



Indonesia Tax Info January 2024

Guidance on new Article 21 income tax withholding calculation issued

On 29 December 2023, the Minister of Finance (MoF) issued a Regulation Number 168 of 2023 (PMK-168) to update the guidance on Article 21 income tax calculation, adapt with the development of the tax administration system, and incorporate the effective tax rate (ETR) introduced by Regulation Number 58 of 2023 (PP-58) (please refer to [Tax Alert January 2024](#)).

PMK-168 has come into effect as from 1 January 2024 and revokes the following regulations:

- MoF Regulation Number 250/PMK.03/2008 regarding occupational expenses or pension costs that are deductible from the gross income of permanent employees or pensioners (PMK-250);
- MoF Regulation Number 252/PMK.03/2008 regarding implementing guidance for withholding tax from income derived from work, service, and activity of individuals (PMK-252);

In this issue:

1. [Guidance on new Article 21 income tax withholding calculation issued](#)

Customs Focus:

2. [Amendment to import policies and regulations](#)

- MoF Regulation Number 102/PMK.010/2016 regarding the amount of income that is not subject to the withholding tax for daily- or weekly-paid employees as well as other nonpermanent employees (PMK-102); and
- Certain articles of MoF Regulation Number 262/PMK.03/2010 regarding procedures for withholding Article 21 income tax for state officials, civil servants, and members of the Indonesian National Armed Forces and Indonesian National Police, and such individuals now retired and receiving a pension payable from the state or regional budget (PMK-262).

New provisions apply
as from 1 January 2024.

Key features of PMK-168

Some of the key features of PMK-168 are presented in the table below. It should be noted that certain types of income are not subject to Article 21 income tax.

Income recipient	Type of income	Income tax calculation
Permanent employees and pensioners	<ul style="list-style-type: none"> • Income received or earned by employees, either regularly or irregularly, such as salary, overtime allowance, and bonus; and • Pension income or other similar income received or earned by pensioners. <p>In general, the allowable deductions remain the same as under PMK-252, except that the compulsory tithe (<i>zakat</i>) paid via the employer or pension payer is deductible.</p>	<ul style="list-style-type: none"> • Monthly ETR x gross income in a fiscal period (for the periods of January through November); • Progressive income tax rate(s) applicable to an individual taxpayer as defined in Article 17(1)(a) of the Income Tax Law (progressive individual income tax rate) x taxable income for the fiscal year (for the period of December).
Members of a board of commissioners or supervisory board receiving irregular income	Remuneration received or earned irregularly	Monthly ETR x gross income
Nonpermanent employees	<ul style="list-style-type: none"> • Daily wages; • Weekly wages; • Wages received individually; • Lump sum wages; and • Wages earned or received monthly. 	<ul style="list-style-type: none"> • If the gross income is not received or earned monthly and the amount does not exceed IDR 2.5 million per day: daily ETR x (average) daily gross income; • If the gross income is not received or earned monthly and the amount exceeds IDR 2.5 million per day: progressive individual income tax rate x 50% x daily gross income; • If the gross income is received or earned monthly: monthly ETR x gross income.
Individuals other than employees (nonemployees)	Remuneration related to freelance services, in the form of: <ul style="list-style-type: none"> • Honoraria; • Commission; • Fees; and • Other similar remuneration by any name or in any form 	Progressive individual income tax rate x 50% x gross income

Income recipient	Type of income	Income tax calculation
	Certain costs incurred by a nonemployee providing noncatering services may be excluded from Article 21 income tax if specifically stated in the contract.	
Event participants	<ul style="list-style-type: none"> • Pocket money and other allowances; • Honoraria; • Prizes or awards; and • Other similar rewards. 	Progressive individual income tax rate x gross income
Pension program participants (employees)	Pension benefits or similar income partially withdrawn by pension program participants who are still active employees.	Progressive individual income tax rate x gross income
Former employees	<ul style="list-style-type: none"> • Reward to appreciate a high performance; • <i>Tantiem</i>; • Certain gratifications; • Bonus; and • Other irregular income. 	Progressive individual income tax rate x gross income

Other matters

Other matters addressed by PMK-168 include the following:

