



Indonesia Individual Tax Guide

For Indonesian National Working Abroad (Outbound)

JANUARY 2022



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- Deloitte Touche Solutions, Tax Consulting
- PT Deloitte Konsultan Indonesia, Risk Advisory and Assurance Services
- PT Deloitte Advis Indonesia, Financial Advisory
- KJPP Lauw & Rekan, Valuation Advisory
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About Deloitte

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- International Tax
- Transfer Pricing
- Mergers and Acquisitions
- Global Investment and Innovation Incentives (Gi3)
- Tax Management Consulting
- Business Process Solutions
- Indirect Tax
- Global Employer Services
- Legal

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 <p>Financial Services including Banking & Capital Markets; Insurance; and Real Estate</p>	 <p>Government & Public Services including International Donor Organizations</p>
 <p>Life Sciences & Health Care</p>	 <p>Technology, Media & Telecoms, including Sport Business</p>

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PERSONAL
INCOME TAX

01



02

SOCIAL
SECURITY

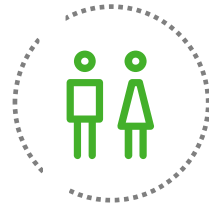
Personal Income Tax





Residency

- For tax purposes, 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.
- Indonesian citizens will generally be considered as a tax resident from birth unless he or she leaves Indonesia permanently or passes away.
- Under the Job Creation Law (UU Cipta Kerja) which was effective from 2 November 2020, Indonesian citizens living abroad can be regarded as a non-resident for Indonesian tax purposes, provided that he or she meets the conditions regulated by the Government.



Residency for Indonesian Citizens Living Abroad

- An Indonesian citizen living outside of Indonesia for more than 183 days can be treated as a non-tax resident of Indonesia if he/she can fulfil these requirements :
 - ✓ The permanent home, place of main activities, habitual abode are located outside of Indonesia;
 - ✓ Is a tax resident in the other country which is proved by a Certificate of Residence issued by the Tax Authority in the country of residency; and/or
 - ✓ Has obtained a Non Tax Resident Certificate a from the Directorate General of Taxation (“DGT”).
- Individual taxpayers who meet the conditions as a non-tax resident must submit an application to their registered Tax Office to obtain the Non-Tax Resident Certificate.



Tax Obligation - Resident Taxpayer

- Obtain Tax ID Number ('NPWP') if the income has exceeded a non-taxable income (PTKP)
- File individual income tax return annually, declaring taxable income, assets and liabilities on self assessment basis.
- May need to pay monthly tax instalment/tax prepayment ("Article 25 Income Tax") on regular income which is not subject to withholding tax and final tax. The amount of which is to be calculated with reference to the income reported in the prior year 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.



Tax year

The tax year corresponds to the calendar year



Tax Obligation - Non-resident taxpayer

- If the taxpayer already has NPWP and has obtained a Non-Tax Resident Certificate issued by the Tax Office, he or she may apply for a Non Effective Taxpayer ("WPNE") status so that he or she will no longer be required to file an Indonesian tax return for the period that the WPNE criteria is satisfied.
- Indonesia sourced income remains subject to tax either via the withholding tax mechanism by the tax resident payer or self-assessment mechanism by the individual.



Basis of taxation

- The Indonesian tax regime adopts the **worldwide income concept for resident taxpayers**. This means that any income earned as a tax resident will be subject to Indonesian taxes regardless of the source.
- **Non resident taxpayers** will only be subject to tax on their **Indonesian sourced income**.

