

Deloitte.



Indonesia Tax Guide 2025-2026

Deloitte Touche Solutions

MAKING AN
IMPACT THAT
MATTERS
since 1845

This publication is prepared based on the prevailing laws and regulations as well as publications available as of 30 June 2025. Some information has been updated with regulations that were issued after the cut-off date of this publication and they were specified in the relevant sections. Materials and information contained herein are provided by Deloitte Touche Solutions and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited (DTTL), its global network of member firms, or their related entities is, by means of this publication, 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 publication, 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 publication.

Contents

About Deloitte	4
General Provisions and Procedures for Taxation	9
Corporate Income Tax	26
Individual Income Tax	51
Withholding Taxes	58
Transfer Pricing	74
Value Added Tax	82
Taxation on Transaction through Electronic System	106
Summary of Double Tax Avoidance Agreements	113
Tax Facilities in Ibu Kota Nusantara	131
Voluntary Disclosure Program	137
Carbon Tax	140
List of Abbreviations	142
Contacts	146

About Deloitte

With over a 180-year history of commitment to making an impact that matters, our network of member firms has grown in scale and experience providing audit and assurance, tax & legal, strategy, risk & transactions, technology & transformation, and related services. Through a globally connected network of member firms in more than 150 countries and jurisdictions, Deloitte brings globally integrated services and deep technical capabilities to clients, delivering the insights they need to address their most complex business challenges.

Deloitte Asia Pacific

We provide services from more than 100 cities across the Asia Pacific 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.

Clients operate in a more globally connected way than ever before, and by working together, Deloitte Asia Pacific Member Firm (Deloitte AP) facilitates seamless cross-border services. Central to our firm is a commitment to our global purpose, to make an impact that matters for clients, people, and communities.

Deloitte AP is the third largest member firm in the Deloitte network, extending across China, India, Japan, South Korea, Australia, Southeast Asia, and New Zealand. Through one contact across the dynamic Asia Pacific region, we connect you to a powerhouse of skills and knowledge across geographies and industries. With the innovation and IP of over 91,000 professionals and extensive alliances, we deliver a united focus to solving your most complex and pressing issues.

About Deloitte in Indonesia

Based in Jakarta, Deloitte Indonesia has grown rapidly over the years to its current size of over 2,000 staff. Our Indonesia practice is served by:

- Deloitte Touche Solutions
- Deloitte Legal Indonesia
- Liana Ramon Xenia & Rekan
- PT DC Solutions
- PT Deloitte Advis Indonesia
- PT Deloitte Consulting
- PT Deloitte Konsultan Indonesia

Each firm is its own separate legal entity and operates independently.

About Deloitte tax offerings

Worldwide leadership in tax services

What is most needed in the global tax environment is often challenging to secure: confidence. Deloitte helps you anticipate changes, unlock the full potential of your people, extract strategic insights from your data,



and create new values for your organization through digital technologies. Today's rapidly shifting global tax environment is creating unprecedented transformations in the market. In the midst of uncertainty, Deloitte helps you see opportunities and lead with confidence.

- Approximately 60,800 tax professionals in more than 150 countries and 2,500 legal professionals in 75 countries around the world offer clients a broad range of fully integrated tax & legal services.
- Technologists advise businesses on the automation of key tax processes and develop ways to deliver tax solutions in new ways—artificial intelligence, analytics, robotic process automation for efficiency, delivery centers, and proprietary technologies.
- Consultants assist tax and mobility leaders to identify ways to increase their production efficiency by using digital tools and new working methods.

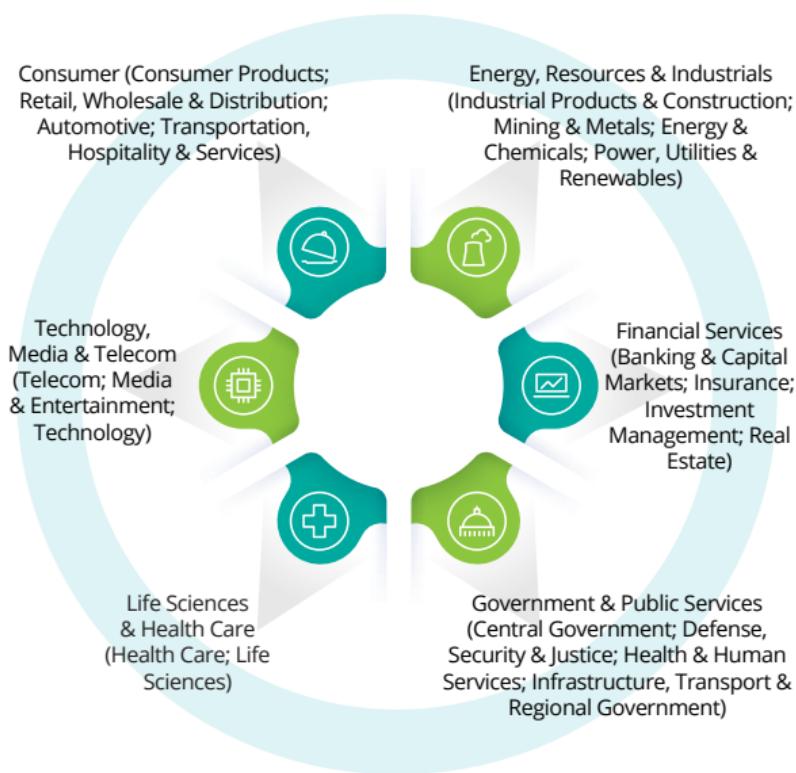
Our tax & legal services include:

- Business process solutions
- Direct tax (including business tax, international tax, mergers and acquisitions tax, transfer pricing)
- Global employer services
- Indirect tax
- Legal

Leveraging the resources and capabilities of the Deloitte global network, each Deloitte member firm is able to bring outstanding experience that has been gained through blending international best practice with in-depth industry knowledge and local market specialization.

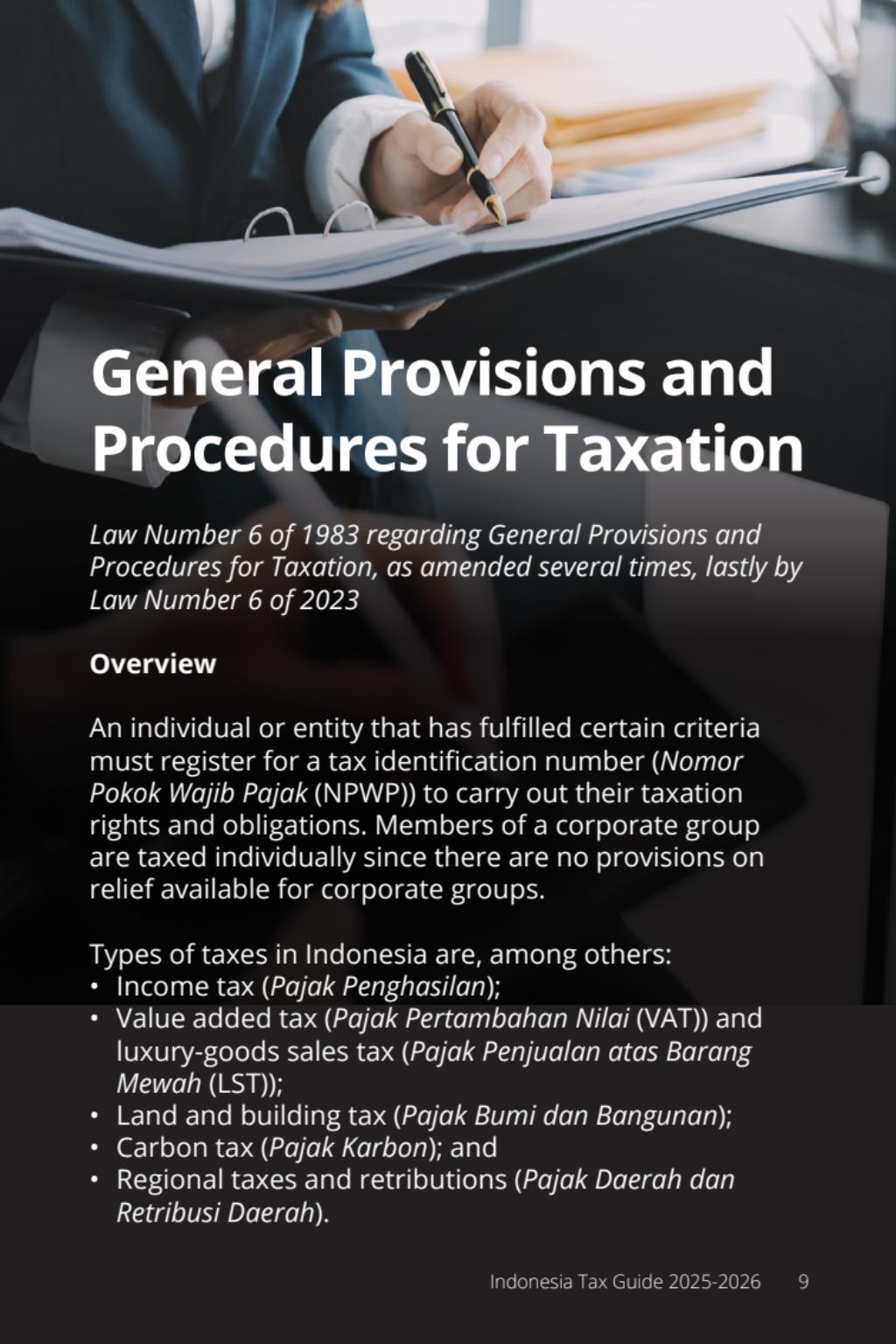
Deloitte's approach to the development of industry practice puts great emphasis on delivery aligned to professional standards through shared experiences, deliverables, and solutions that cross country borders; connecting various practice groups and communities focused on specific sectors and service lines. In Southeast Asia, our professionals receive industry-relevant training to enable them to better serve many global and regional top players in each industry to help keep our clients one step ahead.

We serve a significant number of clients across key sectors of the global economy:



For more information, please access
<https://deloi.tt/3mqygE3> or scan this barcode:





General Provisions and Procedures for Taxation

Law Number 6 of 1983 regarding General Provisions and Procedures for Taxation, as amended several times, lastly by Law Number 6 of 2023

Overview

An individual or entity that has fulfilled certain criteria must register for a tax identification number (*Nomor Pokok Wajib Pajak* (NPWP)) to carry out their taxation rights and obligations. Members of a corporate group are taxed individually since there are no provisions on relief available for corporate groups.

Types of taxes in Indonesia are, among others:

- Income tax (*Pajak Penghasilan*);
- Value added tax (*Pajak Pertambahan Nilai* (VAT)) and luxury-goods sales tax (*Pajak Penjualan atas Barang Mewah* (LST));
- Land and building tax (*Pajak Bumi dan Bangunan*);
- Carbon tax (*Pajak Karbon*); and
- Regional taxes and retributions (*Pajak Daerah dan Retribusi Daerah*).

Indonesian tax residents are taxed on their worldwide income, with certain exceptions for qualifying individual tax residents. Non-Indonesian tax residents are taxed only on incomes sourced from Indonesia, including income attributable to permanent establishments (*Bentuk Usaha Tetap (PE)*) in Indonesia.

Indonesia applies a self-assessment system in fulfilling income tax and VAT obligations. Control of the Directorate General of Taxes (DGT) over taxpayers' compliance is exercised through tax audits, which are generally followed by the issuance of tax assessment letters. The statute of limitation for the DGT to issue an underpaid tax assessment letter (*Surat Ketetapan Pajak Kurang Bayar (SKPKB)*) and additional underpaid tax assessment letter (*Surat Ketetapan Pajak Kurang Bayar Tambahan (SKPKBT)*) is five years. Under tax criminal law, the statute of limitation can be extended up to 10 years.

For supervisory and monitoring purposes, the tax authorities may issue a letter requesting data and/or explanations from taxpayers (*Surat Permintaan Penjelasan atas Data dan/atau Keterangan*), to which the taxpayers must respond within 14 days. If there is no response, or the response is considered inadequate, the tax authorities may escalate this to a formal tax audit procedure.

Taxpayers fulfill their tax obligations using the Core System of Tax Administration portal (Coretax), a technology-based tax administration system. This web-based portal integrates all core tax administration processes, from tax registration, tax return submissions, settlement of taxes due, to tax audits and tax collection by the tax authorities.



Bookkeeping and record requirements

A taxpayer is required to maintain proper bookkeeping in Indonesia for at least 10 years, including all supporting documents that form the basis for accounting records. All books and records must be prepared in Indonesian language and denominated in IDR currency and must be conducted in accordance with the Indonesian Financial Accounting Standards (*Standar Akuntansi Keuangan (SAK)*), unless otherwise specifically regulated in tax regulations. The DGT usually requires these documents to be provided during a tax audit process.

There is a statutory requirement for the taxpayer's accounting records to be audited by a public accountant under certain circumstances. If the books and records are audited, the DGT requires the audited financial statements to be attached along with the filing of annual corporate income tax (CIT) return.

Foreign investment companies (*Penanaman Modal Asing*), PE, taxpayers that are listed on offshore stock exchanges, subsidiaries of offshore companies, certain collective investment contracts (*Kontrak Investasi Kolektif (KIK)*), or taxpayers that prepare their financial statements in US Dollar as their functional currency in accordance with the SAK may maintain their bookkeeping in English and use

the US Dollar denomination (USD bookkeeping) by firstly obtaining the DGT's approval before commencing the USD bookkeeping preparation.

Contractors of oil and gas production sharing contracts (PSC) and companies operating under mining contracts of work (CoW) may decide to maintain USD bookkeeping by notifying the DGT.

Generally, a fiscal year constitutes a calendar year. An approval from the DGT must be obtained in order to change the fiscal year period.

Tax payment and reporting obligations

Monthly tax obligation

In general, tax payment and reporting deadlines for monthly income tax and VAT obligations are summarized below:

Type of tax	Monthly payment deadline	Monthly reporting deadline
CIT (article 25 monthly tax installment)	The 15th of the following month	The 20th of the following month
Individual income tax (article 25 monthly tax installment)		
Article 21/26 income tax (employee income tax (EIT))		
Withholding taxes (WHT) (other than EIT)		
VAT and LST	Before the submission of VAT and LST returns	The end of the following month

Different payment deadlines apply to certain types of tax payment, such as self-assessed VAT on the utilization of taxable intangible goods and/or taxable services from offshore and self-assessed taxes arising from import activities.

Taxpayers may deposit funds into their tax account in the DGT system to facilitate tax payments. The tax payment using the deposit is performed through an overbooking (*pemindahbukuan*) process.

Taxpayers that have paid an article 25 monthly tax installment and received a state revenue transaction number (*Nomor Transaksi Penerimaan Negara*) are treated as having already reported the tax with the payment validation date considered as the submission date. For banks, state-owned enterprises (*Badan Usaha Milik Negara (BUMN)*), regional-owned enterprises (*Badan Usaha Milik Daerah (BUMD)*), publicly listed companies, and other types of taxpayers that are required to submit periodic financial statements to certain institutions, the article 25 monthly tax installment calculation report must be submitted to the DGT by the 20th of the month following the end of the reporting period.

Late tax payment is subject to an administrative sanction of interest at a rate determined by the Minister of Finance (MoF), which is calculated based on the reference interest rate (*Suku Bunga Acuan (SBA)*) plus an uplift of 5% divided by 12 months for a maximum of 24 months.

Late reporting is subject to a penalty of IDR 500 thousand for VAT return and IDR 100 thousand for other monthly tax returns.

Annual tax obligation

Tax payment and reporting deadlines for annual income tax obligations are summarized below:

Type of tax	Payment deadline	Reporting deadline
CIT	Before the submission of the CIT return	The end of the fourth month after the fiscal year ends
Individual income tax	Before the submission of the individual income tax return	The end of the third month after the fiscal year ends

Taxpayers may extend the period of submission of annual income tax returns for a maximum of two months from the original deadlines by submitting a notification to the DGT.

Late tax payment is subject to an administrative sanction of interest at a rate determined by the MoF, which is calculated based on the SBA plus an uplift of 5% divided by 12 months for a maximum of 24 months. Tax underpayment arising from the voluntary amendment of tax returns is subject to an administrative sanction of interest at a rate determined by the MoF, which is calculated based on the SBA plus an uplift of 5% or 10% divided by 12 months for a maximum of 24 months, or a surcharge of 100% depending on the case.

Late reporting is subject to a penalty of IDR 100 thousand for individual income tax return and IDR 1 million for CIT return.

Appointment of another party as a tax withhold/collector

The MoF is allowed to appoint a domestic party or a foreign party that is directly involved in or facilitates certain transactions to withhold/collect the relevant income tax and VAT.