- If the income or remuneration is earned or received in a currency other than IDR, the amount is to be converted to IDR using the MoF exchange rate applicable at the time when the income or remuneration is paid or accrued, whichever is earlier. Prior to PMK-168, the employer could choose to use the MoF exchange rate applicable at either the time when the income or the remuneration was paid or expensed.
- There are no changes in the Article 26 income tax calculation related to the income or remuneration earned by foreign individual taxpayers.
- PMK-168 emphasizes that where excess Article 21 income tax is withheld by an employer (e.g., owing to the employee resigning during the year), the excess tax withheld must be returned to the employee.
- Prior to PMK-168, Article 21 income tax was calculated based on the equivalent annualized income amount. However, under PMK-168, the income amount used to calculate the Article 21 income tax is no longer annualized, including the amounts used in applying the progressive income tax rates. This may result in an underpayment of tax at the year end when the individual calculates his/her annual individual income tax liability.
- PMK-168 adds several professions to the list of nonemployees who are subject to Article 21 income tax, including land title registrars, online media content creators, and insurance agents.
- PMK-168 emphasizes that income by any name and in any form, including BIK, may be subject to Article 21 income tax. Further withholding provisions related to BIK are addressed in MoF Regulation Number 66 of 2023 (please refer to [Tax Info July 2023](#)).

Deloitte comments

PMK-168 introduces significant changes and is likely to be complex when put into practice. Companies are encouraged to analyze PMK-168 in detail, review their existing tax arrangements, and plan carefully for necessary actions to be taken or policies to be adopted. This includes revisiting the existing Article 21 income tax calculation formula in the payroll system, employment contracts, and internal policies.

The Director General of Tax on 19 January 2024 issued Regulation Number 2/PJ/2024 as a technical implementing regulation of PMK-168 which will be covered in our next issue.

Customs Focus

Amendment to import policies and regulations

In order to strengthen the effectiveness of control on import activities, the government has issued Regulation of Ministry of Trade (MoT) Number 36 of 2023 (Permendag-36) to amend and reorganize import policies and regulations previously stipulated in MoT Regulation Number 20 of 2021.

Salient points of Permendag-36 are as follows:

- **Import supervision**

Import supervision is shifted from “post-border” to “border” on electronics, footwear, apparel, cosmetics, and traditional medicine commodities, with the aim of regulating the import of goods.

- **Raw material import facility for authorized economic operators and customs primary partners**

Authorized economic operator (AEO) and customs primary partner (*Mitra Utama Kepabeanan* (MITA)) companies with a producer import license (*Angka Pengenal Importir-Produsen* (API-P)) are exempted from providing a surveyor report for import of variety of goods, among others, iron or steel commodities, flat glass commodities, and downstream plastic commodity groups. AEO and MITA are also exempted from providing surveyor report and import approval license (*Persetujuan Impor* (PI)) for textile and textile product commodity groups and plastic raw material commodity groups.

Please note that the imported raw materials can only be used to fulfill the raw material needs of the industry and may not be traded or transferred to other parties.

Permendag-36 will take effect as from 10 March 2024.

Contact Persons

Questions concerning any of the subjects or issues contained in this newsletter should be directed to your usual contact in our firm, or any of the following individuals:

Business Tax Melisa Himawan Tax & Legal Leader mehimawan@deloitte.com	Business Tax, M&A and Tax Technology Consulting John Lauwrenz jlauwrenz@deloitte.com	Transfer Pricing Roy David Kiantiong rkiantiong@deloitte.com	Global Employer Services and Business Process Solutions Irene Atmawijaya iatmawijaya@deloitte.com
Business Tax Hermanto Suparman hsuparman@deloitte.com	Business Tax Dionisius Damijanto ddamijanto@deloitte.com	Transfer Pricing Balim bbalim@deloitte.com	Global Employer Services Sri Juliarti Hariani shariani@deloitte.com
Business Tax Heru Supriyanto hsupriyanto@deloitte.com	Business Tax Muslimin Damanhuri mdamanhuri@deloitte.com	Transfer Pricing Sandra Suhenda ssuhenda@deloitte.com	Business Tax, Indirect Tax and Global Trade Advisory (Customs) Turmanto tturmanto@deloitte.com
Business Tax and International Tax Cindy Sukiman csukiman@deloitte.com	Business Tax and Business Process Solutions Ratna Lie ratnalie@deloitte.com	Transfer Pricing Shivaji Das shivdas@deloitte.com	Business Tax Wisesasari wisesasari@deloitte.com
Business Tax Budi Prasongko bprasongko@deloitte.com	Business Tax Reggy Widodo rwidodo@deloitte.com	Business Tax Roy Sidharta Tedja roytedja@deloitte.com	

Deloitte Touche Solutions
The Plaza Office Tower, 32nd Floor
Jl. M.H. Thamrin Kav 28-30
Jakarta 10350, Indonesia
Tel: +62 21 5081 8000
Fax: +62 21 2992 8303
Email: iddttl@deloitte.com
www.deloitte.com/id

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Indonesia
In Indonesia, services are provided by Deloitte Touche Solutions.

This communication contains general information only, and none of DTTL, its global network of member firms or their related entities is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication.