indonesia tax resident if fulfilling one of the above criteria. Individual tax subjects are deemed to have the intention to reside in Indonesia, which can be proven by the following documents:

- Permanent Stay Permit Card (KITAP);
- Limited Stay Visa (VITAS) with a validity period of more than 183 days;
- Limited Stay Permit (ITAS) with a validity period of more than 183 days;
- a contract or agreement to carry out work, business, or activities carried out in Indonesia for more than 183 days; or
- other documents that may indicate the intention to reside in Indonesia, such as a rental contract for residence for more than 183 days or documents showing the transfer of family members.

TAX RATES

The applicable tax rates for individual taxpayers are as follows:

1. For fiscal year 2022 and onwards

Taxable Income Bracket (IDR)	Income Tax Rate
0 up to 60.000.000	5%
Over 60.000.000 but not exceeding 250.000.000	15%
Over 250.000.000 but not exceeding 500.000.000	25%
Over 500.000.000 but not exceeding 5.000.000.000	30%
Over 5.000.000.000	35%

2. For fiscal year 2021

Taxable Income Bracket (IDR)	Income Tax Rate
0 up to 50.000.000	5%
Over 50.000.000 but not exceeding 250.000.000	15%
Over 250.000.000 but not exceeding 500.000.000	25%
Over 500.000.000	30%

The applicable tax rates on severance payment are as follows:

Taxable Income Bracket (IDR)	Final Income Tax Rate
0 up to 50.000.000	0%
Over 50.000.000 but not exceeding 250.000.000	5%
Over 250.000.000 but not exceeding 500.000.000	15%
Over 500.000.000	25%

The applicable tax rates on pension fund or old age savings fund are as follows:

Taxable Income Bracket (IDR)	Final Income Tax Rate
0 up to 50.000.000	0%
Over 50.000.000	5%

TAX EXEMPTION / NON-TAXABLE INCOME

Annual non-taxable income (Penghasilan Tidak Kena Pajak / PTKP) for resident individuals are as follows:

Description	Amount (IDR)
For taxpayer	54.000.000
For spouse	4.500.000
Additional for a wife who combined her income with her husband	54.000.000
For family dependent member (max. of 3)	4.500.000

Individual taxpayers who have a certain gross turnover as referred to in article 4, sub article (2) letter e of income tax law, are not subject to income tax on the gross turn over up to IDR 500.000.000 within a fiscal year.

Allowable deduction for individual income tax computation:

Description	Amount (IDR)
Deemed occupational expenses (5% of gross income, max. of IDR 500.000 / month; Applicable for employee income tax calculation)	6.000.000
Employee contribution to BPJS of Manpower (2 percent of gross income)	Full amount
Employee contribution to Pension plan by BPJS of Manpower (1 percent of gross income or based on max. amount)	Full amount
Employee contribution to Pension program to registered pension fund	Full amount
Pension maintenance expenses (5% of gross income, max. IDR 200.000 / month; Applicable for the retired individual taxpayer)	2.400.000
Compulsory tithe (Zakat) or mandatory religious contributions	Actual amount, provided that valid supporting documentation is available and fulfills all requirements

SOCIAL SECURITY

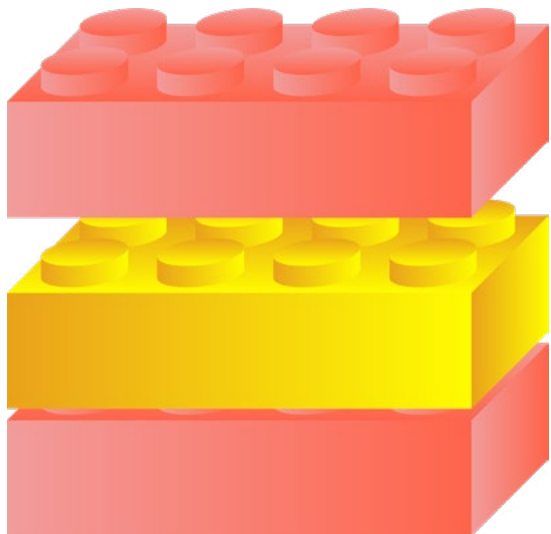
There are mandatory social security schemes, Manpower (BPJS Ketenagakerjaan) and Healthcare (BPJS Kesehatan), for Indonesian citizens and foreigners who work in Indonesia for at least six months.

Withholding Tax

Indonesian income tax is collected mainly through a system of withholding taxes. Where a particular item of income is subject to withholding tax, the income payer is generally held responsible for withholding or collection of the tax. These withholding taxes are referred to using the relevant article of the Income Tax Law, as follows:

WITHHOLDING INCOME TAX ARTICLE 21 (“PPH 21”)

- Employers are required to withhold PPh 21 from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. This withholding tax is also applicable to other payments made to the individual which are non-employee (e.g., service fees payable to individual consultants or service providers);
- The applicable withholding tax rate refers to the individual income tax rate as describe above;
- Resident individual taxpayers without an NPWP are subject to a surcharge of 20 percent in addition to the standard withholding tax rate.



WITHHOLDING INCOME TAX ARTICLE 23 (“PPH 23”)

Certain types of income paid or payable to resident taxpayers are subject to PPh 23 at a rate of either 15 percent or 2 percent of the gross amounts:

Type of Income	PPh 23 WHT Rate [*]
<ul style="list-style-type: none">- Dividend- Interest, including premiums, discount and loan guarantee fee- Royalties- Prizes and awards	15%
<ul style="list-style-type: none">- Rental of Assets other than land and /or buildings- Compensation with respect to technical services, management services, consultation services and other services, except those have been subject to PPh 21	2% of the gross amounts

^{*} Resident taxpayer without an NPWP are subject to a surcharge of 100 percent in addition to the standard withholding tax rate PPh 23

WITHHOLDING INCOME TAX ARTICLE 26 (“PPH 26”)

Resident taxpayers, organizations and representatives of foreign companies are required to withhold tax at a rate of 20 percent from the following payments to non-residents:

Type of Income	PPH 26 WHT Rate
<ul style="list-style-type: none">- Dividends- Interest including premiums, discounts and guarantee fees- Royalties, rents and payments for the use of assets- Fees for services, work and activities- Prizes and awards- Pensions and any other periodic payments- Swap premium and other hedging transactions- Gain from write-off of debt- Net-profits after tax of a branch for a Permanent Establishments	20% of the gross amount

Type of Income	20 % of Estimated Net Income (ENI)	
	ENI	Effective Tax Rate
- Insurance premium paid to insurance companies :		
a. by the insured	50 %	10 %
b. by Insurance companies in Indonesia	10 %	2 %
c. by re-insurance companies in Indonesia	5 %	1 %
- Sale of non-listed Indonesian company share	25 %	5 %
- Sale of a conduit company located in a tax haven country where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25 %	5 %
- Sale of luxury jewellery, diamonds, gold, luxurious watches, antiques, paintings, cars, motorcycles, yachts and light aircrafts with sales value above IDR 10 million	25 %	5 %

If the recipient is a resident in a treaty-partner country, the withholding tax rates may be reduced or exempted.

WITHHOLDING INCOME TAX FINAL ARTICLE 4 SUB ARTICLE (2) (PPH FINAL PASAL 4(2))

- Resident companies, Permanent Establishments, representatives of foreign companies, organizations and appointed individuals are required to withhold final tax from the following gross payments to resident taxpayers and Pes;
- The applicable withholding tax rate refers to the final-income tax rate as describe above

WITHHOLDING TAX ARTICLE 15 (“PPH 15”)

Based on article 15 of the income tax law, deemed profit margins are applied for certain industries.

Type of Income	Deemed profit margins (on gross revenue)	Effective income tax rate PPh 15
Foreign oil and gas drilling operations	15%	3,75%
Foreign shipping and airline operations	6%	2,64%
Domestic shipping operations	4%	1,20%
Domestic airline operations	6%	1,80%
Trade representative offices	1% of total export value to Indonesia (by the head office)	0,44%

The effective income tax rate may deviate, it may be subject to tax treaty or changes on regulation.

Value Added Tax

Law number 8 of 1983 regarding Value Added Tax and Sales Tax of Luxurious Goods, as most recently amended by law number 7 of 2021 regarding The Harmonization of Tax Regulations, stipulates the following:

THRESHOLD FOR VALUE ADDED TAX (“VAT”) REGISTRATION

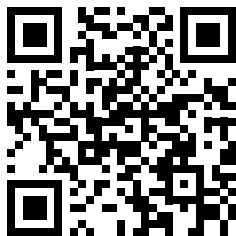
- An entrepreneur that delivers taxable goods and / or taxable services exceeding a certain amount in one fiscal year is required to register as VAT-able entrepreneur (Pengusaha Kena Pajak / PKP);
- Currently, the threshold is IDR 4.8 billion per annum;
- Being register as VAT-able entrepreneur, taxpayer has an obligation to collect, pay and report VAT.

Description	VAT Rate applicable
1. VAT Rate on local delivery of taxable goods and / or services:	
- Current VAT rate (applicable up to 31 March 2022)	10%
- VAT Rate applicable since 1 st April 2022	11%
- VAT Rate applicable since 1 st January 2025	12%
2. VAT Rate on:	
- Export of Taxable Goods	0%
- Export of intangible taxable goods; and	
- Export of certain taxable services	

About us

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