The provisions regarding tax assessment and collection, legal action, and imposition of penalties also apply to foreign parties appointed as tax withholders/collectors by the MoF.

Please refer to pages 106 to 112 for further information on the taxation of transactions conducted through the electronic system (*Perdagangan Melalui Sistem Elektronik* (PMSE)).

Tax dispute resolution

Tax audit and tax assessment

The DGT may conduct a tax audit on a taxpayer for the following purposes:

- Assessment of taxpayers' compliance; and
- Other purposes (e.g., audit upon request for revocation of an NPWP, audit to determine the commencement of commercial production for tax facility eligibility).

Typically, the tax auditors will borrow or request access to a taxpayer's books, records, and supporting documents (including softcopies of data) that form the basis of the tax calculation. The taxpayer has to submit the requested information within one month from the request date.



Any information not provided within this time frame would not be considered during tax audit or subsequent tax objection processes. Whereas if the requested information is not fully provided, the tax auditors may determine the tax liability *ex officio* based on available data. In cases where tax calculations are difficult due to insufficient information and there are indications of tax crime, the tax auditors may escalate the case to an audit on preliminary evidence for tax crime (*pemeriksaan bukti permulaan (bukper audit)*).

The next stage is the preliminary findings discussion between the tax auditors and the taxpayer. This process allows the taxpayer to review potential corrections identified by the tax auditors, provide necessary explanations, and engage in discussions with the tax auditors to reach a mutual understanding of specific transactions.

The tax auditors then deliver a notification of tax audit findings (*Surat Pemberitahuan Hasil Pemeriksaan (SPHP)*) to the taxpayer, to which the taxpayer must respond. Subsequently, the tax auditors invite the taxpayer to a closing conference for the purpose of discussing the SPHP and the taxpayer's response letter.

During the closing conference, the taxpayer may submit a request for a review by a quality assurance team if there is a dispute between the taxpayer and the tax auditors regarding the legal basis for the proposed correction.

The product of a tax audit is a tax assessment letter, which may be one of the following:

- Nil tax assessment letter (*Surat Ketetapan Pajak Nihil*)—the amount of tax paid and/or tax credit equals to the amount of tax payable;
- Overpaid tax assessment letter (*Surat Ketetapan Pajak Lebih Bayar*)—the amount of tax paid and/or tax credit exceeds the amount of tax payable; or
- SKPKB—the amount of tax paid and/or tax credit is less than the amount of tax payable.

For SKPKB, the underpaid amount is subject to an administrative sanction of interest at a rate determined by the MoF, which is calculated based on the SBA plus an uplift of 15% or 20%, divided by 12 months for a maximum of 24 months; or a surcharge of 75%, depending on the case. The underpaid amount and the sanction are to be settled with the State Treasury within one month since the issuance date of the assessment letter, if the assessment has been agreed upon by the taxpayer during the closing conference of tax audit.

If the tax audit on VAT results in imposition of administrative sanction of interest and surcharge, only the higher of the two penalties will be imposed.

A tax assessment letter resulting from an audit upon request for a tax refund must be issued within 12 months since the complete request is submitted by the taxpayer. Otherwise, the refund request will be deemed to be approved.

In the event that an indication of tax crime is found during a tax audit, the audit will be deferred and a *bukper* audit is instigated. The *bukper* audit can be either halted or proceeded to a tax investigation process.

An SKPKBT can only be issued based on a tax re-audit (*pemeriksaan ulang*), which is carried out when new data is discovered, when data that was not revealed in the previous tax audit is uncovered, or when the taxpayer provides a written statement of their own will. If the SKPKBT is issued, there will be a tax surcharge of 100% of the underpaid tax amount.

Tax objection

A taxpayer may file an objection (*keberatan*) to a tax assessment letter or tax withheld/collected by a third party by submitting a letter of objection.

The objection letter has to meet specified formal requirements to be processed and considered. In addition, the objection letter must be filed within three months from the delivery date of the tax assessment letter or the date of tax withholding/collection. If the objection is filed against a tax assessment letter, the taxpayer must settle, at least, the amount that has been agreed upon during the tax audit closing conference.

The payment of any amount that has not been agreed upon during the closing conference may be deferred until one month after the issuance date of a tax objection decision letter (*Surat Keputusan Keberatan*). Taxpayers can pay any amount that has not been agreed upon before filing an objection letter to avoid additional tax surcharge if the objection is rejected.

The tax objection decision letter must be issued within 12 months from the filing date of the objection letter. If the decision letter has not been issued by the deadline, the objection request is deemed to be approved.

In the case the objection is rejected or partially approved, an additional tax surcharge of 30% will be imposed on the tax amount that has not been paid before the filing of the objection letter. However, if the taxpayer appeals the decision to the tax court, the tax surcharge of 30% will not be imposed and the tax payment due date is deferred until one month after the issuance of a tax court verdict (*Putusan Pengadilan Pajak*).



Furthermore, if the objection is withdrawn or rejected due to the taxpayer's failure to fulfill the formal requirements, the 30% penalty is not applicable since the objection is considered to be never filed; however, the tax payable would be due by referring to the issuance date of the assessment letter.

Tax appeal

A taxpayer may file an appeal (*banding*) against a tax objection decision letter by submitting an appeal petition letter (*Surat Permohonan Banding*) to the tax court.

The appeal petition letter must be prepared in certain format and according to regulated procedures to meet formal requirements and must be filed, at the latest, three months from the delivery date of the tax objection decision letter.

The tax court will conduct hearings and deliver a verdict within 12 months since the appeal letter is received. In some cases, this deadline may be extended for three months. There is no consequence if the deadline elapses.

In the case the appeal is not granted (either entirely or partially) or results in an increased amount of tax payable due to certain reasons, an additional tax surcharge of 60% will be imposed on the tax amount that must be paid, deducted by the tax amount paid before the filing of relevant objection letter.

If the appeal is not accepted under the Tax Court Law due to the taxpayer's failure to comply with the formal requirements, the applicable tax surcharge will remain at 30% and the tax payable would be due by referring to the issuance date of the objection decision.

Judicial review request

In some cases, a taxpayer or the DGT may challenge a tax court verdict by filing a judicial review (*peninjauan kembali*) petition to the Supreme Court.

The judicial review proceeding should be concluded within six months since the review request is lodged. However, there is no consequence if the deadline elapses. A request for judicial review does not postpone the execution of the tax court verdict.

If a judicial review results in an increased amount of tax payable, the additional amount over the tax settled prior to the filing of the objection request shall be subject to a tax surcharge of 60%.

Lawsuit

A taxpayer or tax bearer can file a lawsuit (*gugatan*) to the tax court against an execution of tax collection procedure or a tax decision letter that is not properly issued in accordance with applicable tax regulations.

A lawsuit against an execution of tax collection procedure must be filed to the tax court within 14 days from the execution date of the tax collection procedure. A lawsuit against matters other than the execution of tax collection procedure must be filed within 30 days since the receipt of decision letter. The tax court will conduct hearings and deliver a verdict within six months since the lawsuit letter is received.

Other tax dispute resolution

Following a taxpayer's request or by virtue of the DGT, the DGT can:

- Reduce or cancel an administrative sanction, in the case the sanction is imposed due to the taxpayer's unintentional mistakes;
- Reduce or cancel an incorrect tax assessment letter or

- a tax collection letter (*Surat Tagihan Pajak* (STP)); or
- Cancel tax audit findings or tax assessment letters that are issued without:
 - Delivering the SPHP properly; or
 - Conducting a closing conference with the taxpayer.

The DGT must respond to the taxpayer's request submitted based on the above reasons within six months. If the decision letter has not been issued by the deadline, the taxpayer's request will be deemed to be approved.

Tax collection procedures

In addition to the tax assessment letter, the DGT can issue an STP to collect tax payable and/or tax penalty and surcharge arising from the following conditions:

- There is underpaid or unpaid tax;
- There is administrative sanction in the form of penalty and/or interest;
- VAT-able entrepreneur (*Pengusaha Kena Pajak* (PKP)) does not issue VAT invoices or is late in issuing VAT invoices;
- PKP issues incomplete VAT invoices (with certain exception);
- There is interest compensation that should not have been granted; or
- Taxpayer is granted a tax deferment or tax installment for certain period but then fails to pay by the due date.

An STP for collecting tax penalty and surcharge may also be issued to stamp duty collectors, carbon tax collectors, and/or taxpayers carrying out activities generating carbon emission.

In general, STP can be issued maximum five years after the tax, the fiscal period, the part of fiscal year, or the

fiscal year is due. Under certain conditions, the statute of limitation can be extended.

A distress warrant (*Surat Paksa*) may be issued if a taxpayer does not settle their tax payable along with the tax penalty and surcharge, despite the DGT's effort for collection. If the taxpayer still does not settle the tax payable as well as the tax penalty and surcharge, the DGT can seize the taxpayer's assets for auction.

In the event that the tax bearer is a shareholder or capital owner while also acting as the corporate management, the settlement of tax payable should consider the following levels of responsibility of the tax bearer:

- The entire tax payable, along with the tax penalty and surcharge—if the tax bearer is acting as the corporate taxpayer itself or as the management of a corporate taxpayer; and
- The prorated amount of the tax payable, along with the tax penalty and surcharge—if the tax bearer is the shareholder or capital owner that is not a member of corporate taxpayer's management.

Tax crimes

The DGT has the authority to carry out a tax investigation if evidence of a tax crime is found, which is deemed to cause loss of state revenue. The DGT may conduct a *bukper* audit before conducting investigations into tax crimes based on information, data, reports, and complaints.



Tax crimes are subject to criminal sanctions. Some tax criminal acts and the related sanctions are summarized below:

Conditions	Sanctions
<p>The taxpayer, due to negligence:</p> <ul style="list-style-type: none">• Fails to submit a tax return; or• Submits an incorrect or incomplete tax return or attaches incorrect information	<ul style="list-style-type: none">• Penalty of one to two times the underpaid tax amount; or• Prison sentence of at least three months up to one year

Conditions	Sanctions
<p>The taxpayer deliberately:</p> <ul style="list-style-type: none"> • Does not register for an NPWP or as a PKP; • Abuses NPWP or PKP status; • Does not file a tax return; • Submits an incorrect or incomplete tax return; • Refuses a tax audit; • Does not maintain bookkeeping, records, or supporting documents in Indonesia; • Shows false or falsified bookkeeping/records; or • Does not remit taxes withheld or collected. 	<ul style="list-style-type: none"> • Penalty of two to four times the underpaid tax amount; and • Prison sentence of at least six months up to six years. <p>The sentence will be doubled if the taxpayer commits another tax crime within one year after the first prison sentence has been served.</p>
<p>The taxpayer abuses NPWP or PKP status or submits an incorrect or incomplete tax return and/or information in order to claim a tax refund or tax compensation or tax credit.</p>	<ul style="list-style-type: none"> • Penalty of two to four times the amount of tax refund/compensation/credit; and • Prison sentence of at least six months up to two years.
<p>The taxpayer deliberately:</p> <ul style="list-style-type: none"> • Issues and/or uses tax documents that are not based on the actual transactions; or • Issues VAT invoices before being established as a PKP. 	<ul style="list-style-type: none"> • Penalty of two to six times the tax amount; and • Prison sentence of at least two years up to six years.

More severe penalties, surcharges, and prison sentences are imposed for improper bookkeeping, fraud, and embezzlement. The criminal sanctions can only be imposed through a decision issued by a civil court.



Corporate Income Tax

Law Number 7 of 1983 regarding Income Tax, as amended several times, lastly by Law Number 6 of 2023

Tax rates

The standard CIT rate is 22%.

Certain incomes are subject to final income taxes that are calculated from the gross revenue (please refer to pages 66 to 68).

Certain corporate taxpayers that earn or receive a gross revenue not exceeding IDR 4.8 billion in a fiscal year (small and medium enterprises) are subject to 0.5% final income tax rate on their gross revenue for a certain period of time (please refer to pages 67 and 68). However, these taxpayers may opt to apply the standard CIT rate after notifying the DGT.

Corporate taxpayers with a gross revenue of up to IDR 50 billion in a fiscal year are eligible for a 50% reduction of the CIT rate for their initial gross revenue of IDR 4.8 billion.

Following the self-assessment principle, taxpayers are required to pay CIT in monthly installments (article 25 monthly installments) during the current year.

Branch profit tax

In addition to CIT, a PE is subject to branch profit tax (BPT) at a rate of 20% on its taxable income after tax. This rate may be lowered subject to the accessibility of tax treaty benefits (please refer to pages 115 to 121).

For a PE that is subject to the final income tax regime, BPT is calculated from the accounting profits that have been adjusted for fiscal correction, minus the final income tax paid.

An exemption from BPT applies if the PE's taxable income after tax is reinvested in Indonesia, subject to certain requirements.

Tax residency and registration

A corporation shall be regarded as an Indonesian tax resident if it is established or domiciled, or has a place of management or control, in Indonesia.

A corporate tax resident that has an obligation to pay or withhold taxes shall register for an NPWP. For a corporate taxpayer conducting business in several places, aside from having to register for an NPWP for its headquarters, it is obliged to register for an identification number for place of business activity (*Nomor Identitas Tempat Kegiatan Usaha*) for each of its places of business activity.

A foreign corporation carrying on certain business activities in Indonesia over the PE time test within a period of 12 months is regarded as having a taxable presence in Indonesia through a PE and/or qualifying for being considered to have a PE in Indonesia has to register for an NPWP.

Calculation of income—business profits

Taxable income constitutes any increase in economic capability received or earned by a taxpayer, either from within or outside Indonesia, which can be used for consumption or increasing the wealth of the taxpayer, in any form and name.

For a corporate taxpayer, the taxable income is calculated from the accounting profits with stipulated fiscal adjustments. The fiscal adjustments can create either a temporary or permanent difference to the taxable income.

Nontaxable income

Certain incomes are exempt from income tax, among others:

- Aid or donations, including *zakat*, *infak*, charity, religious donations, and granted assets (*harta hibahan*) received, provided that there is no business, work, or ownership relation between the parties concerned;
- Dividends received by a resident corporate taxpayer from another resident corporate taxpayer;
- Dividend income from an offshore subsidiary, PE's income after tax, and income from foreign active business without a PE, that are reinvested in Indonesia for a certain period of time;

- Assets, including cash, received by an entity in exchange for shares or capital contributions;
- Contributions received or collected by a pension fund, the establishment of which has been approved by the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* (OJK));
- Return of investments in specific fields by a pension fund, the establishment of which has been approved by the OJK;
- Profits distributed to a venture-capital company by a micro, small, or medium-sized enterprise (*Usaha Mikro, Kecil, atau Menengah* (UMKM)) or enterprise engaging in certain businesses in Indonesia;
- Certain incomes earned by the Hajj Finance Management Agency (*Badan Pengelola Keuangan Haji*);
- Surpluses that fulfill certain conditions and are earned by a registered social and religious body and educational/research and development (R&D) institution; and
- Shares of profit received by a member of a limited partnership without share capital, cooperation, partnership, association, or firm, including a participation unit holder of KIK.

Calculation of income—deductible expenses

In general, all business expenses directly or indirectly related to the activities of earning, collecting, and maintaining income are deductible from the assessable income to calculate the taxable income.

Depreciation and amortization

Assets and/or expenses with a useful life of more than one year, except land rights, are to be depreciated or amortized according to their useful lives using the straight line or double declining depreciation method. Depreciation and amortization methods chosen must be applied consistently.

Group of tangible assets	Useful life	Depreciation rates	
		Straight line method	Double declining method ¹⁾
Nonbuildings			
Group 1	4 years	25%	50%
Group 2	8 years	12.5%	25%
Group 3	16 years	6.25%	12.5%
Group 4	20 years	5%	10%
Buildings			
Permanent ²⁾	20 years	5%	N/A
Nonpermanent	10 years	10%	N/A

Notes:

- 1) The remaining book value would be fully depreciated at the end of the useful life.
- 2) A permanent building with a useful life of more than 20 years can be depreciated over 20 years or over the actual useful life based on the taxpayer's books.

The list of asset groupings is regulated by an MoF regulation.

Group of intangible assets	Useful life	Amortization rates	
		Straight line method	Double declining method ¹⁾
Group 1	4 years	25%	50%
Group 2	8 years	12.5%	25%
Group 3	16 years	6.25%	12.5%
Group 4 ²⁾	20 years	5%	10%

Notes:

- 1) The remaining book value would be fully amortized at the end of the useful life.
- 2) An intangible asset with a useful life of more than 20 years can be amortized over 20 years, or over the actual useful life based on the taxpayer's books.