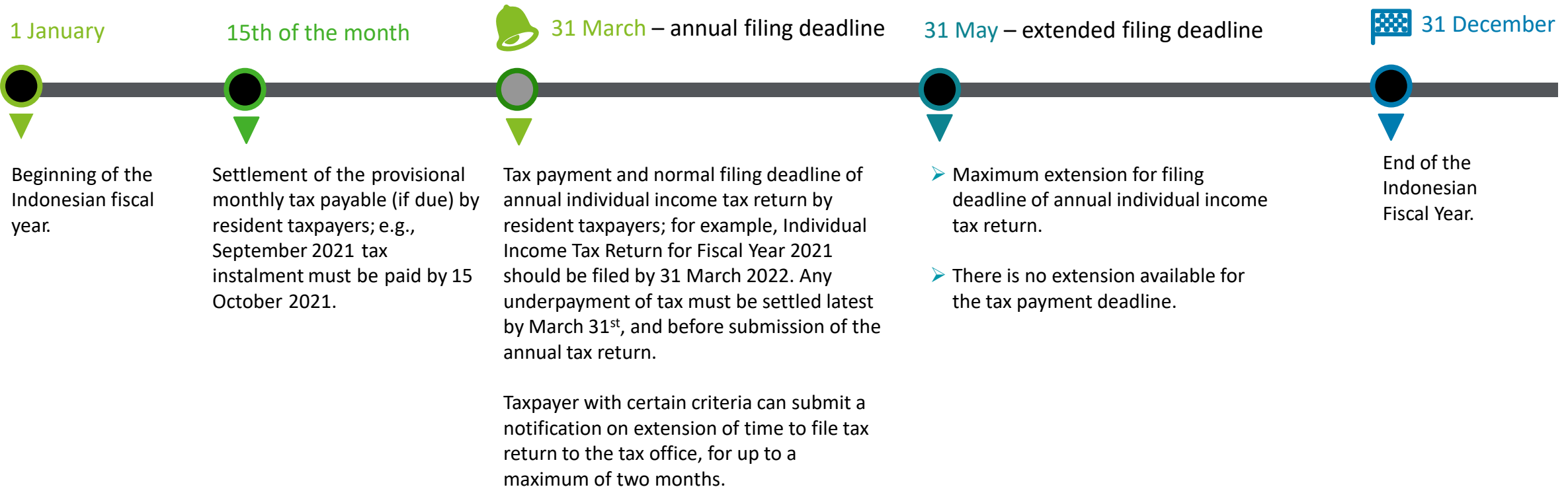


General filing due dates

- The annual tax return shall be lodged to the Tax Office by resident tax payers not later than 31 March of the following year.
- Any taxes due must be paid prior to submission of the tax return.

Personal Income Tax

Important dates



Personal Income Tax

Individual Tax Rates



Resident Taxpayer

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

Taxable Income	2021 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%

Taxable Income	2022 Rate*)
Up to Rp 60,000,000	5%
Over Rp 60,000,000 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 but not exceeding Rp 5,000,000,000	30%
Over Rp 5,000,000,000	35%

*) Applicable from 1 January 2022 onwards










Non-resident Taxpayer

A single rate of 20% is imposed on gross income. In certain cases, the tax rate will depend on the tax treaty provisions.

Personal Income Tax

Personal Deductions



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 husband's)
 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 contribution	5% of gross income up to a maximum of Rp 2,400,000
 Contribution to approved pension fund, e.g. BPJS Ketenagakerjaan	Actual Amount of self-contribution
 "Zakat" or religious contributions	Actual amount, provided that valid supporting evidence is available and certain requirements are met

These personal deductions are available for **resident individual** taxpayers in calculating their taxable income, depending on the taxpayer's personal circumstances.
No deductions available for **non-resident individual** taxpayers.

Personal Income Tax

Categories of taxable income



Employment Income

- Indonesian tax resident companies and permanent establishments are required to withhold income tax (“Article 21 / Article 26 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 report it to the Tax Office. The tax rate depends on the employees’ tax residency status.



- For a resident individual taxpayer, employment income paid offshore (cash and benefits in kind), that is not recharged to Indonesia and has not been taxed through withholding is subject to tax in the individual’s tax return.
- For a non-resident individual taxpayer, only employment income paid by Indonesian company will be subject to Indonesian taxes.



- Employment income provided in Indonesia is subject to tax, regardless of where the income is paid.
- In addition to salary, taxable employment income includes (but may not be limited to) bonuses, commissions, overseas allowances, and fixed allowances for education, housing, and medical care.
- Prior to 1 January 2022, in-kind benefits paid by the employer in Indonesia such as medical expenses, company-provided cars and housing, home leave, etc., are not, in most cases, taxable as income to the employee, and non-deductible by the employer.
- Effective from 1 January 2022, only certain In-kind benefits provided by employer in Indonesia are not subject to income tax, such as:
 - food and beverage for all employees;
 - benefit in certain remote area;
 - benefit that is required to carry the work assignment;
 - benefit financed by government; or
 - other in-kind benefit with certain limitation.Benefits other than the above shall be taxed at the employees’ hands, and tax deductible for the employer.

Personal Income Tax

Categories of taxable income



Capital Gain

Onshore capital gains

Certain capital gains earned by **tax residents** in Indonesia are subject to final tax, such as

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	The tax is 0.1% final tax on the sales proceeds.

Offshore capital gains

Capital gains earned by a **tax resident** are generally assessable at standard income tax rates, together with other income of the individual.

