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**Indonesia
Individual Income Tax Guide 2017**

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Residency Rules

Resident taxpayers are defined as individuals who:

- are domiciled in Indonesia; or
- stay in Indonesia for more than 183 days in any 12-month period; or
- are present in Indonesia during a tax year and intending to reside in Indonesia.

A foreigner who qualifies to be a resident taxpayer becomes a tax resident from the date of arrival in Indonesia until the date of final departure from Indonesia.

An Indonesian national is considered a tax resident from birth unless he or she leaves Indonesia permanently. If an Indonesian national is leaving Indonesia temporarily, for example, for working assignment to another country for a period of 6 months or more, he/she can be considered as non-resident during the assignment period and will be taxed only on Indonesian sourced income.



Tax Obligations

Resident Taxpayers

- Must register with the Indonesian Tax Office and obtain Tax ID Number ("NPWP")
- Are taxed on worldwide income, regardless of source.
- Indonesia uses a self-assessment system whereby resident taxpayers will need to file individual income tax returns declaring worldwide income and assets and liabilities annually. The forms are called Form 1770 (for resident taxpayers with business income), Form 1770-S (for resident taxpayers who receive income from employment and other income), and Form 1770-SS (for resident taxpayers with annual gross income not exceeding IDR 60 million).
- Annual tax underpayment, if any, must be paid before the tax return is lodged. The annual tax return is for the period from 1 January to 31 December and shall be lodged with the Tax Office not later than 31 March of the following year. The annual tax return can be lodged directly to the Tax Office where the taxpayer is registered; however, the Tax Office has strongly encouraged the use of the electronic filing system to improve the Tax Office's database administration and to reduce long queues of people near the filing deadline.
- May need to pay monthly tax instalment/tax prepayment ("Article 25 Income Tax"), the amount of which is to be calculated when the annual income tax due is calculated and to be reported in the annual income tax return.
- Must maintain documents to support the income, taxes paid, and assets and liabilities declared in the individual tax return, e.g. bank statements, tax withholding slips, foreign tax returns, asset ownership certificate, etc. Documents shall be maintained for a minimum period of 10 (ten) years.
- Must deregister tax ID number/NPWP if leaving Indonesia permanently.

Non-resident Taxpayers

- Do not have an obligation to register for tax ID number and do not have any individual tax filing obligation.
- Are taxed only on Indonesian sourced income, and the tax is paid via withholding by the Indonesian payer.



Worldwide Income

The Indonesian tax regime adopts the worldwide income concept for resident taxpayers. Income is defined as any increase in economic prosperity that is received or accrued, originating within or outside Indonesia, which can be used for consumption or to increase the wealth of the taxpayer, in whatever name or form.

Taxation on employment income

Indonesian tax resident companies and permanent establishments are required to withhold income tax ("Article 21 Income Tax") from the salaries payable to their employees on a monthly basis and pay the tax to the State Treasury on their behalf, and then report to it the Tax Office.

Resident individual taxpayers without a tax ID number/NPWP are subject to a surcharge of 20% in addition to the standard Article 21 Income Tax rates.

Employment income in Indonesia is subject to tax, regardless of where the income is paid. In addition to salary, taxable employment income includes bonuses, commissions, overseas allowances, and fixed allowances for education, housing, and medical care. In-kind benefits paid for by the employer, such as medical expenses, company-provided cars and housing, home leave, etc., are not, in most cases, taxable as income to the employee. However, it should be noted that payments of these benefits are not tax deductible by the employer. The in-kind benefits could be subject to tax if they are provided by certain categories of employer.

Taxation on Capital Gains and Investment Income

Capital gains are generally assessable at standard income tax rates, together with other income of the individual. The exceptions are:

- Sale of land and/or buildings located in Indonesia. The tax is
- 2.5% final tax on the taxable sale value or the actual proceeds, whichever is higher.
- Sale of shares traded in the Indonesia Stock Exchange. The tax is 0.1% final tax on the sales proceeds.

Interest income on time deposits and savings with Indonesian banks or Indonesian branches of foreign banks (in any currency), is subject to final tax at 20%. Interest income from offshore is taxed at standard income tax rates.

Interest on Indonesian bonds is subject to final tax at 15%, whilst a final withholding tax of 10% is imposed on dividends received from an Indonesian company.

Rental income from a building or land that is located in Indonesia is subject to 10% final tax, which is calculated on the gross rental income.

Other types of investment income are assessable at standard income tax rates.



Individual Tax Rates

Resident Taxpayer

The standard tax rates on taxable income received by resident taxpayers are as follows:

Taxable Income	Rate
Up to Rp 50,000,000	5%
Over Rp 50,000,000 but not exceeding Rp 250,000,000	15%
Over Rp 250,000,000 but not exceeding Rp 500,000,000	25%
Over Rp 500,000,000	30%

Non-resident Taxpayer

A single rate of 20% is imposed on gross income; however, this rate may vary depending on the circumstances and the applicable tax treaty provisions. Specific tax rates apply for income that is subject to final tax.



Personal Deductions

The following personal deductions are available for resident individual taxpayers in calculating their taxable income, depending on the taxpayer's personal circumstances.

Basis of Deduction	Deductible Amount (per year)
Taxpayer	Rp 54,000,000
Spouse	Rp 4,500,000 (additional Rp 54,000,000 for a wife whose income is combined with her)
Dependents	Rp 4,500,000 each (up to a maximum of 3 individuals related by blood or marriage)
Occupational Support	5% of gross income up to a maximum of Rp 6,000,000
Pension cost (available to pensioners)	5% of gross income up to a maximum of Rp 2,400,000
Contribution to approved pension fund, e.g. BPJS Ketenagakerjaan	Amount of self-contribution
Compulsory tithe ("zakat") or religious contributions	Actual amount, provided that valid supporting evidence is available and certain requirements are met

Tax Credits

An individual tax resident can claim the following tax credits against the tax due at fiscal year-end:

Domestic Tax Credits

- Income tax on employment income withheld by the employer (Article 21 Income Tax);
- Tax collected on business income;
- Withholding tax on other income which is not final tax in nature; and
- Provisional monthly income tax instalments (Article 25 Income Tax) made by the taxpayer during the fiscal year.

Foreign Tax Credits

- Country-by-country basis; Indonesian tax due can be reduced by tax paid abroad on income received or accrued abroad on a country-by-country basis.
- The foreign tax credit claim is limited to the total Indonesian income tax due on the foreign income.

Generally, proof of tax paid or withheld needs to be attached to the tax return to claim the tax credit.



Assets and Liabilities Reporting

Resident taxpayers are required to declare their assets and liabilities as of the end of fiscal year.

So far, the Tax Office has not set any specific monetary value threshold for the assets and liabilities that should be reported under the individual's tax return. However, asset is defined as accumulated addition to economic capability, whether tangible and/or intangible, fixed or non-fixed, whether used for business or not, which is located inside and/or outside Indonesian territory.

Some examples of assets and liabilities are provided in the instruction for completion of the annual tax return, such as:

- Cash and cash equivalents: cash on hand, savings, time deposits.
- Receivables from affiliates or other receivables.
- Real property: house, apartment, factory, warehouse.
- Investments: shares, bonds, mutual funds, warrants.
- Means of transportation: bicycle, motorcycle, car.
- Other movable property: precious metals and stones, art works, antiques, yacht, airplane, helicopter, special sports equipment.
- Liabilities: loans from banks, credit cards.

Tax Audits

The Tax Office will audit an individual taxpayer in the following circumstances:

- Tax return shows overpayment
- Tax ID deregistration application
- Random audit to test compliance

During the tax audit, the Tax Office will examine the taxpayer's records to ensure that the income tax is calculated properly. In general, records requested by the Tax Office are bank statements, employment agreement, pay slips, original withholding tax slips or tax payment slips, cost of living estimation, and other records which are needed by the tax auditor in verifying the income reported in the tax return.

Sanctions

Failure to settle tax payment on time:
2% monthly interest charge on the tax payable.

Failure to file on time:

Administrative sanction for late filing:

- Monthly Return: IDR 100,000 per return
- Annual Return: IDR 100,000 per return

Failure to file a return due to tax criminal act such as negligence or fraud:

Fine and imprisonment of up to 6 years (maximum).

Social Security

The national social security schemes are the Manpower Scheme (BPJS Ketenagakerjaan) and Healthcare Scheme (BPJS Kesehatan), which are mandatory for Indonesian nationals as well as foreigners who work in Indonesia for at least 6 months. Expatriates need to be able to prove their participation in the social security schemes when renewing their work permits.

The premium contributions for each scheme is as follows:

Social Security Scheme	Areas covered	As a percentage of regular salaries/wages	
		Borne by employers	Borne by employees
BPJS Ketenagakerjaan (Manpower Scheme)	Working accident protection	0.24-1.74%	-
	Death insurance	0,30%	-
	Old age saving	3,70%	2%
	Pension insurance ⁽¹⁾⁽²⁾	2%	1%
BPJS Kesehatan (Healthcare Scheme) ⁽³⁾		4%	1%
			1% for ⁽⁴⁾ additional family member

Notes:

1. The regular salary /wages cap for calculating the pension insurance contribution is Rp. 7.703.500 per month.
2. Pension contribution is not mandatory for Expatriates
3. The regular salary /wages cap for calculating the healthcare insurance contribution is Rp. 8,000,000 per month.
4. The mandatory premium will cover husband, wife, and 3 dependents. Additional family members can be covered with additional premium.



Automatic Exchange of Information (AEOI)

The Organization for Economic Co-operation and Development (OECD) has developed a Common Reporting Standard (CRS) for the automatic exchange of tax and financial information on a global level, whose intention is to reduce the possibility of tax evasion. It provides for the exchange of non-resident financial account information with the tax authorities in the account holders' country of residence. Participating jurisdictions that implement AEOI send and receive pre-agreed information each year, without having to send a specific request.

Indonesia, as one of the participating countries, is expected to conduct the first information exchange by 2018. In preparation for the AEOI, the Government has issued Minister of Finance Regulation Number 70/PMK.03/2017 on 31 May 2017, giving instructions to financial institutions to release certain financial information for tax purposes to the Tax Office. The regulation also includes the sanctions for non-compliant financial institutions.



Certificate of Residence

A certificate of residence or certificate of domicile is a document issued by the Tax Authority for its resident taxpayers requiring proof of residential status for the purposes of claiming tax benefits under Double Taxation Agreements (DTA).

An Indonesian resident taxpayer who has a tax ID number may apply for the certificate for the current tax year (full/part year) and/or prior tax years for a maximum of 5 prior years. The application needs to be submitted to the Tax Office where the taxpayer is registered, for the specific tax year for which the certificate is requested and completed with the required supporting documents. If the application is approved, the Tax Office will issue the certificate within 10 working days.



Important dates

1 January

Beginning of the Indonesian fiscal year.

15th of each following month

Settlement of the provisional monthly tax payable (if any); e.g., September 2017 tax instalment must be paid by 15 October 2017.

31 March of the following year

Tax payment and normal filing deadline of annual individual income tax return; for example, Individual Income Tax Return for Fiscal Year 2017 should be filed by 31 March 2018. Any underpayment of tax must be settled before submission of the annual tax return, e.g. 30 March 2018 (subject to change as regulated by the tax authority).

Filing extension may be requested, and if granted by the Tax Office, it will provide extension for a maximum of two months, i.e. to 31 May 2018 (subject to approval). There is no extension available for the tax payment deadline.

31 May of the following year – annual extended filing deadline.

Extended filing deadline of annual individual income tax return, e.g. 2017 Annual Individual Income Tax Return can be filed by 31 May 2018, if a filing extension request was submitted by 31 March 2018 and is accepted by the Tax Office.

31 December

End of the Indonesian Fiscal Year.

Contacts

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