Non-tax residents are not subject to tax on offshore income and will generally be taxed at 20% on Indonesian sourced income, or the prevailing tax treaty rates



Interest Income

Onshore interest income

Time deposits and savings with Indonesian banks or Indonesian branches of foreign banks (in any currency),	The tax is 20% final tax.
Interest on Indonesian bonds	The tax is 15% final tax.
Other interest income other than from Indonesian banks/bonds	Combine with other income of the individual and assessable at applicable income tax rates

Offshore interest income

Interest income earned by a **tax resident** from offshore is taxed at standard income tax rates

Personal Income Tax

Categories of taxable income



Dividend Income

Onshore / domestic dividend income

Effective from November 2020, dividend income from Indonesia received by an individual tax resident is no longer subject to withholding tax.

The individual tax resident recipient needs to self assess and remit the tax due directly to the State Treasury by 15th of the following month unless if they are qualified for the tax exemption.

To qualify for the tax exemption, the dividend income must be reinvested in Indonesia for 3 years and meets the reinvestment conditions determined by the tax law.

Offshore dividend income

Dividend income received by a **tax resident** from overseas may also qualify for the tax exemption provided that it meets the reinvestment requirement and other prevailing conditions as per the tax regulations.

Non-tax residents are not subject to tax on offshore income and will generally be taxed at 20% on Indonesian sourced income, or the prevailing tax treaty rates



Rental Income

Onshore rental income

Gross rental income earned by individual from a building or land that is located in Indonesia is subject to tax.

Offshore rental income

Rental income earned by individual **tax residents** from offshore is taxed at standard income tax rates.

Any expenses related to offshore rental income can be deductible such as management fee, loan interest, repair expense, etc.





Domestic Tax Credits

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

- 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
- Provisional monthly income tax instalments (Article 25 income tax) made by the taxpayer during the fiscal year



Foreign Tax Credits

An individual **tax resident** can claim the tax paid in the source country as tax credits against the tax due at fiscal year-end

- Indonesian tax due can be reduced by foreign tax paid at the source country on income received or accrued abroad based on the prevailing regulation and limitation on a country-by-country basis.
- The foreign tax credit that may be claimed is limited to the effective Indonesian income tax or the tax treaty rate, whichever is lower.
- Taxpayer must be able to provide an evidence of the foreign tax paid upon request from the tax authorities.
- The excess foreign tax credit cannot be carried forward and utilized in the following year.
- Particularly for dividend income, the foreign tax paid cannot be claimed if the taxpayer utilize tax exemption.



Assets and Liabilities

Taxpayers with filing obligation 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.
- Other investments: pension fund, insurance.
- 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.

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, which 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, has conducted the first information exchange since 2018.



Failure to settle tax payment on time:

- Monthly interest charge on the tax payable based on the reference interest rate as determined by Ministry of Finance plus an uplift which differs depending on the case.



Failure to file on time & administrative sanction for late filing:

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



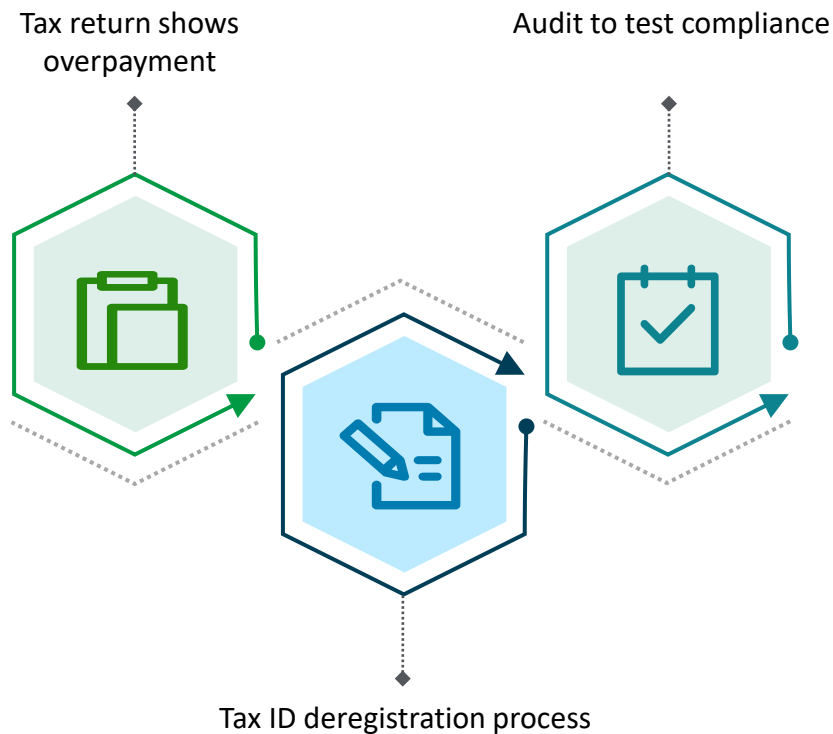
Failure to file a return due to tax criminal act such as negligence or fraud:

- Fine and a possibility of imprisonment (subject to certain conditions).

Tax Audits



The Tax Office will conduct an audit of an individual tax return in the following circumstances:

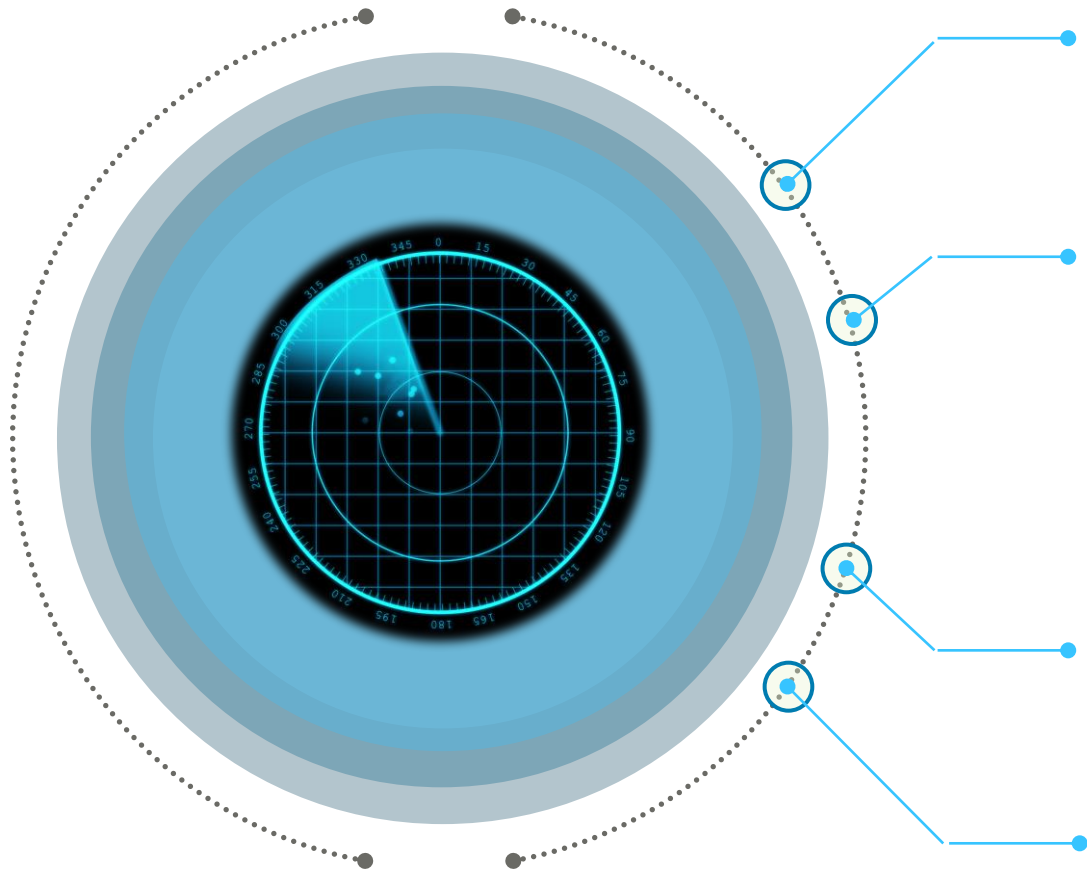


During the tax audit, the Tax Office will examine the taxpayer's records to ensure that the income tax is calculated properly. In general, records requested by the Tax Office are bank statements, employment agreement, pay slips, original withholding tax slips or tax payment slips, cost of living estimation,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



Social Security

Social Security



The national social security schemes are the Manpower Scheme (BPJS Ketenagakerjaan) and Healthcare Scheme (BPJS Kesehatan)



The national social security schemes are mandatory for Indonesian nationals



Indonesian citizen living abroad for at least 6 months can temporarily suspend their participation in the national social security schemes unless he/she still receives salary from Indonesia



Particularly for old-age saving, it can be withdrawn upon completion of employment or assignment

Social Security

The premium contribution



Social Security Scheme	Areas covered	Rate	
		Borne by employer	Borne by employee
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 8,754,600 per month.
 2. The regular salary /wages cap for calculating the healthcare insurance contribution is Rp. 12,000,000 per month.
 3. The mandatory premium will cover husband, wife, and 3 dependents. Additional family members can be covered with additional premium.
- The salary cap or percentage may change from time to time.

Contacts

Our GES practice

If you have any queries, please correspond with your usual contact within Deloitte Touche Solutions or with any one of the following tax professionals specializing in Global Employer Services.



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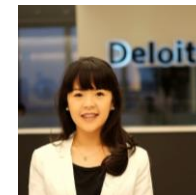
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