Depreciation starts either in the month the expense is incurred or in the month the construction/installation of an asset is completed. Subject to approval from the DGT, the taxpayer may start depreciating its asset in the month the asset is used to earn, collect, and maintain the taxpayer's income or in the month the asset starts producing. If the asset is revaluated (subject to DGT's approval), the basis for the depreciation will be the revaluated value of the asset.

Expenses related to business establishment or expansion are either claimed as an expense during the year or amortized.

Preoperational expenses with a useful life of more than one year should be capitalized and amortized accordingly. Spending related to the acquisition of oil and natural gas mining rights as well as other related expenses with a useful life of more than one year should be amortized using the unit of production

method. Likewise, spending related to the purchase of non-oil-and-gas mining rights, forestry concession rights, and rights to exploit natural resources or other natural products should be amortized using the unit of production method capped at 20% annually.

Newly declared assets under the 2016-2017 Tax Amnesty (TA) program and 2022 Voluntary Disclosure Program (*Program Pengungkapan Sukarela Wajib Pajak* (VDP)) cannot be depreciated or amortized for tax purposes. The acquisition costs of these assets are based on the value declared in the asset's declaration letter.

Transfer of assets

Generally, gains from transfer of assets (please refer to page 36) are subject to income tax. Likewise, losses incurred from transfer of assets are tax deductible. Such gains or losses are calculated from the proceeds minus the fiscal net book value of the assets.

Promotional expenses

The following promotional expenses are deductible for tax purposes:

- Cost of advertisement;
- Cost of product exhibition;
- Cost related to new product introduction; and/or
- Cost of sponsorship associated with product promotion.

For these expenses to be claimed as tax deductible, the taxpayer has to attach a nominative list of promotional expenses, in a prescribed format, to the submitted CIT return.

Provision for doubtful debts

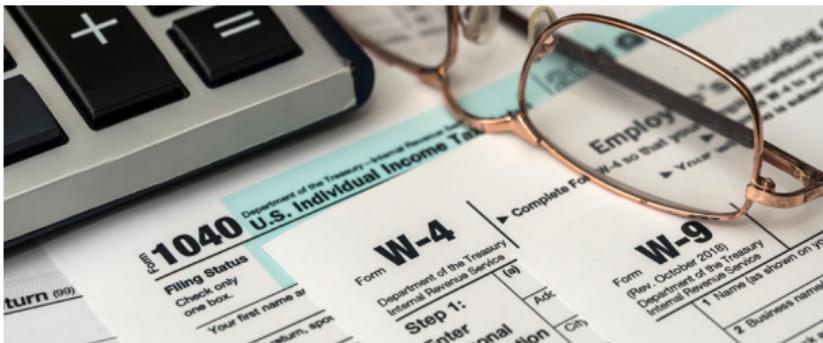
Provision for doubtful debts is not tax deductible, except for banks, certain financial institutions, and insurance companies. However, the write-off of doubtful accounts from transactions with a nonrelated party is tax deductible, provided that the following conditions are met:

- a. The write-off has been booked as an expense in the commercial profit and loss statements;
- b. The list of uncollectible receivables must be submitted to the DGT by the taxpayer; and
- c. The collection effort of the uncollectible receivables has been brought to the district court or other relevant authority; or there is a written agreement for the write-off between the creditor and debtor concerned; or the doubtful debts have been announced in general or certain publications; or the debtor has acknowledged that a certain amount of the debt has been written off. This requirement does not apply to uncollectible receivables for certain small debtors.

Donations

Certain donations or expenses related to national disaster management, R&D, provision of educational facility, sports development, and construction of social infrastructure are tax deductible, if the following requirements are met:

- The previous year's CIT return is in a fiscal net profit position;
- The donation or expense does not result in a loss position;
- The donation or expense is supported by valid documentation; and
- The institution that receives the donation or expense must have registered as a taxpayer (with a certain exception).



The total donations and/or social infrastructure construction expenses for one fiscal year should not exceed 5% of the previous year's fiscal net profit.

Calculation of income—nondeductible expenses

The following list describes expenses that are not deductible for CIT purposes:

- Distribution of profits in any form and name, such as distribution of dividends and profits from a cooperation;
- Expenses incurred for the personal interest of shareholders or partners;
- Provisions, with certain exceptions;
- Amount in excess of normal compensation payable to shareholders or other parties having a special relationship;
- Grants, aid, or donations, except those allowed to be deductible (please refer to pages 33 to 34);
- Income taxes;
- Salaries payable to members of a partnership or certain types of business where the equity is not divided into shares;
- Tax administrative sanctions;
- Excess of commercial depreciation over fiscal depreciation;
- Excess of commercial amortization over fiscal amortization; and
- Expenses that are deferred for tax purposes.

Borrowing costs

The MoF is authorized to specify the limitation on deductible borrowing costs based on internationally accepted methods, such as debt-to-equity ratio (DER); borrowing costs compared to earnings before interest, taxes, depreciation, and amortization; or other methods.

So far, the MoF has introduced a DER of 4:1. In the case the DER exceeds 4:1, the borrowing costs have to be proportionated and the borrowing costs exceeding the DER of 4:1 are not tax deductible. For a taxpayer with a zero or deficit value in its equity balance, the entire borrowing costs are not tax deductible. An exemption from the DER requirement may apply for certain taxpayers.

A taxpayer that obtains loan and would like to utilize the relevant interest as deduction is required to submit a DER calculation report. If the loan is from overseas, the taxpayer has to attach a report of foreign loan along with its CIT return submission.

In the case the loan is procured from a related party, the taxpayer has to ensure that the interest charged is on an arm's-length basis, otherwise, the interest can be deemed as dividend distribution.

Tax loss carryforward

A tax loss may be carried forward for five years following the year when the loss incurs. Subject to approval from the DGT, this period may be extended up to 10 years for certain industries and operations of specific industries in certain remote areas that enjoy the tax allowance facility. Please refer to pages 45 to 46 for further details on tax allowance facility.



The carryback of losses is not permitted.

Transfer of land and/or buildings

In general, transfer of land and/or buildings is subject to a final income tax at the rate of 2.5% of the transaction value. Transfer of basic house (*rumah sederhana*) and basic apartment (*rumah susun sederhana*) by a taxpayer whose main business is in the transfer of land and/or buildings is subject to 1% final tax. A 0% rate is applicable to transfer of land and/or buildings to the government for public interest. Meanwhile, the purchaser or recipient of the land and/or buildings will give rise to the duty on the acquisition of land and/or buildings rights of up to 5% of the transaction value or the tax object sale value (*Nilai Jual Objek Pajak (NJOP)*), whichever is higher.

Exemptions are granted for certain types of transfer of land and/or buildings, such as grant, inheritance, merger using the book value approved by the MoF, transfer of land and/or buildings by a nontaxpayer, and sale of land and/or buildings with a value of less than IDR 60 million by an individual taxpayer whose annual income does not exceed the threshold of nontaxable income.

Dividend income

Dividend income earned or received from domestic listed and nonlisted companies may be exempt from tax if the recipient is a domestic corporation.

Dividend from an offshore listed company and income from a foreign active business without a PE that are reinvested in Indonesia within a certain period of time may be tax exempt. The portion of dividend and income that is not reinvested in Indonesia within a certain period of time is subject to income tax.

Dividend from an offshore nonlisted company and PE's income after tax may be tax exempt if the reinvested dividend or income after tax is at least 30% of profit after tax (PAT), proportionated in accordance with the shareholding percentage. The difference between the reinvested amount and the 30% threshold of the PAT is subject to income tax.

Below is the list of reinvestment instruments for the dividend to qualify for income tax exemption:

- a. Indonesian government securities (including sharia securities);
- b. Bonds issued by BUMN, the trading of which is supervised by the OJK;
- c. Bonds issued by government-owned financial institutions, the trading of which is supervised by the OJK;
- d. Financial investments in banks, including sharia banks;
- e. Bonds issued by private companies, the trading of which is supervised by the OJK;
- f. Infrastructure investments via public-private placements (*kerja sama pemerintah-badan usaha*);
- g. Real sector investments based on the priority set by the government;

- h. Capital contributions (as a shareholder) in newly established companies domiciled in Indonesia;
- i. Capital contributions (as a shareholder) in existing companies domiciled in Indonesia;
- j. Cooperation with sovereign wealth funds;
- k. Utilization to support other business activities in the form of loan to micro and small businesses in Indonesia, in accordance with the regulation on UMKM; and/or
- l. Other legitimate forms of investment pursuant to the laws and regulations.

Reinvestment in instruments as referred to in points (a) to (e) and point (l) above has to be conducted in certain financial markets. Reinvestment in instruments as referred to in points (f) to (k) above has to be conducted in certain nonfinancial markets.

Controlled foreign company

Under controlled foreign company (CFC) rules, the MoF is authorized to determine when a dividend is deemed to be earned from a nonlisted company established in another country, where an Indonesian resident taxpayer (either alone or collectively with other Indonesian resident taxpayers) holds, directly or indirectly, at least 50% of the total paid-in capital or voting rights of a nonlisted foreign company, with the 50% threshold criteria applied at each level.

If no dividends are declared or earned from the foreign company, the Indonesian resident taxpayer needs to calculate and report a deemed dividend in its annual CIT return. The dividend will be deemed to be received either:

- In the fourth month following the tax return filing deadline in the foreign country; or



- Seven months after the foreign company's fiscal year ends if the country does not have a specific tax return filing deadline.

The amount of the deemed dividend is the total dividends to which the Indonesian resident taxpayer is entitled. This has to be determined in proportion to the taxpayer's capital participation in the foreign company from the net passive income of the foreign company.

The net passive income includes:

- Dividend, with certain exceptions;
- Interest, with certain exceptions;
- Rent of land and/or buildings;
- Rent of other assets to related parties;
- Royalty; and
- Gain on sale or transfer of assets.

The deemed dividend can be offset against the actual dividend received from a direct CFC within the past five consecutive years. In the case that the actual dividend received is higher than the deemed dividend, the excess is subject to income tax. The income tax paid or withheld for dividends received from a direct CFC is creditable.

Indirect purchase of Indonesian shares or assets involving a special-purpose company

An Indonesian taxpayer that purchases the shares or assets of an Indonesian company through a special-purpose company (SPC) may be deemed as the party doing the actual purchase, provided that the purchaser has a special relationship with the SPC and the purchase is not carried out on an arm's-length basis.

Sale or transfer of shares in a conduit company or an SPC that is established or domiciled in a tax haven country and has a special relationship with an Indonesian taxpayer or a PE in Indonesia may be deemed as a sale or transfer of shares in the Indonesian company or the PE.

Tax-neutral merger, consolidation, expansion, or acquisition

Generally, transfer of assets in relation to business mergers, consolidations, expansions, or acquisitions should be conducted at market value, which may result in taxable gains. Upon the approval from the DGT, the assets can be transferred at fiscal book value, subject to several requirements, including the business purpose test.

Business purpose tests entail the following conditions:

- a. The main purpose of the merger, consolidation, expansion, or acquisition is to create a robust business synergy and strengthen the capital structure, not to seek tax avoidance;
- b. The business activities of the taxpayer that transfers the assets are still ongoing until the effective date of the business merger, consolidation, expansion, or acquisition;

- c. The business activities of the dissolving and surviving taxpayers must be continued for at least five years after the effective date; and
- d. The assets cannot be transferred for at least two years after the effective date of the business merger, consolidation, expansion, or acquisition, unless the purpose of the transfer is to increase efficiency.

Deemed profit margin

Income derived from the following businesses is subject to the deemed profit margin.

Type of income	Deemed profit from gross revenue	Effective income tax rate*)
Foreign oil and gas drilling service operations	15%	3.3%
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 gross export value	0.44%
Build, operate, and transfer of building construction activities by an investor to a landowner	Market value or NJOP	5%
International toll manufacturing services (<i>jasa maklon</i>) for toys	7% of manufacturing or assembly costs, excluding direct material costs	2.1%

Notes:

- *) Some of the current effective income tax rates above still use the CIT rates at the time the relevant regulations were introduced, except for foreign oil and gas drilling service operations. The CIT rate used to calculate the effective income tax rate should have been changed to reflect the new CIT rate. However, since the regulations have not been amended yet, the existing effective income tax rates still apply in practice.



Corporate income tax incentives

Reduction of corporate income tax rate for public companies

For publicly listed corporate taxpayers with a minimum of 40% of the shares held by public investors that meet certain criteria, the applicable CIT rate is lower than the regular rate, i.e., 19%.

Major income tax incentives available for corporate taxpayers are:

- Tax holiday facility;
- Tax allowance facility;
- Super tax deduction facility;
- CIT facilities in special economic zones (*Kawasan Ekonomi Khusus (SEZ)*); and
- CIT facilities in Indonesia's new capital city (*Ibu Kota Nusantara (IKN)*).

Tax holiday facility

A tax holiday facility is available for a new investment or business expansion in certain pioneer industries and is granted based on a proposal submitted to the MoF by 31 December 2025.

Qualifying projects in pioneer industries may be granted a CIT reduction of 100% for a minimum of five years up to a maximum of 20 years, followed by a 50% reduction in CIT for the subsequent two years, starting from the commencement of commercial operations. The minimum investment is IDR 500 billion and the length of the tax holiday depends on the value of the investment.

A 50% reduction in CIT for five years from the commencement of commercial operations may be granted for projects with a minimum investment of IDR 100 billion but less than IDR 500 billion, with a 25% reduction in CIT for the subsequent two years.

The tax holiday period commences from the year of commercial production.

The prerequisites to apply for the tax holiday facility are as follows:

- a. A taxpayer in pioneer industry;
- b. An Indonesian legal entity;
- c. A minimum new investment of IDR 100 billion;
- d. Conducting a new investment in which the decision on granting or rejecting tax holiday or tax allowance facility, or super tax deduction facility for labor-intensive project, or income tax facility for SEZ, or CIT rate reduction facility in IKN, the partner regions, and/or financial centers, has not been issued by the MoF;
- e. Fulfilling provisions regarding DER; and
- f. The taxpayer is committed to initiating the realization of the investment plan, at the latest, one year after the tax holiday facility is granted.

Below is the list of pioneer industries qualified for the tax holiday facility:

-  Integrated upstream metals industry
-  Integrated crude oil and natural gas refinery industry
-  Integrated basic organic chemical industry sourced from crude oil, natural gas, and/or coal
-  Integrated basic organic chemical industry sourced from agriculture, plantation, or forestry products
-  Integrated basic inorganic chemical industry
-  Integrated pharmaceutical main raw materials industry
-  Irradiation, electromedical, or electrotherapy equipment manufacturing industry
-  Main components manufacturing industry for electronic or telematics equipment
-  Machine and machinery main components manufacturing industry
-  Robotic component manufacturing industry supporting the machinery production industry
-  Main components manufacturing industry for electricity generator machinery
-  Automotive and automotive main components manufacturing industry
-  Train main components manufacturing industry
-  Vessel main components manufacturing industry
-  Agriculture, plantation, forestry products-based processing industry producing paper pulp
-  Aircraft main components manufacturing industry and aerospace industry auxiliary activities
-  Digital economy covering data processing, hosting, and related activities
-  Economic infrastructure

Income received/earned by the taxpayer from other than main business activity that has been granted with tax holiday will be subject to normal income tax provisions.

A taxpayer that has obtained a tax holiday facility and qualifies as part of a multinational enterprise group subject to the global minimum tax (GMT) rules under Pillar Two may also be subject to a domestic minimum top-up tax (DMTT). The DMTT requires all constituent entities (CEs) in Indonesia to pay a top-up tax if the country's effective tax rate is below the 15% minimum threshold.

Tax allowance facility

A tax allowance facility is available to companies investing in certain industry sectors or operating in certain geographic locations where the necessary conditions are satisfied. This facility is applicable to a new investment or expansion of the corporate taxpayer's main business activities.

The tax allowance facility includes:

- An investment allowance (a reduction in taxable income equivalent to 30% of the total investment amount of tangible fixed assets used for main business activities, including land, which is allocated equally over six years starting from the fiscal year when the commercial production commences, with the rate of 5% per year);
- Accelerated depreciation and/or amortization of assets obtained for capital investment purposes;
- Tax loss carried forward, which may be extended for up to 10 years; and
- A reduced WHT rate of up to 10% on dividends paid to foreign taxpayers other than PE.

In general, the applicant must meet the following criteria:

- High investment value or for export purposes;
- High absorption of manpower; or
- High local content.

Currently, there are 166 business sectors and 17 business sectors operating in certain geographic locations that are eligible for this facility.

Super tax deduction facility

For a taxpayer that does not obtain the tax holiday or tax allowance facility, a “super tax deduction facility” is available for the following business activities or expenditures:

- New capital investment or business expansion in labor-intensive industries—This facility is in the form of an investment allowance equivalent to 60% of the total investment amount of tangible fixed assets used for main business activities, including land. The investment allowance is allocated equally over six years, starting from the fiscal year when the commercial production commences. To be eligible for this facility, the taxpayer has to fulfill the following cumulative criteria: it constitutes a domestic corporate taxpayer, its main business activity is among the eligible industrial sectors, and it employs a minimum average of 300 Indonesian employees;
- Apprenticeship, internship, and/or learning programs in human resources development—This facility is in the form of an additional deduction of up to 100% of the qualifying expenses. Therefore, the total maximum deduction is 200% of the total qualifying expenses; and
- R&D related activities—This facility is in the form of an additional deduction of up to 200% of the qualifying expenses. Therefore, the total maximum deduction is 300% of the total qualifying expenses.

Corporate income tax facilities in special economic zones

A taxpayer in an SEZ can be classified as either:

- A business entity (*badan usaha*), i.e., a legal entity that manages an SEZ; or
- A business player (*pelaku usaha*), i.e., an enterprise that carries on a business in an SEZ.

The following table sets out the income tax facilities for business entities and business players:

Business entity	Business player	
Tax holiday	Tax holiday	Tax allowance
<ul style="list-style-type: none">• CIT rate reduction of 100% for 10 years for a minimum investment of IDR 100 billion;• Income eligible for the relief includes:<ul style="list-style-type: none">- Income from the sale of land and/or buildings in the SEZ;- Rental income from land and/or buildings in the SEZ; and- Income from main business activities in the SEZ (activities and the type of production that are mentioned in the business license), excluding the sale or rental of land and/or buildings;• CIT reduction of 50% for two years following the end of the 10-year tax holiday period;• Eligible income is not subject to WHT for a business entity that carries out an SEZ's main activity (the business activity and associated chain of production that is the main focus of the SEZ) during the facility period.	<ul style="list-style-type: none">• CIT rate reduction of 100% for a period depending on the amount of the investment:<ul style="list-style-type: none">- 10 years for an investment of at least IDR 100 billion but less than IDR 500 billion;- 15 years for an investment of at least IDR 500 billion but less than IDR 1 trillion; and- 20 years for an investment of IDR 1 trillion and above;• CIT reduction of 50% for two years following the end of the tax holiday period;• Eligible income is not subject to WHT for a business player that carries out an SEZ's main activity during the facility period.	<ul style="list-style-type: none">• An investment allowance in the form of a reduction of net income equivalent to 30% of the cost of tangible fixed assets, including land;• Accelerated depreciation and amortization;• A maximum 10% WHT rate on dividends paid to foreign shareholders;• Tax loss carried forward is extended to 10 years (normally five years);• Available to business players that carry out either an SEZ's main activity or a non-SEZ's main activity.

Corporate income tax facilities in Ibu Kota Nusantara

To expedite the construction and development process of IKN, the government has decided to provide various incentives and facilities for investments and business activities in IKN.

Please refer to pages 131 to 136 on tax facilities in IKN.

Corporate income tax for certain industries/taxpayers

Taxpayers in certain industries are subject to final income tax based on their gross income. Please refer to pages 66 to 68 on article 4(2) income tax.

Tax provisions for mineral and coal mining, upstream oil and gas, geothermal, and sharia-based industries are regulated separately by government and MoF regulations.

Taxation for mineral mining and coal mining industries

Taxation for mineral mining and coal mining under the CoW framework generally follows the tax provisions stated in the respective CoW. Other holders of mining business licenses (*Izin Usaha Pertambangan* (IUP)) are subject to a specific government regulation.

Taxation for upstream oil and gas industry

An upstream oil and gas company typically has to calculate its CIT in accordance with its PSC. Several regulations have been issued to provide guidance on cost recovery items, other incomes, and tax reporting procedures. A tax regulation concerning the gross-split arrangement has also been issued.

Taxation for sharia business

In general, tax treatments for incomes and expenses of sharia-based banking and financial services are similar to those of conventional banking and financial services, which can be summarized as follows:

Sharia banking services

Income recipient	Type of income	Tax treatment
Bank	Bonus, profit sharing, and margin from transactions of facilitated customer	Treated as interest
	Income other than those mentioned above	Treated in accordance with the provisions regarding transactions between sharia banking and customer that receives the facility
Investor/ depositor customer	Bonus, profit sharing, and any other income from funds entrusted and placed offshore through an Indonesian sharia bank or an Indonesian branch of an offshore sharia bank	Treated as interest
	Income other than those mentioned above	Treated in accordance with the normal income tax regulation for the relevant transaction

Sharia financial services

Type of income	Tax treatment
Leasing (<i>Ijarah</i>)	Normal operating lease, and the leased asset is nondepreciable
Financial lease (<i>Ijarah Muntahiyah Bittamlik</i>)	Similar to financial lease with option, and the leased asset is nondepreciable
Factoring (<i>Wakalah bil Ujrah</i>)	Remuneration or profit is treated as interest
Consumer financing (<i>Murabahah, Salam, Istishna'</i>)	Gain or profit margin is treated as interest
Other sharia financing	Fee or remuneration in any form and name is treated in accordance with the normal income tax regulation for the relevant transaction
Corporate financing from investors (<i>Mudharabah, Mudharabah Musytarakah, Musyarakah</i>)	Gain and/or profit sharing is treated as interest
Transfer of assets (deemed to be transferred directly from a third party to corporation's customers)	Treated in accordance with the normal income tax regulation for the relevant transaction



Individual Income Tax

Law Number 7 of 1983 regarding Income Tax, as amended several times, lastly by Law Number 6 of 2023

Tax rates

Normal income tax rates applicable to individual taxpayers are as follows:

Taxable income	Rate
Up to IDR 60 million	5%
More than IDR 60 million but not exceeding IDR 250 million	15%
More than IDR 250 million but not exceeding IDR 500 million	25%
More than IDR 500 million but not exceeding IDR 5 billion	30%
More than IDR 5 billion	35%

Final tax rates on severance pay given in lump-sum within two years are as follows:

Taxable income	Rate ^{*)}
Up to IDR 50 million	0%
More than IDR 50 million but not exceeding IDR 100 million	5%
More than IDR 100 million but not exceeding IDR 500 million	15%
More than IDR 500 million	25%

Notes:

*) Payments made in the third year and thereafter shall be subject to normal tax rates, which are not final, and can be claimed as a tax credit.

Final tax rates on pension fund or old-age saving fund paid in lump-sum within two years are as follows:

Taxable income	Rate^{*)}
Up to IDR 50 million	0%
More than IDR 50 million	5%

Notes:

*) Payments made in the third year and thereafter shall be subject to normal tax rates, which are not final, and can be claimed as a tax credit.

All incomes earned or received by an individual carrying on business activities (excluding certain independent personal services) that do not exceed IDR 4.8 billion in a fiscal year are subject to 0.5% final income tax, applicable for a maximum of seven years. This 0.5% final income tax rate will be imposed on the gross revenue exceeding IDR 500 million. Individual tax residents may opt to be subject to the standard individual income tax rate by submitting a notification to the DGT.

Nonresident individuals are generally subject to 20% WHT on income sourced from Indonesia (article 26 income tax). However, this rate may vary depending on the circumstances and applicable tax treaty provisions.

Certain tax rates apply to incomes that are subject to final tax.

Tax residency and registration

An individual is deemed to be an Indonesian tax resident if he/she:

- Resides in Indonesia;
- Is present in Indonesia for 183 days or more in any 12-month period; or
- Is present in Indonesia and intends to reside in Indonesia.

An individual tax resident carrying on businesses or freelance activities or earning income exceeding the threshold of individual taxpayer's nontaxable income (*Penghasilan Tidak Kena Pajak (PTKP)*) is obliged to register for an NPWP. A married woman who fulfills her tax obligation separately from her husband's is also obliged to register for an NPWP.

Starting from 1 July 2024, the national identification number (*Nomor Induk Kependudukan (NIK)*) replaces NPWP for individual taxpayers (Indonesian nationals and foreigners who live in Indonesia). Practically, individuals who are non-Indonesian citizens can either put '0' at the beginning of their existing NPWP to create a 16-digit NPWP or use the NIK provided in their residency certificate (*Surat Keterangan Tempat Tinggal*).

An Indonesian citizen staying outside Indonesia for more than 183 days within a 12-month period can apply for a confirmation from the DGT of his/her tax status as a foreign tax resident, if the citizen meets certain requirements and can prove the intention to become a foreign tax resident when leaving Indonesia (such as by providing a long-term working contract), including obtaining a residency certificate issued by the tax authority in the other country. If the DGT approves the

application, the Indonesian citizen is treated as a non-Indonesian taxpayer since the date of his/her departure from Indonesia. As such, any Indonesian-sourced income earned or received by the citizen concerned will be subject to the withholding of article 26 income tax.

A foreign citizen staying in Indonesia for more than 183 days within a 12-month period will be treated as an Indonesian tax resident, but may be taxed on his/her Indonesian-sourced income only (territorial basis) if the foreigner has certain skills as defined by the government. Territorial basis taxation is valid for the first four years after the foreign citizen becomes an Indonesian tax resident. The Indonesian-sourced income includes income earned from employment performed in Indonesia but paid overseas. The territorial basis taxation will not apply if the foreigner claims benefits from a tax treaty. To benefit from this territorial basis taxation, the foreigner must meet all the prevailing criteria, then submit an application to the DGT to obtain the approval letter.

Taxable income and personal tax reliefs

Individual tax residents are taxed on their worldwide income regardless of the source. They are also required to declare their worldwide assets and liabilities.

The taxable income generally includes benefits in kind (BIK) (please refer to page 59). The MoF provides the list of BIK exempted from tax, along with each of their conditions and limitations.

Dividend income earned/received by tax resident individuals from domestic companies, dividend income from offshore listed companies, and income from foreign active businesses without a PE that are reinvested in eligible instruments in Indonesia within a certain period of time are not subject to income tax. The portion of dividend or income that does not meet the reinvestment criteria is subject to income tax.

Dividend from offshore nonlisted companies and PE's income after tax may be tax exempt if the reinvested dividend or income after tax is at least 30% of the PAT, proportionated in accordance with the shareholding percentage. The difference between the reinvested amount and the 30% threshold of the PAT is subject to income tax.

Please refer to pages 37 to 38 for the list of eligible instruments of reinvestment.

The following personal tax reliefs are available for individual taxpayers in calculating their taxable income, depending on their personal circumstances.

Basis of deduction	Deductible amount (per year)
Taxpayer	IDR 54 million
Spouse	IDR 4.5 million (additional IDR 54 million for a wife whose income is combined with her husband's)
Dependents	IDR 4.5 million for each dependent, maximum three dependents
Occupational expense (<i>Biaya Jabatan</i>)	5% of gross income up to a maximum of IDR 6 million

Basis of deduction	Deductible amount (per year)
Pension cost	5% of gross income up to a maximum of IDR 2.4 million
Employee contribution to an approved pension fund, e.g., manpower social security scheme (<i>Badan Penyelenggara Jaminan Sosial (BPJS Ketenagakerjaan)</i>)	Actual amount
Compulsory tithe (<i>zakat</i>) or religious contributions	Actual amount, if valid supporting evidence is available and all requirements are met

The MoF is authorized to redetermine the amount of the personal deductions above.

Social security schemes

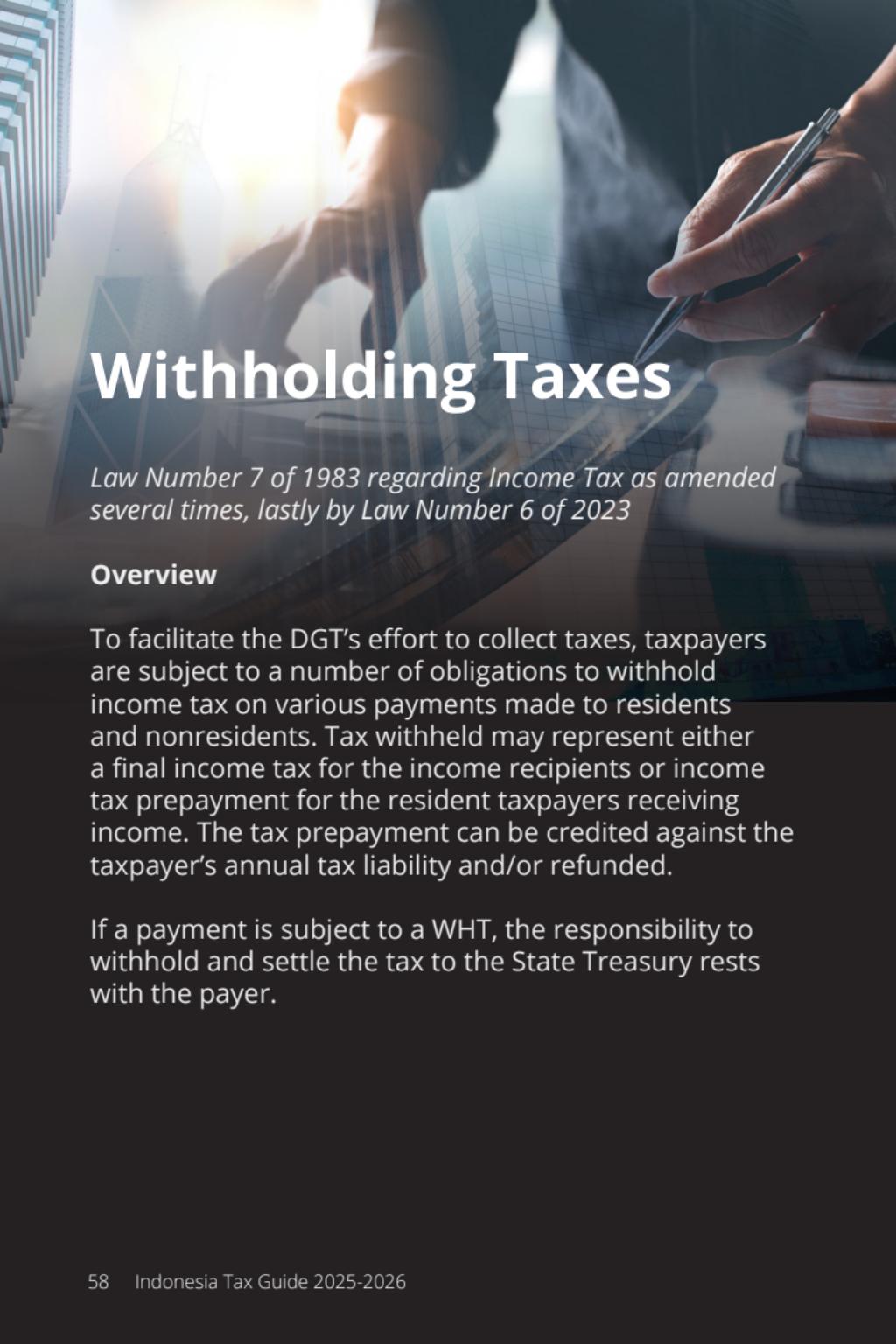
The national social security schemes comprise manpower scheme (BPJS *Ketenagakerjaan*) and health care scheme (BPJS *Kesehatan*). These schemes are mandatory for Indonesian nationals as well as foreigners working in Indonesia for at least six months. Expatriates are required to prove their participation in BPJS when renewing their work permits.

The following is a list of premium contributions for the schemes:

Social security scheme	Areas covered	As a percentage of regular salaries/wages	
		Borne by employers	Borne by employees
BPJS Ketenagakerjaan	Occupational accident protection	0.24 - 1.74%	-
	Death insurance	0.3%	-
	Job loss insurance	- ¹⁾	-
	Old-age saving	3.7%	2%
	Pension plan ²⁾³⁾	2%	1%
BPJS Kesehatan ⁴⁾		4%	1%
			1% for additional family member ⁵⁾

Notes:

- 1) The job loss insurance scheme is a new scheme under BPJS Ketenagakerjaan introduced by the government through Law Number 11 of 2020 (Omnibus Law). This scheme is intended to give compensation in the form of cash benefits, access to labor market information, and job trading to workers/labor who are terminated from their employment. There is no additional contribution that needs to be paid by both the employers and employees with regard to this new scheme, as it is already included in the existing contributions paid for occupational accident and death insurance, plus subsidy from the government.
- 2) The regular salary/wage cap for calculating the pension plan contribution is IDR 10,547,400 per month, which is valid as from March 2025. The amount may be updated from time to time.
- 3) Contribution to the pension plan is not mandatory for expatriates.
- 4) The regular salary/wage cap for calculating contributions for the health care scheme is, at minimum, the amount of regional minimum wage and, at maximum, IDR 12 million per month. The amount may be updated from time to time.
- 5) The mandatory premiums cover a husband, a wife, and three dependents. Additional family members can be covered with additional premiums.



Withholding Taxes

Law Number 7 of 1983 regarding Income Tax as amended several times, lastly by Law Number 6 of 2023

Overview

To facilitate the DGT's effort to collect taxes, taxpayers are subject to a number of obligations to withhold income tax on various payments made to residents and nonresidents. Tax withheld may represent either a final income tax for the income recipients or income tax prepayment for the resident taxpayers receiving income. The tax prepayment can be credited against the taxpayer's annual tax liability and/or refunded.

If a payment is subject to a WHT, the responsibility to withhold and settle the tax to the State Treasury rests with the payer.

Article 21 income tax

Article 21 income tax must be withheld and remitted to the State Treasury on remunerations (including cash allowances) as well as certain performance fees accrued or paid to the following individuals:

- Permanent and nonpermanent employees;
- Pensioners;
- Members of a board of commissioners or supervisory board receiving irregular income;
- Individuals other than employees (nonemployees);
- Event participants;
- Pension program participants (employees); and
- Former employees.

In principle, BIK are taxable for employees.

BIK that are not taxable for employees are limited to:

- Food and beverages provided to all employees;
- Certain facilities, infrastructure, and/or facilities at the employer's work site for employees and their families, provided that the work site has been approved as a remote area by the DGT;
- BIK necessary to carry out work assignments;
- Certain BIK funded by the state budget (*Anggaran Pendapatan dan Belanja Negara* (APBN)), regional state budget (*Anggaran Pendapatan dan Belanja Daerah* (APBD)), or village budget (*Anggaran Pendapatan dan Belanja Desa*); and
- Certain BIK subject to specific limitations.

Article 21 income tax that is withheld from an employee's remuneration for the fiscal period of January up to November is calculated using an effective tax rate (ETR). The employer calculates the article 21 income

tax for employees for the entire fiscal year by using the progressive income tax rate(s) applicable to an individual taxpayer in the article 21 income tax calculation for the fiscal period of December. Please refer to page 51 for the progressive income tax rates.

This calculation scheme is also applicable for income recipients other than employees, i.e., pensioners and members of a board of commissioners or supervisory board receiving irregular income.

The ETR comprises:

- Monthly ETR—applicable to employees receiving income on a monthly basis; and
- Daily ETR—applicable to nonpermanent employees receiving income other than on a monthly basis (e.g., daily, weekly, individually, or in a lump sum).

The monthly ETR is divided into three categories based on the taxpayer's PTKP status at the beginning of a fiscal year.

The article 21 income tax withheld is creditable by the individuals against their annual individual income tax. The tax office can redetermine the amount of income received by an individual taxpayer from an employer that has a special relationship with a foreign company.

Article 22 income tax

Article 22 income tax is collected by:

- Central or regional government treasurers on purchases of goods;
- Certain institutions appointed to collect tax from taxpayers carrying out import activities or engaging in certain business activities; and
- Certain corporate taxpayers selling luxurious goods.

In general, except for those considered as final taxes, article 22 income tax collected is creditable by taxpayers against their annual income tax.

The following table summarizes major type of payments subject to article 22 income tax and their applicable rates.

Type of payments ¹⁾	WHT rate	WHT base
Import of certain consumer goods with or without an importer's identification number (<i>Angka Pengenal Impor (API)</i>)	7.5%/10% ²⁾	Import value
Import of gold bullion with or without an API	2.5%	
Import of soybean, wheat, and wheat flour with an API	0.5%	
Import of goods (not in the list of certain consumer goods, soybean, wheat, wheat flour, and gold bars) with an API	2.5%	
Import of goods (not in the list of certain consumer goods, soybean, wheat, wheat flour, and gold bars) and import of soybean, wheat, and wheat flour without an API	7.5%	
Import of gold bars with or without API	0.25%	
Import of auctioned goods	7.5%	Auctioned price

Type of payments ¹⁾	WHT rate	WHT base
Export of commodities, such as coal and metal and nonmetal minerals, unless the export is done by taxpayers under a mining cooperation or CoW arrangement	1.5%	Export value
Sale of fuel oil to Pertamina fuel stations	0.25%	Selling price (exclude VAT)
Sale of fuel oil to non-Pertamina fuel stations	0.3%	
Sale of fuel gas	0.3%	
Sale of lubricants	0.3%	
Sale of cement to distributors	0.25%	
Sale of paper products to distributors	0.1%	
Sale of steel products to distributors	0.3%	
Sale of certain vehicles to distributors, excluding heavy equipment	0.45%	
Sale of medicines to distributors	0.3%	
Sale of domestic vehicles by sole agents (<i>Agen Tunggal Pemegang Merek (ATPM)</i>), agents (<i>Agen Pemegang Merek (APM)</i>), and vehicle general importers, excluding heavy equipment	0.45%	

Type of payments ¹⁾	WHT rate	WHT base
Certain purchase of goods by government institutions and BUMN (with certain exceptions)	1.5%	Purchase price (exclude VAT)
Purchase of forestry, plantation, agriculture, farm, and fishery raw products by manufacturers or exporters	0.25%	
Purchase of coal and metal and nonmetal minerals from a company or an individual holding an IUP by an industry or a company	1.5%	
Purchase of gold bars by authorized financial service institutions conducting bullion business activities	0.25%	
Sale of gold bars and gold and nongold jewelry by gold jewelry and/or gold bar entrepreneurs (with certain exceptions)	0.25%	Selling price
Sale of mobile phone credits and starter packs for mobile phone cards by second-tier distributors constituting article 22 income tax withholders	0.5%	Amount stated in the invoice by the second-tier distributors to the subsequent distributors, or selling price to end-consumers

Type of payments ¹⁾	WHT rate	WHT base
<ul style="list-style-type: none"> Sale of luxurious houses and land exceeding IDR 30 billion or 400 sqm Sale of apartments, condominiums, and similar items exceeding IDR 30 billion or 150 sqm 	1%	Selling price (exclude VAT and LST)
<ul style="list-style-type: none"> Sale of private airplanes and helicopters Sale of cruise ships, yachts, and other similar items Sale of certain four-wheeled vehicles with selling price exceeding IDR 2 billion or 3,000 cc Sale of two-wheeled or three-wheeled vehicles with selling price exceeding IDR 300 million or 250 cc 	5%	Selling price (exclude VAT and LST)
Delivery of crypto assets by a seller through a crypto asset exchanger ³⁾	0.21%/1% ⁴⁾	Transaction value
Income received from the provision of goods and services to government institutions through marketplaces or online retails connected to the government procurement information system	0.5%	Transaction amount (exclude VAT and LST)
Income arising from PMSE activities earned by domestic sellers through PMSE providers' (<i>Penyelenggara PMSE (PPMSE)</i>) platform ³⁾	0.5%	Gross revenue (exclude VAT and LST)

Notes:

- 1) The table has been updated with regulations issued as of 28 July 2025.
- 2) Applicable tax rates shall be:
 - 10% for certain consumer goods; and
 - 7.5% for consumer goods other than previously specified.
- 3) Please refer to pages 106 to 112 on income tax for PMSE activities.
- 4) Final article 22 income tax rates:
 - 0.21%, if the exchanger is a domestic entity; and
 - 1%, if the exchanger is a foreign entity.

The rates above will be 100% higher if the party being tax collected does not have an NPWP.

Below are some of the activities that are exempted from article 22 income tax:

- Import and/or delivery of goods that are not subject to income tax;
- Import of certain goods in which the import duty and VAT are exempted;
- Temporary import;
- Certain re-importation;
- Purchase of certain goods by certain article 22 income tax collectors;
- Sale of vehicles by the automotive industry, ATPM, APM, and vehicle general importers that have already been subject to article 22 income tax on sales of highly luxurious goods; and
- Purchase of unhulled rice (*gabah*), rice, and staple food ingredients by certain appointed institutions.

Some of the exemptions above are automatically granted while some are subject to the availability of tax exemption letter (*Surat Keterangan Bebas*).

Article 4(2) income tax

Article 4(2) income tax is a final income tax. Expenses related to income subject to article 4(2) income tax are not tax deductible. Article 4(2) income tax that has been paid through self-assessment or withheld by other parties cannot be accounted for or credited in the taxpayer's annual income tax calculation.

The following incomes are subject to article 4(2) income tax, either through self-assessment or withholding by other parties:

Type of payments	Effective WHT rate
Interest or discount on Bank Indonesia Certificates (<i>Sertifikat Bank Indonesia</i>), time and saving deposits, and government bonds ¹⁾	20% ²⁾
Sale of shares listed on the Indonesia Stock Exchange: • Sale of non-founder's shares • Sale of founder's shares	0.1% ³⁾ 0.1% + 0.5% ⁴⁾
Interest or discount on bonds ¹⁾	10%
Lottery prize	25%
Rental of land and/or buildings	10% ⁵⁾
Construction service: • Performance of construction work • Performance of integrated construction work • Consultation regarding construction work	1.75%/2.65%/4% ⁶⁾ 2.65%/4% ⁷⁾ 3.5%/6% ⁸⁾
Transfer of land and/or buildings	0%/0.5%/1%/2.5% ⁹⁾
Interest on deposits paid by a cooperative to its members	0%/10% ¹⁰⁾

Type of payments	Effective WHT rate
Dividend paid in relation to cooperation with the Indonesia Investment Authority (<i>Lembaga Pengelola Investasi (LPI)</i>)	7.5% or exempted ¹¹⁾
Income earned by a venture capital company from the transfer of shares in its partner	0.1%
Income earned or received by an individual or certain corporate taxpayer (other than a PE), of which the total revenue does not exceed IDR 4.8 billion within a fiscal year ¹²⁾	0.5%

Notes:

- 1) WHT is not applicable for the following income recipients: banks operating in Indonesia, government-approved pension funds, and certain registered mutual funds.
- 2) Different rates may apply to interest received from time deposits sourced from proceeds of exports (*devisa hasil ekspor*), ranging from 0% to 10% for deposits in USD currency and from 0% to 5% for time deposits in IDR currency.
- 3) Tax rate of 0.1% of the gross transaction amount.
- 4) Tax rate of 0.1% of the gross transaction amount + 0.5% from the share price at the initial public offering.
- 5) The tax base includes land and/or building rental expense and all service charges related to land and/or building rental (i.e., costs of maintenance and upkeep, security fees, service fees, and other facility fees). It also includes income received by the landowner in relation to build-operate-transfer arrangement.
- 6) Applicable tax rates shall be:
 - a. 1.75% for a contractor with a small-corporate business qualification certificate (*sertifikat badan usaha kualifikasi kecil*) or certificate of work competency for individuals (*sertifikat kompetensi kerja untuk usaha orang perseorangan*);
 - b. 4% for a contractor without a corporate business qualification certificate or certificate of work competency for individuals; and
 - c. 2.65% for a contractor other than those listed in items a and b above, with other type of corporate business qualification or certificate of work competency.
- 7) Applicable tax rates shall be:
 - 2.65% for a contractor with a corporate business qualification certificate; and
 - 4% for a contractor without a corporate business qualification certificate.

- 8) Applicable tax rates shall be:
 - 3.5% for a contractor with a corporate business qualification certificate or certificate of work competency for individuals; and
 - 6% for a contractor without a corporate business qualification certificate or certificate of work competency for individuals.
- 9) Applicable tax rates shall be:
 - a. 0% for the transfer of land and/or building to the government, BUMN, or BUMD under special assignments;
 - b. 1% for the transfer of basic houses and basic apartments by taxpayers engaging in transfer of land and/or buildings as their main business activities;
 - c. 2.5% for the transfer of land and/or buildings other than those listed in items a and b above; and
 - d. 0.5% for the transfer of real estates to certain SPCs or Real Estate Investment Funds (*Dana Investasi Real Estate*).
- 10) Applicable tax rates shall be:
 - 0% for interest income earned up to IDR 240 thousand per month; and
 - 10% for interest income earned more than IDR 240 thousand per month.
- 11) Applicable tax rates shall be:
 - 7.5% (or a lower rate subject to the accessibility of tax treaty benefits) on dividend income arising from cooperation with LPI that is earned/received by foreign partners. Certain exceptions and requirements apply; and
 - Dividend income arising from cooperation with LPI that is earned/received by an Indonesian tax resident is tax exempt.
- 12) The final income tax applies for no longer than:
 - Seven fiscal years for individual taxpayers;
 - Four years for corporate taxpayers in the form of cooperations, limited partnerships, or firms (*firma*), village-owned enterprises (*Badan Usaha Milik Desa*) and joint village-owned enterprises (*Badan Usaha Milik Desa Bersama*), or individual companies (*perseroan perorangan*); and
 - Three years for limited liability corporate taxpayers.

Article 23 income tax

Taxpayers are obliged to withhold article 23 income tax from the gross amount of the following payments made to domestic taxpayers:

Type of payments	WHT rate
<ul style="list-style-type: none">• Dividends¹⁾• Interest²⁾• Royalties³⁾• Gifts, awards, bonuses, and similar items, except for those that have been subject to article 21 income tax	15%
Rental or compensation for the use of assets, except for rental or compensation that has been subject to article 4(2) income tax and finance leases (<i>sewa guna usaha dengan hak opsi</i>)	2%
Remuneration related to the following services, except for those that have been subject to article 21 income tax: <ul style="list-style-type: none">• Appraisal services;• Actuary services;• Accounting, bookkeeping, and financial statement attestation services;• Legal services;• Architecture services;• Urban planning and landscape architecture services;• Design services;• Drilling services in the oil and gas mining industry, except for those services provided by a PE;• Auxiliary services in geothermal and oil and gas mining industry;• Mining and auxiliary services in non-geothermal and non-oil and gas mining industry;• Auxiliary services in airline and airport industry;• Services in securities trading, except for trading performed by the Indonesia Stock Exchange, Indonesia Central Securities Depository (<i>Kustodian Sentral Efek Indonesia (KSEI)</i>), and Indonesia Clearing and Guarantee Corporation (<i>Kliring dan Penjaminan Efek Indonesia</i>);	2%

Type of payments	WHT rate
<ul style="list-style-type: none"> • Logging services; • Waste management services; • Manpower outsourcing services; • Brokerage and/or agency services; • Custodian/storage/depository services, except for services provided by KSEI; • Dubbing and/or voice-over services; • Film-mixing services; • Services for creating promotional facilities for films, advertisements, posters, photos, slides, clichés, banners, pamphlets, billboards, and folders; • Services related to computer software or hardware or systems, including repair and maintenance; • Website creation and/or maintenance services; • Internet and its connection services; • Storage, processing, and/or distribution services for data, information, and/or programs; • Certain installation services, except for installation services performed by construction companies; • Certain repair/maintenance services, except for repair/maintenance services performed by construction companies; • Maintenance services for vehicles and/or land, water, and air transportation; • Toll-manufacturing services; • Investigation and security services; • Event organizer services; • Services related to provision of space and/or time in mass media, outdoor media, or other media for the delivery of information and/or advertisement; • Pest eradication services; • Cleaning services; • Septic tank-siphoning services; • Pool maintenance services; • Catering services; • Freight forwarding services; • Logistics services; • Document-handling services; • Packing services; • Loading and unloading services; 	

Type of payments	WHT rate
<ul style="list-style-type: none"> • Laboratory services and/or laboratory test services, except for laboratory services conducted by educational institutions for academic research purposes; • Parking management services; • Soil cone penetration test services; • Land preparation and cultivation services; • Seedling nursery and seeding services; • Crop maintenance services; • Harvesting services; • Processing services for agricultural, plantation, fishery, livestock, and/or forestry products; • Decoration services; • Printing/publishing services; • Translation services; • Shipping/expedition (courier) services, except for services regulated under article 15 income tax; • Port services; • Transportation services through pipeline; • Childcare services; • Training and/or course services; • Automatic teller machine cash delivery and replenishment services; • Certification services; • Survey services; • Testing services; • Services other than the above, for which the payments are charged to APBN and/or APBD; • Payment services related to the distribution of prepaid electricity token; • Marketing services using vouchers; • Payment transaction services related to voucher distribution; • Consumer loyalty/reward program services; and • Jewelry services 	

Notes:

- 1) Dividends, in any name and form, are subject to income tax, except for Indonesian-sourced dividends received by Indonesian companies (please refer to pages 37 to 38 for tax treatment of dividend income for corporate taxpayers).
- 2) WHT does not apply to payments made to banks operating in Indonesia.

3) If the recipients of royalty income are domestic individual taxpayers who calculate their income tax using the net income calculation method, the gross royalty amount will be 40% of the royalty amount.

The rates above are 100% higher if the party being tax withheld does not have an NPWP.

Article 23 income tax withheld is creditable by taxpayers against their CIT.

Article 26 income tax

Taxpayers are required to withhold article 26 income tax at a rate of 20% for the following payments/accruals to non-Indonesian tax residents:

Type of payments	WHT base	Effective tax rate ¹⁾
Dividends	Gross amount	20% of gross amount
Royalties, rentals, and other payments related to utilization of assets		
Compensation in relation to services, work, and activities		
Gifts and rewards		
Pension and other periodic payments		
Swap premiums and hedging transactions		
Gains from debt forgiveness		
Interest including premium, discount, and compensation related to debt repayment guarantee ²⁾		10% or 20% of gross amount

Type of payments	WHT base	Effective tax rate ¹⁾
Sales of luxury jewelry, diamonds, gold, gemstones, luxury watches, antiques, paintings, cars, motorcycles, yachts, and/or light aircraft in Indonesia exceeding IDR 10 million, except for those that are subject to article 4(2) income tax	25% of selling price	5% of selling price
Insurance/reinsurance premiums:		
• The insured's premium is paid to a foreign insurance company	50% of premium amount	10% of premium amount
• The premium is paid by an Indonesian insurance company to a foreign insurance company	10% of premium amount	2% of premium amount
• The premium is paid by an Indonesian reinsurance company to a foreign insurance company	5% of premium amount	1% of premium amount
Direct and indirect sales/transfers of shares of a nonlisted company in Indonesia	25% of selling price	5% of selling price
BPT ³⁾	Taxable income after tax	20% of taxable income after tax

Notes:

- 1) The tax rate may be reduced or exempted, subject to the accessibility of tax treaty benefits. Please refer to pages 115 to 121 for the list of treaty rates.
- 2) Interest income from bonds issued by government and nongovernment agencies, including sharia bonds paid to or earned by a foreign party is subject to WHT at the rate of 10% (or the rate based on the tax treaty). Other types of interest income paid to or earned by a foreign party is subject to WHT at the rate of 20% (or the rate based on the tax treaty).
- 3) Please refer to page 27 on BPT.

Transfer Pricing

Law Number 7 of 1983 regarding Income Tax, as amended several times, lastly by Law Number 6 of 2023

Overview

Since 2010, the DGT has issued guidelines and regulations to provide greater certainty to businesses on transfer pricing rules.

The DGT is authorized to adjust taxpayers' incomes or expenses, where transactions with related parties (special relationship) are not in accordance with fair and common business practices (the arm's-length principle). The DGT is also authorized to treat the excess between transaction value that is not arm's-length and the arm's-length price as dividend, and subject the same to withholding tax (i.e., secondary adjustment).

A special relationship may result from:

- a. Ownership or participation in capital;
- b. Control; or
- c. Family relationship, either biological or by marriage, in vertical and/or horizontal lineage of the first degree.

A special relationship by ownership or participation in capital exists if one taxpayer owns at least 25% of another taxpayer's capital, directly or indirectly, or if a single taxpayer owns at least 25% of the capital in multiple taxpayers.

A special relationship by control exists if one party directly or indirectly controls another party, two or more parties are controlled by the same entity, the control is through management or technology, the same person(s) influence multiple parties' decisions, several parties belong to or declare themselves part of the same business group, or one party declares itself being related to the other.

Corporate taxpayers are required to disclose their related party transactions in a separate attachment to the CIT. The disclosure includes various information, such as type of transactions, nature of relationship, questionnaire on documentation prepared to support the implementation of arm's-length principle, as well as transactions with parties from tax haven countries.

Application of arm's-length principle

Methods for determining arm's-length transactions in Indonesia are as follows:

- Comparable uncontrolled price method;
- Resale price method;
- Cost plus method;
- Profit split method;
- Transactional net margin method; and
- Other methods, such as tangible and intangible asset valuation and business valuation.



In principle, the Indonesian transfer pricing rules lay down the onus on taxpayers to undertake a transfer pricing analysis regarding their transactions with related parties to ensure that the transactions conform to the arm's-length principle. The arm's-length principle also applies to transactions involving parties without a special relationship where a party related to one or both of the transacting parties determines the counterparty and the transaction price. This involves, *inter alia*, conducting a comparability analysis and determining the comparable transactions, identifying the most appropriate transfer pricing method, and applying the arm's-length principle based on the results of the comparability analysis and the most appropriate transfer pricing method. The rules also outline specific requirements for intragroup services and intangibles transactions.

Transfer pricing documentation requirements

The DGT adopts a three-tiered approach to transfer pricing documentation, namely:

- Local File;
- Master File; and
- Country-by-Country Report (CbCR).

The Master File and the Local File must be available within four months after the end of a fiscal year and must be accompanied by a statement letter concerning the time of the availability of such documents. The statement letter needs to be signed by the party providing the transfer pricing documentation.

In addition, a declaration regarding the availability of the required information in the Master File and the Local File must also be attached to the CIT return in the specified form.

Generally, the DGT provides seven to 14 days upon request for submission of the transfer pricing documentation in case of regular compliance checks, while the maximum allowable time is 30 days upon request. Failure to furnish the documentation within the stipulated time may prompt a detailed transfer pricing audit. It also allows the DGT to disregard any subsequent documentation and determine tax liability based on the data available to them. Any corrections by the tax office may lead to administrative sanctions and additional penalties in the case of tax underpayment.

Master File and Local File

Taxpayers having related party transactions and meeting any one of the following thresholds are required to prepare both a Master File and a Local File in Indonesian language:

Condition ¹⁾	Threshold ²⁾
Gross revenue in the preceding year ³⁾	Exceeds IDR 50 billion
<ul style="list-style-type: none">Related party transactions of tangible goods in the preceding fiscal year; orRelated party transactions of services, royalties, interests, or other transactions in the preceding fiscal year	Exceeds IDR 20 billion
	Exceeds IDR 5 billion

Condition ¹⁾	Threshold ²⁾
Transactions with an affiliated party located in a jurisdiction with a tax rate lower than Indonesia's (i.e., 22%).	No minimum threshold
A taxpayer that qualifies as a parent entity of a business group ⁴⁾	Consolidated gross revenue of at least IDR 11 trillion in the preceding year

Notes:

- 1) In the event that the preceding fiscal year covers a period of less than 12 months, the gross revenue and/or the related party transactions are required to be annualized.
- 2) For bookkeeping in currency other than IDR, the monetary value of the threshold has to be calculated using the exchange rate set by the MoF for tax calculation purposes at the end of the relevant fiscal year.
- 3) Gross revenue is defined as the gross amount of revenue received or accrued in connection with the taxpayer's businesses or main activities, before the deduction of discounts, rebates, and other reductions.
- 4) Parent entity is defined as an entity that directly or indirectly controls a group of businesses, which is required to prepare consolidated financial statements under SAK.

The arm's-length principle must be adhered to for related party transactions, even if the taxpayer does not meet any of the thresholds above.

Country-by-Country Report

Aside from the Master File and the Local File, a taxpayer qualifying as a parent entity of a business group having a consolidated gross revenue of at least IDR 11 trillion in the fiscal year preceding the reported fiscal year is required to prepare and submit a CbCR.

In the event the parent entity (or a surrogate parent entity appointed by the parent entity) is located in a foreign jurisdiction, the resident taxpayer is required to

submit the CbCR when the country of the parent entity (or the surrogate parent entity):

- Does not require the submission of CbCR; or
- Does not have an agreement with the Indonesian government on information exchange; or
- Has an agreement but the CbCR cannot be obtained by the Indonesian government.

In other cases, the resident taxpayer is required to submit a notification to the DGT specifying the parent entity (or surrogate parent entity) and the country where the CbCR is filed.

The CbCR or the notification, as the case may be, has to be submitted within 12 months after the end of the relevant fiscal year.

The CbCR is required to be prepared in a prescribed format, which is broadly aligned with the Base Erosion and Profit Shifting (BEPS) Action 13 format. The CbCR or the notification, as the case may be, has to be submitted electronically through an online platform provided by the DGT. The online notification form generally requires the taxpayer to provide the necessary information to ascertain whether it has the obligation to submit a CbCR. A receipt confirming the submission of notification and/or CbCR has to be attached to the CIT return.

Advance Pricing Agreement

An Indonesian resident taxpayer can initiate a unilateral, bilateral, or multilateral Advance Pricing Agreement (APA), whereas a foreign resident taxpayer that is a transaction counterparty of an Indonesian resident taxpayer can initiate a bilateral or multilateral APA.



A negotiation in relation to a unilateral APA must commence, at the latest, six months from the taxpayer's submission date of supporting documents to the application and must conclude within 12 months after the commencement. Meanwhile, a negotiation in relation to a bilateral or multilateral APA is conducted in accordance with the prevailing regulations concerning Mutual Agreement Procedure (MAP), which imply a time limit of 24 months for the overall process. There is a provision that allows for extensions, but only in limited bilateral cases where the in-principle agreement has already been reached on certain issues, such as the existence of the transaction, approach for transfer pricing analysis, transfer pricing method, tested party, and profit level indicator.

An APA is valid for five fiscal years plus rollback. The rollback can be applied if it fulfills the following conditions:

- The facts and conditions of the related party transactions do not differ materially from the facts and conditions of the related party transactions covered in the APA;
- The statute of limitation has not passed;
- The CIT assessment letter for the relevant fiscal year has not been issued; and



- The taxpayer is not charged with a tax crime or is not under a tax crime investigation or initial evidence examination for tax crime investigation.

Taxpayers are required to document the implementation of APA in their transfer pricing documentation for the covered APA period. The existing APA is renewable for one consecutive APA period if the facts and conditions of the APA remain the same.

Once an APA has been entered into, the DGT may conduct an APA evaluation, which, depending on the results, may lead to an APA judicial review or APA cancellation before the APA period ends. The APA judicial review can also be conducted upon the taxpayer's request or due to changes in critical assumptions. The result of the APA judicial review negotiation shall be in the form of revised APA document/Mutual Agreement.



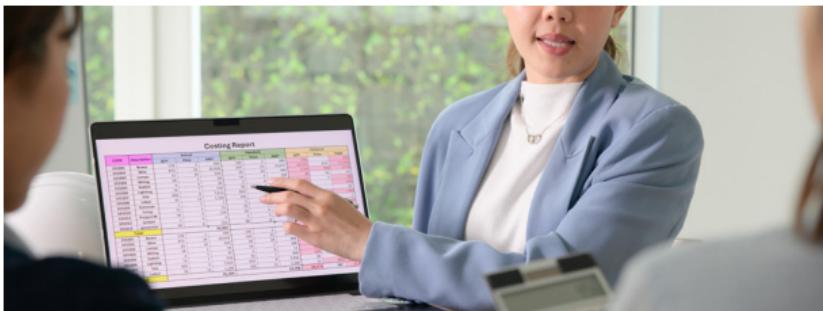
Value Added Tax

Law Number 8 of 1983 regarding Value Added Tax on Goods and Services and Luxury-goods Sales Tax, as amended several times, lastly by Law Number 6 of 2023

Overview

VAT is levied on taxable events, i.e., on the “delivery” of taxable goods and/or taxable services. Entrepreneurs delivering taxable goods and/or taxable services of which the value exceeds IDR 4.8 billion in a fiscal year are required to register for VAT purposes (i.e., register as PKPs) and issue VAT invoices for the delivery of taxable goods and/or taxable services.

Starting from the fiscal period of January 2025, the VAT administration of a PKP carrying on business activities in Indonesia through business units located in multiple places under different tax offices is automatically centralized.



Taxable events

The taxable events consist of the following:

- Delivery of taxable goods and/or taxable services within the Indonesian customs territory (a territory in Indonesia that is subject to Indonesian Customs Laws);
- Import of taxable tangible goods;
- Utilization of offshore taxable intangible goods and/or offshore taxable services within the Indonesian customs territory; and
- Export of taxable goods and/or taxable services by a PKP.

Goods and services not subject to Value Added Tax

All goods and services shall be subject to VAT, except:

- Items that are already subject to regional taxes (i.e., food and beverages served at restaurants or hotels or for catering, art, and entertainment services, hotel services, and parking services);
- Money, gold bars (representing Indonesia's state gold reserves), and securities;
- Religious services; and
- Government administrative services that cannot be provided by other parties.

Value Added Tax rate

The standard VAT rate is 12%.

The VAT rate is reduced to 0% for the following taxable events:

- Export of taxable tangible goods;
- Export of taxable intangible goods; and
- Export of taxable services (please refer to pages 99 to 101).

The following deliveries are subject to a final VAT mechanism (*menggunakan besaran tertentu untuk memungut dan menyetorkan PPN*):

Type of delivery ¹⁾	Final VAT calculation	Effective VAT rate
Postal package delivery services	$10\% \times 11/12 \times$ standard VAT rate x compensation amount	1.1%
Certain travel agency services and/or provision of travel packages	$10\% \times 11/12 \times$ standard VAT rate x selling price of the travel package, transport, and accommodation	1.1%
Freight forwarding services (including freight charges)	$10\% \times 11/12 \times$ standard VAT rate x amount billed or should be billed	1.1%

Type of delivery ¹⁾	Final VAT calculation	Effective VAT rate
Combined religious and nonreligious tour package services	<ul style="list-style-type: none"> • $10\% \times 11/12 \times$ standard VAT rate x tour package price for nonreligious tour (if the tour package price can be separated between the religious tour portion (which is not subject to VAT) and nonreligious tour portion (which is subject to VAT)) • $5\% \times 11/12 \times$ standard VAT rate x entire tour package price (if the tour package price cannot be separated between the religious tour portion and the nonreligious tour portion) 	1.1% 0.55%
Marketing services using vouchers, transaction payment services in relation to voucher distribution, and services related to consumer loyalty or reward programs, which are not based on commission and without any margin	$10\% \times 11/12 \times$ standard VAT rate x voucher sales price	1.1%

Type of delivery ¹⁾	Final VAT calculation	Effective VAT rate
Self-construction activities not in respect of a job or occupation by an individual or an organization, where the construction result will be used by the individual or organization itself or by another party (<i>kegiatan membangun sendiri</i>)	$20\% \times 11/12 \times \text{standard VAT rate} \times \text{amount paid excluding land price}$	2.2%
Certain nonsubsidized liquefied petroleum gas (LPG) by distribution agents and subagents	<ul style="list-style-type: none"> Distribution agents: $1.1/101.1 \times \text{excess of distribution agent's selling price over retail selling price}$ Subagents: $1.1/101.1 \times \text{excess of distribution subagent's selling price over distribution agent's selling price}$ 	1.1/101.1
Certain agricultural products ²⁾	$10\% \times 11/12 \times \text{standard VAT rate} \times \text{selling price}$	1.1%



Type of delivery ¹⁾	Final VAT calculation	Effective VAT rate
Insurance commissions received by agents and brokers	<ul style="list-style-type: none"> Agents: $10\% \times 11/12 \times$ standard VAT rate \times gross commission amount, in any form and name, excluding income tax and other collection Brokers: $20\% \times 11/12 \times$ standard VAT rate \times gross commission amount, in any form and name, excluding income tax and other collection 	1.1% 2.2%
Used motor vehicles	$10\% \times 11/12 \times$ standard VAT rate \times selling price	1.1%
Taxable goods held as collateral	$10\% \times 11/12 \times$ standard VAT rate \times selling price	1.1%
Transaction verification services provided by crypto asset miners ³⁾	$20\% \times 11/12 \times$ standard VAT rate \times crypto asset value received by the miner	2.2%
Gold and nongold jewelry, and jewelry services:		
• Self-produced gold jewelry by manufacturers to other manufacturers and/or traders;	$10\% \times 11/12 \times$ standard VAT rate \times selling price	1.1%
• Self-produced gold jewelry by manufacturers to end consumers	$15\% \times 11/12 \times$ standard VAT rate \times selling price	1.65%
• Nongold jewelry by manufacturers and traders	$10\% \times 11/12 \times$ standard VAT rate \times selling price	1.1%

Type of delivery ¹⁾	Final VAT calculation	Effective VAT rate
• Jewelry services by manufacturers and traders	$10\% \times 11/12 \times \text{standard VAT rate} \times \text{remuneration received}$	1.1%
• Gold jewelry by traders to other traders and/or end consumers if the deliverer has a VAT invoice on the acquisition/import of the jewelry being delivered	$10\% \times 11/12 \times \text{standard VAT rate} \times \text{selling price}$	1.1%
• Gold jewelry by traders to other traders and/or end consumers if the deliverer does not have a VAT invoice on the acquisition/import of the jewelry being delivered; or	$15\% \times 11/12 \times \text{standard VAT rate} \times \text{selling price}$	1.65%
• Gold jewelry by traders to manufacturers	0%	0%

Notes:

- 1) This table has been updated with regulations issued as of 28 July 2025.
- 2) The PKP may choose to use either the final or standard VAT mechanism. Once the PKP chooses to use standard VAT mechanism, it can no longer revert to using the final VAT mechanism.
- 3) Please refer to pages 106 to 112 on VAT on PMSE.



Value Added Tax imposition base

VAT is imposed on the VAT imposition base, which consists of selling price, compensation price, import value, export value, or other value (special VAT imposition base).

Type of delivery¹⁾	Special VAT imposition base
Taxable goods and/or taxable services for self-use or free gifts	$11/12 \times$ selling price or compensation after deduction of gross profit (i.e., cost of sales)
Movies	$11/12 \times$ estimated average proceeds per movie title
Tobacco products	Retail selling price, with an effective VAT rate of 9.9%
Taxable goods in the form of inventories and/or assets that are not for sale, according to their initial purpose, and remain at the time the company is dissolved	$11/12 \times$ fair market value of the goods

Type of delivery ¹⁾	Special VAT imposition base
<p>Delivery of taxable tangible goods by an entrepreneur in free trade zones and free port zones (FTZs) to a buyer in another area within the Indonesian customs area (<i>Tempat Lain Dalam Daerah Pabean</i> (TLDDP)):</p> <ul style="list-style-type: none"> Nonluxury goods and/or raw materials from outside the customs area that are not processed in the FTZ; 	$11/12 \times$ amount used as the base for calculating import duty and other customs and excise calculations, excluding VAT and/or LST
<ul style="list-style-type: none"> Goods and/or raw materials from a TLDDP, a bonded stockpile area (<i>Tempat Penimbunan Berikat</i> (TPB)), or an SEZ that are not processed in the FTZ; or Goods produced in the FTZ. 	Selling price or other value as determined by the applicable tax regulations
<p>Release of nonluxury taxable tangible goods from an FTZ:</p> <ul style="list-style-type: none"> Release of offshore taxable tangible goods from an FTZ to a TLDDP for a specified purpose and for a certain period; Release of offshore taxable tangible goods from an FTZ to another FTZ, TPB, or SEZ for a certain period; Release of nonoffshore taxable tangible goods from an FTZ to another FTZ, TPB, SEZ, or TLDDP for a certain period; and Taxable goods temporarily entered into an FTZ from TLDDP that are not released within the designated timeline 	$11/12 \times$ fair market value of the goods

Type of delivery ¹⁾	Special VAT imposition base
Taxable goods delivered through a broker or agent	$11/12 \times$ price agreed between the broker or agent and the purchaser
Taxable goods sold through an auctioneer	$11/12 \times$ auction price
Imported intangible goods in the form of movies and the subsequent delivery from the importer to a movie theater	$11/12 \times$ IDR 12 million per copy of the imported movie
Certain nonsubsidized LPG by companies appointed by the government to provide and distribute LPG	$0.825 \times$ retail selling price
Free gifts in the form of assets that are initially not for sale	$11/12 \times$ fair market value of the goods
Subsidized fertilizer for the agricultural sector	<ul style="list-style-type: none"> Subsidized portion: $0.825 \times$ subsidized amount that already includes VAT Nonsubsidized portion: $0.825 \times$ highest retail sales price
Manpower services: <ul style="list-style-type: none"> That do not fulfill the criteria of manpower services which are exempted from VAT; and Where the amount of the manpower service fee and the salary fee are stated separately in a VAT invoice 	$11/12 \times$ amount billed or should be billed on manpower service fee, excluding the employees' salary, wage, honorarium, compensation, and others

Type of delivery ¹⁾	Special VAT imposition base
<p>Advertising services related to nonadvertising broadcasts by an advertising agency, production house, or other party, where:</p> <ul style="list-style-type: none"> • The broadcast is delivered to the person commissioning the broadcast, which may either be the government or the government and a business entity; and • The invoice includes a detailed breakdown between the advertising service fee and the nonadvertising broadcasting service fee 	$11/12 \times$ amount billed or should be billed on advertising service fee, excluding the nonadvertising broadcasting service fee
<p>Mobile phone credit or starter packs for mobile phone cards:</p> <ul style="list-style-type: none"> • By the telecommunication service provider or the first-tier distributor; • By the second-tier distributor to the customer through a subsequent distributor; and • By the second-tier distributor directly to the customer 	$11/12 \times$ amount billed $11/12 \times$ amount billed by the second-tier distributor to the subsequent distributor $11/12 \times$ selling price
<p>Payment services related to token distribution</p>	$11/12 \times$ commission, administrative fee, or difference between the nominal token value and the amount billed on the sale of token, excluding regional tax on street lighting and stamp duty

Type of delivery ¹⁾	Special VAT imposition base
Marketing services using vouchers, transaction payment services in relation to voucher distribution, and services related to consumer loyalty or reward programs, which are based on the following: <ul style="list-style-type: none"> • Commission • Neither commission nor compensation 	11/12 x commission 11/12 x difference between the billed and paid amount on the sale of voucher
Delivery of taxable goods and/or taxable services by a joint operation (JO) members to the JO	11/12 x contribution amount agreed by each of the JO members as stated in the cooperation contract and/or agreement documents
Platform services provided by a crypto exchanger ²⁾	11/12 x commission fee or compensation for service facilitating crypto asset transaction

Notes:

- 1) This table has been updated with regulations issued as of 28 July 2025.
- 2) Please refer to pages 106 to 112 on VAT on PMSE.

Value Added Tax invoice

General Value Added Tax invoice

A VAT invoice is an instrument to levy VAT (for the seller) and to claim VAT credit (for the buyer). The DGT has adopted an electronic VAT invoice mechanism (*e-Faktur*) to directly validate the issuance of VAT invoices.

The format and content of a VAT invoice must meet the guidelines set by the DGT. Failure to meet these guidelines will cause the VAT invoice to be considered as an incomplete

VAT invoice. The issuance of an invalid VAT invoice is subject to a penalty of 1% of the VAT imposition base and the invalid VAT invoice is not creditable for the buyer.

An *e-Faktur* issued during a particular month must be uploaded by the PKP and validated by the DGT no later than the 20th day of the following month; otherwise, the VAT invoice will not be treated as a VAT invoice.

A VAT invoice must be issued:

- Upon the delivery of taxable goods and/or taxable services;
- Upon receiving payment, in the event that the payment occurs prior to the delivery of taxable goods and/or taxable services;
- Upon receiving a term-payment, in the event that the delivery is made in phases;
- Upon the export of taxable goods and/or taxable services; or
- Upon other events as determined by the MoF.

A VAT invoice that is issued exceeding a three-month period since the moment the VAT invoice should be issued cannot be treated as a valid VAT invoice. The seller will be considered as not issuing a VAT invoice and the recipient of such VAT invoice cannot claim the input VAT.

Combined Value Added Tax invoice

For ease of administration purposes, a PKP is allowed to issue one VAT invoice at the end of the month, covering several deliveries to the same buyer in one calendar month. Such VAT invoice is called a combined VAT invoice (*Faktur Pajak Gabungan*).

A combined VAT invoice can only cover transactions under the same transaction code. If the deliveries to the same customer

fall under several transaction codes, only transactions under the same transaction code can be combined.

A combined VAT invoice cannot be used in the event the delivery of taxable goods and/or taxable services is already subject to the VAT not-collected facility in a certain area.

Value Added Tax invoice for retail business

A PKP qualifying as a retail business (*pedagang eceran* (retail PKP)) is allowed to issue VAT invoices without having to include the buyer's identity information and the seller's name as well as the signature of either party for the delivery of taxable goods and/or taxable services, provided that the retail PKP criteria have been satisfied. The criteria of a retail PKP are defined by whether the delivery of taxable goods and/or taxable services is to a buyer with end-consumer characteristics. Such retail PKP criteria are also applicable to PMSE transactions. The end-consumer characteristics are as follows:

- The buyer and/or service recipient consumes or utilizes the purchased taxable goods and/or taxable services directly; and
- The buyer and/or service recipient does not utilize the taxable goods and/or taxable services for business activities.

There are certain exceptions in which the PKP must issue a regular VAT invoice even though the delivery is made to a buyer with end-consumer characteristics.

Certain documents that are treated as equivalent to Value Added Tax invoices

Documents below are treated as equivalent to VAT invoices provided they fulfill the DGT's requirement criteria for information and documentation:

- Delivery order issued by the Bureau of Logistics (*Badan Urusan Logistik*)/logistics depot for the distribution of wheat flour;
- Telecommunication bill by a telecommunication company;
- Proof of payment receipt issued by a distributor on the sale of phone credit and/or commission/fee related to the distribution of tokens and/or vouchers;
- Electricity bill issued by an electricity company;
- Invoice issued for delivery of taxable goods and/or taxable services by the drinking water company;
- Ticket, airway bill, or delivery bill issued for delivery of domestic air transport services.
- Sales note for delivery of port services;
- Trading confirmation for delivery of taxable services by a securities broker;
- Invoice issued for delivery of taxable services by banks;
- Document used for ordering tobacco excise stamps (Document CK-1);
- Tax payment slip (*Surat Setoran Pajak* (SSP)) or SSP and the required supporting documents;
- Export customs notification for export of taxable goods, along with the required supporting documents;
- Export declaration (*pemberitahuan eksport barang*) of taxable intangible goods or taxable services, along with the required supporting documents;
- Import customs notification for import of tangible taxable goods, along with the required supporting documents;

- Assessment letter on import duty, excise, and/or tax on package shipment issued by the Directorate General of Customs and Excise;
- Proof of VAT collection on utilization of taxable intangible goods and/or taxable services from offshore within the Indonesian customs territory for PMSE ;
- Goods release notification from a bonded zone for delivery of taxable goods and/or taxable services by a PKP;
- Customs notification from special economic zones along with the supporting documents;
- Tax assessment letter to collect input VAT on the acquisition of taxable goods and/or taxable services, import of taxable goods, as well as utilization of taxable intangible goods and/or taxable services from offshore within the Indonesian customs territory;
- Invoice document issued by other parties that facilitate the procurement of goods and services in the government's procurement information system;
- Electronic document equivalent to a unified WHT slip on the delivery of crypto assets by a PMSE provider;
- Invoice for provision of electronic facilitation services used to facilitate crypto assets trading by a PMSE provider;
- Statement of account issued by an insurance company or sharia insurance company to insurance agent in relation to the delivery of insurance agency service by the agent;
- Invoice issued by an insurance brokerage company or reinsurance brokerage company for provision of insurance or reinsurance brokerage service;
- Agreement, invoice, or similar document on utilization of taxable intangible goods or taxable services from offshore within the Indonesian customs territory that are granted with VAT not-collected or VAT exemption facility;
- Invoice for sale of collateral taxable goods by a creditor to a collateral goods buyer; and

- Other documents regulated as documents equivalent to VAT invoices.

Self-assessed Value Added Tax

The utilization of offshore taxable intangible goods and/or taxable services is subject to self-assessed VAT, in which the buyer is obliged to self-assess, report, and pay the VAT calculated from the gross amount paid or payable.

The self-assessed VAT on utilization of taxable intangible goods and/or taxable services is due when:

- The purchase price is declared as being payable;
- The amount is invoiced by the vendor; or
- The payment is made, either partially or fully, whichever occurs first.

If the events above are unknown, the VAT is deemed as due at the time the agreement is signed.

Value Added Tax reporting

Output-input mechanism

From the supplier/seller's perspective, the VAT levied is considered as an output VAT while from the buyer's perspective, the VAT paid is an input VAT. The input VAT can be offset against the output VAT. If the amount of output VAT exceeds the amount of input VAT, the difference constitutes a VAT underpayment that has to be settled to the State Treasury by the end of the following month prior to the submission of VAT return. On the other hand, if the amount of output VAT is less than the amount of input VAT, the PKP can either carry the excess amount to the following period or request a refund.

An input VAT invoice received by a PKP is creditable in its VAT return, at maximum, three months after the end of the month when the relevant VAT invoice is issued and if the VAT invoice has not been expensed or capitalized to the acquisition cost of taxable goods and/or taxable services.

However, an input VAT paid by a PKP shall not be creditable if the PKP later charges an output VAT calculated using the final VAT mechanism.

Noncreditable input Value Added Tax

Input VAT arising from the following purchases is not creditable:

- Purchase of taxable goods or taxable services without a direct connection to the PKP's business;
- Purchase of taxable goods or taxable services of which the VAT invoice is incomplete;
- Utilization of taxable intangible goods or taxable services of which the VAT invoice does not fulfill certain requirements; or
- Purchase/utilization of taxable goods and/or taxable services related to a delivery that is not subject to an output VAT.

Export of taxable services

VAT is imposed on export of taxable services that are furnished/rendered within the Indonesian customs territory for the benefit of recipients located outside the Indonesian customs territory. Certain types of export of taxable services that can enjoy a 0% VAT are as follows:

- a. Taxable services related to movable goods for utilization outside the Indonesian customs territory, covering:

- Toll manufacturing services;
- Repair and maintenance services; and

- Freight forwarding services related to goods for export purposes;

b. Taxable services related to immovable goods located outside the Indonesian customs territory, such as construction consultation services, covering assessment, planning, and design of construction related to building or plan for building outside the Indonesian customs territory;

c. Taxable services delivered for utilization outside the Indonesian customs territory as requested by customers, such as:

- Technology and information services;
- R&D services;
- Rental of airplanes and/or sea vessels for international flights or shipping activities;
- Business and management consultancy services, legal consultancy services, architectural and interior design consultancy services, human resource consultancy services, engineering consultancy services, marketing consultancy services, accounting or bookkeeping services, audit services for financial statements, and tax services;
- Trading services, i.e., services to seek sellers within the Indonesian customs territory for export purposes; and
- Interconnection, provision of satellite, and/or data communication/connectivity services.

To apply for the 0% VAT on such export of taxable services, the following cumulative criteria must be fulfilled:

- The delivery of the taxable services is based on a written agreement between the PKP and the offshore service recipient, which clearly specifies:
 - The type;
 - Details of activities that are carried out within the

- customs area to be utilized outside the customs area by the offshore service recipient;
- The value of the delivery; and
- The payment of the taxable services is accompanied by valid proof of payment from the offshore service recipient to the PKP.

If the conditions above are not fulfilled, the delivery of export services will be deemed as delivery of taxable services within the Indonesian customs territory and subject to the standard VAT rate.

Value Added Tax collectors

Certain entities, such as government treasurers, state cash and treasury offices, PSC contractors, geothermal energy contractors or license holders (including headquarters, branches, or units), BUMN, and other appointed entities, are appointed as VAT collectors. A VAT collector is obliged to collect the VAT due from a vendor on the purchase of taxable goods and/or taxable services and to remit the VAT directly to the State Treasury as opposed to the vendor. As such, a PKP primarily engaging in deliveries of taxable goods and/or taxable services to VAT collectors will be in a perpetual VAT overpayment position.

Value Added Tax on transaction through electronic system

Please refer to pages 106 to 112 on VAT on transactions through an electronic system.

Value Added Tax refund

The excess of input VAT over output VAT can be carried forward to the next period or requested to be refunded. The claim for VAT refund can only be made at the end of a fiscal year, except for a PKP that is eligible to claim tax refund monthly. The request for VAT refund is subject to a tax audit. The time frame to obtain a refund decision varies depending on the category of business applying for the refund. In general, it takes 12 months from the submission of VAT refund request for the tax auditor to issue the decision letter.

VAT paid by foreign tourists on purchase at designated retail stores can be refunded upon leaving Indonesia. The minimum amount for VAT refundable by foreign tourists is IDR 500 thousand and the purchase must be made within one month before they leave the customs area.

Available Value Added Tax facilities

Certain imports or purchases of taxable goods and/or taxable services are eligible for VAT facilities, either in the form of VAT exemption facility (PPN *dibebaskan*) or VAT not-collected facility (PPN *tidak dipungut*).

For deliveries of which the VAT is not collected, the related input VAT is creditable. The VAT not-collected facility is applicable (but not limited) to the following imports or deliveries:

- Certain strategic taxable goods, such as certain air transportation, water transportation, trains, and certain safety equipment;
- Certain strategic taxable services, such as rental of ships, port services, and repair and maintenance services;

- Certain gifts for public worship, charitable, social, or cultural purposes;
- Goods for the purpose of R&D of science; and
- Certain goods necessary for people with disabilities.

For deliveries of which the VAT is exempted, the related input VAT is not creditable. The VAT exemption facility is applicable (but not limited) to the following imports or deliveries:

- Basic commodities essential to the public, such as rice, soybean, corn, and others;
- Certain strategic taxable goods, such as mining or drilling products taken directly from the source, machinery, factory equipment, animal husbandry products, seeds and seedlings, liquefied natural gas, and others;
- Certain medical/health services and those within the national health insurance program;
- Social services;
- Financial services;
- Insurance services;
- Educational services;
- Public transport services on land and on water and domestic air transport services that are inseparable from international air transport services; and
- Labor services.

Free trade zones and free port zones

The government appoints certain areas, such as Sabang, Batam, Bintan, and Karimun, as FTZs. FTZs are regarded as locations outside the Indonesian customs territory, and deliveries made within FTZs are exempted from VAT and/or LST. Entities in FTZs do not need to register as PKP.

Import of certain goods into or utilization of offshore taxable intangible goods and/or offshore taxable services in an FTZ is exempted from VAT and/or LST. Delivery of taxable goods and/or certain taxable services from the Indonesian customs territory into an FTZ is eligible for the VAT not-collected facility.

In general, the delivery of taxable goods and/or taxable services from an FTZ into other places within the Indonesian customs territory is subject to VAT and/or LST. The VAT and/or LST shall be settled by the party releasing the taxable goods using an SSP for taxable goods or by the receiving party through a self-assessed VAT mechanism for taxable intangible goods and/or taxable services.

Value Added Tax facilities in Ibu Kota Nusantara

Various VAT and LST facilities are provided for businesses in IKN and certain surrounding regions until 2035.

Please refer to page 136 on VAT and LST facilities available in IKN.

Luxury-goods Sales Tax

In addition to the general VAT rate, certain “luxury” goods are subject to LST with a rate ranging from 10% to 200%.

Luxury-goods are goods that meet the following criteria:

- They do not constitute basic commodities;
- They are consumed by certain groups;
- They are generally consumed by an exclusive group of (upper income) consumers; and/or
- They are consumed to show status rather than for their utility.

Export of luxury-goods is subject to 0% LST.

Taxation on Transaction through Electronic System

Law Number 2 of 2020 regarding Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 regarding State Financial Policy and Financial System Stability for Handling COVID-19 Pandemic and/or in the Context of Facing Threats that Harm National Economy and/or Financial System Stability to Become Law, as amended by Law Number 7 of 2021 regarding Law on Harmonization of Tax Regulations

(This chapter has been updated with regulations issued as of 28 July 2025

Overview

The DGT can appoint certain parties meeting certain thresholds of transaction value or user traffic arising from transactions conducted through an electronic system to be VAT collectors. In general, the thresholds are as follows:

- Value of transactions with customers in Indonesia exceeding IDR 600 million in a 12-month period or IDR 50 million in one month; and/or
- User traffic from Indonesia exceeding 12,000 visits in a 12-month period or 1,000 visits in one month.

Other than the above thresholds, PPMSE that uses an escrow account to collect income of domestic sellers from PMSE activities can also be appointed as article 22 income tax collectors.

If the appointed tax collector (VAT collector or article 22 income tax collector) is a domestic party, it will use its existing NPWP; whereas if the appointed tax collector is a foreign party, it will be provided with a tax identity number (*Nomor Identitas Perpajakan*) to carry out its Indonesian tax administrative obligations.

Value Added Tax on transaction through electronic system

Any transaction made through the electronic system is subject to VAT on PMSE. VAT on PMSE is collected, remitted, and reported by foreign traders, foreign service providers, foreign PPMSE, and/or domestic PPMSE that have been appointed as VAT collectors.

The rate of VAT on PMSE is 12%. The VAT imposition base is eleven-twelfths of the amount paid by the customers (excluding VAT). The PMSE VAT collector may use its usual billing documents as proof of PMSE VAT collection, provided that it contains the minimum required information.

The PMSE VAT collected must be remitted to the State Treasury monthly by the end of the following month before the filing of its monthly VAT return via electronic transfer.

The type of monthly VAT return used to report the VAT collected on the PMSE activities depends on the

appointed party's type of taxpayer, whether it is a domestic party that is a PKP, domestic party that is not a PKP, or a foreign taxpayer.

Income tax on transaction through electronic system

The DGT can appoint a domestic or foreign PPMSE to collect article 22 income tax on income arising from PMSE activities earned by domestic sellers. These domestic sellers include:

- Shipping/expedition service companies;
- Insurance companies; and
- Individual and entities conducting PMSE activities with customers.

The appointed tax collector must collect the article 22 income tax at the rate of 0.5% from the gross revenue stated in the invoice (excluding VAT and LST) when it receives payment from the customer. This tax collection overwrites the tax withholding and collection applicable to article 4(2) income tax and article 15 income tax, preventing double withholding/collection of income tax on the same transaction.

Certain transactions are exempted from article 22 income tax collection even if they should have been considered as PMSE activities. For such transactions, they will remain subject to income tax withholding/collection in accordance with applicable tax regulations.

Invoices created by domestic sellers through the tax collector's system that include the required information are treated as documents equivalent to the proof of income tax collection and the article 22 income tax are creditable in the seller's annual income tax calculation or can be used to settle their final income tax.



Crypto asset transaction

Taxation on crypto asset transactions focuses on:

- Delivery of crypto assets from a seller to a buyer;
- Platform services provided by a crypto exchanger; and
- Transaction verification services provided by crypto asset miners.

Delivery of crypto assets from a seller to a buyer

VAT

The delivery of crypto assets by a seller to a buyer is not subject to VAT.

Income tax

Income earned by a seller from a crypto asset transaction carried out through a PPMSE's electronic system is subject to article 22 income tax. The PPMSE is required to collect tax at a rate of 0.21% from the transaction value if the PPMSE is a domestic entity or 1% if the PPMSE is a foreign entity.

The PPMSE must create a unified WHT slip in the form of a document that contains the minimum required information specified by the regulation by the end of the relevant month. The tax collected must be remitted to the State Treasury and reported in its unified income tax return.

In the event the crypto assets transaction is conducted through an electronic platform provided by a foreign entity that has not been appointed as a tax collector, the crypto asset seller must collect and remit the article 22 final income tax on a self-assessment basis. The self-assessed tax must be reported in the seller's unified income tax return. A foreign seller can be exempted from the article 22 income tax obligation if it is a tax resident of a jurisdiction that has a tax treaty with Indonesia and it can prove its foreign tax residency by providing a certificate of domicile to the PPMSE.

Income tax collected or withheld by a foreign PPMSE on a crypto asset transaction that is carried out via the foreign PPMSE's system and has already been subject to income tax in the source jurisdiction cannot be credited against any income tax payable in Indonesia.

Platform services provided by a crypto exchanger

VAT

The PPMSE collects VAT at a rate of 12%. The VAT imposition base is eleven-twelfths of the commission fee or compensation for the PPMSE's service of facilitating crypto asset transactions, in any name and form, including fees that would be passed on to crypto asset miners.



The PPMSE collects the VAT, issues a VAT invoice, remits, and reports the VAT collected to the DGT in accordance with prevailing regulations. Invoices issued by the PPMSE for its service of facilitating crypto asset transactions are treated as equivalent to VAT invoices.

Income tax

Income from the provision of facilitation services for crypto asset transactions earned by a PPMSE is subject to regular income tax and must be reported in the PPMSE's annual income tax return. Income received by the PPMSE from providing electronic platforms used for crypto asset transactions is not subject to withholding tax.

Transaction verification services provided by crypto asset miners

VAT

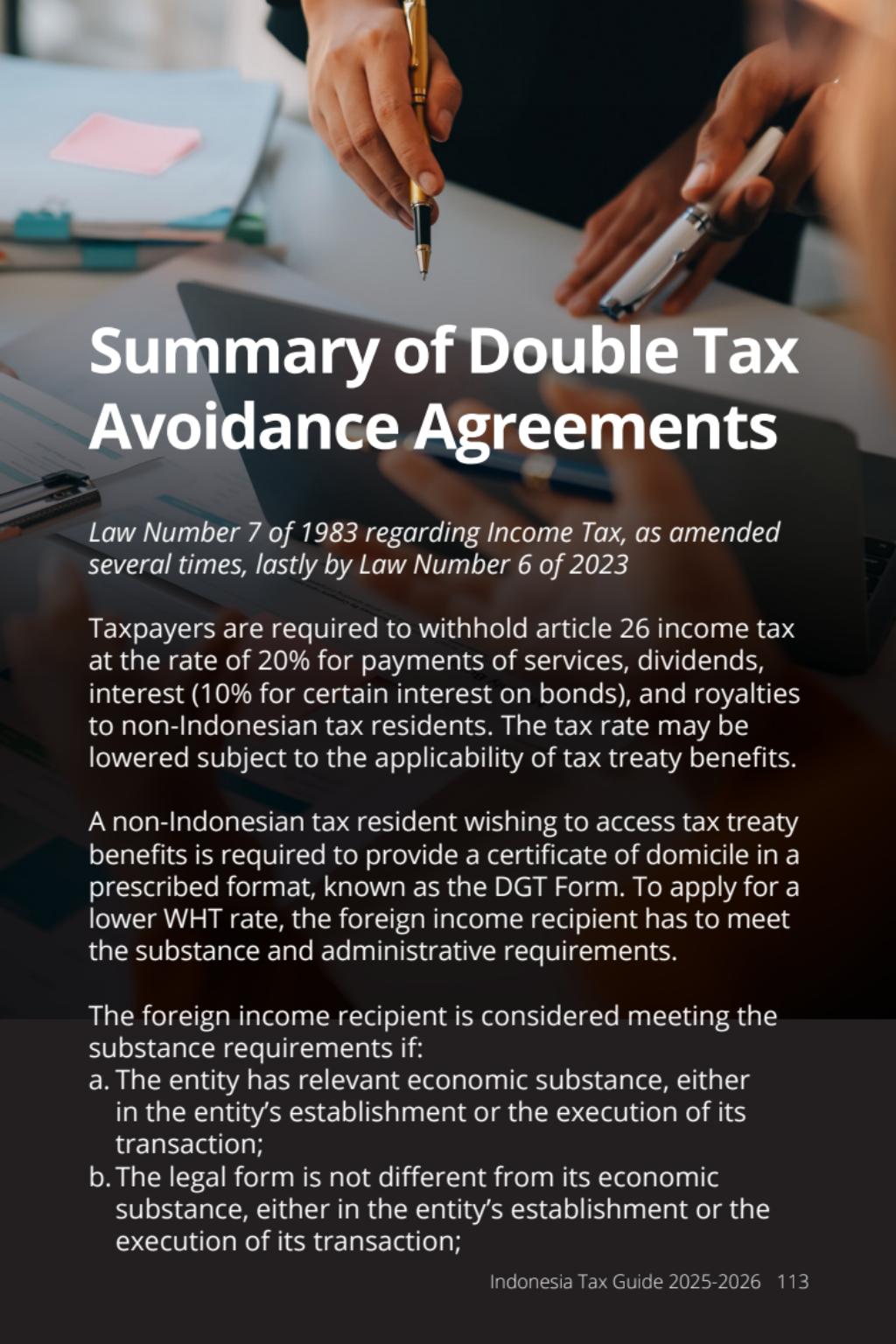
Miners must collect VAT on the delivery of crypto asset transaction verification services.

The applicable VAT rate is $20\% \times \frac{11}{12} \times 12\% \times \text{crypto asset value received by the miner, including block reward.}$

A miner that is a PKP is considered a retail PKP and must issue VAT invoices following the procedure applicable to a retail PKP.

Income tax

Income earned from the delivery of crypto asset transaction verification services is subject to regular income tax.



Summary of Double Tax Avoidance Agreements

Law Number 7 of 1983 regarding Income Tax, as amended several times, lastly by Law Number 6 of 2023

Taxpayers are required to withhold article 26 income tax at the rate of 20% for payments of services, dividends, interest (10% for certain interest on bonds), and royalties to non-Indonesian tax residents. The tax rate may be lowered subject to the applicability of tax treaty benefits.

A non-Indonesian tax resident wishing to access tax treaty benefits is required to provide a certificate of domicile in a prescribed format, known as the DGT Form. To apply for a lower WHT rate, the foreign income recipient has to meet the substance and administrative requirements.

The foreign income recipient is considered meeting the substance requirements if:

- a. The entity has relevant economic substance, either in the entity's establishment or the execution of its transaction;
- b. The legal form is not different from its economic substance, either in the entity's establishment or the execution of its transaction;

- c. The entity has its own management in carrying on business, and such management has an independent discretion;
- d. The entity has sufficient assets to carry on business other than the assets intended to generate income from Indonesia;
- e. The entity has sufficient employees with certain expertise and skill in accordance with the business it carries on; and
- f. The entity has business activities other than receiving dividend, interest, and royalty sourced from Indonesia, and such activities are in accordance with the actual conditions as shown by the existence of costs incurred, efforts undertaken, or sacrifices made, which are directly related to the business or activities for the purpose of earning, collecting, and maintaining income, including significant activities conducted to maintain the entity's survival.

In addition, the purpose/arrangement of the transaction is not to directly or indirectly obtain benefits under the tax treaty (among others, reduction of tax burden or double nontaxation) that are not in accordance or conflict with the objective and purpose of the tax treaty. This is similar to the principal purpose test adopted by Indonesia through the multilateral instrument (MLI) on tax treaty.

To apply for a lower WHT rate on passive income, in addition to the substance requirements above, the foreign income recipient has to meet the following beneficial ownership requirements:

- a. The entity is not acting as an agent, nominee, or conduit;
- b. The entity has controlling rights or disposal rights on the income or the asset, or the rights that generate the income;

- c. No more than 50% of the entity's income is used to satisfy claims by other persons;
- d. The entity bears the risk on its own asset, capital, or liability; and
- e. The entity has no contract(s) that obliges the entity to transfer the income received to a resident of third-party.

The DGT Form must be endorsed by the competent/tax authorities of the foreign income recipient's jurisdiction. In the case that the foreign income recipient is unable to obtain the endorsement, a certificate of residence (CoR) commonly verified or issued by the competent/tax authorities of the recipient's jurisdiction can be attached to the DGT Form to substitute for the endorsement. The CoR must meet the following requirements:

- It is presented in English;
- It contains, at least, the following information: the name of the foreign income recipient, the issuance date, and the applicable fiscal year of the CoR; and
- The original or copy document must be legalized by the competent/tax authorities of the foreign income recipient's jurisdiction.

Indonesia has signed tax treaties with a number of countries around the globe. The following table summarizes various reduced tax rates under the available tax treaties.

Country ¹⁾	Dividend ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
	For investor company (%)	Other (%)			
Algeria	15	15	15	15	10
Armenia	10	15	10	10	10 ⁷⁾
Australia	15	15	10	10/15 ⁶⁾	15 ⁷⁾

Country ¹⁾	Dividend ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
	For investor company (%)	Other (%)			
Austria	10	15	10	10	12 ⁷⁾
Bangladesh	10	15	10	10	10 ⁷⁾
Belarus	10	10	10	10	10 ⁷⁾
Belgium	10	15	10	10	10 ⁷⁾
Brunei Darussalam	15	15	15	15	10 ⁷⁾
Bulgaria	15	15	10	10	15 ⁷⁾
Cambodia	10	10	10	10 ⁸⁾	10 ⁷⁾
Canada	10	15	10	10	15
China	10	10	10	10	10
Croatia	10	10	10	10	10 ⁷⁾
Czech Republic	10	15	12.5	12.5	12.5 ⁷⁾
Denmark	10	20	10	15	15 ⁷⁾
Egypt	15	15	15	15	15 ⁷⁾
Finland	10	15	10	10/15 ⁹⁾	15 ⁷⁾
France	10	15	10/15 ¹⁰⁾	10	10
Germany	10	15	10	7.5/10/15 ¹¹⁾	10
Hong Kong	5	10	10	5	5 ⁷⁾
Hungary	15	15	15	15	20 ¹²⁾
India	10	10	10	10 ⁸⁾	15 ⁷⁾
Iran	7	7	10	12	7
Italy	10	15	10	10/15 ¹³⁾	12 ⁷⁾
Japan	10	15	10	10	10 ⁷⁾
Jordan	10	10	10	10	20 ¹²⁾

Country ¹⁾	Dividend ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
	For investor company (%)	Other (%)			
Korea (North)	10	10	10	10	10
Korea (South)	10	15	10	15	10 ⁷⁾
Kuwait	10	10	5	20	10 ⁷⁾¹⁴⁾
Laos	10	15	10	10	10 ⁷⁾
Luxembourg	10	15	10	10/12.5 ¹⁵⁾	10 ⁷⁾
Malaysia ¹⁶⁾	10	10	10	10	12.5 ⁷⁾
Mexico	10	10	10	10	10 ⁷⁾
Mongolia	10	10	10	10	10 ⁷⁾
Morocco	10	10	10	10	10 ⁷⁾
Netherlands	5	10/15 ¹⁷⁾	5/10 ¹⁸⁾	10	10
New Zealand	15	15	10	15	20 ¹²⁾
Norway	15	15	10	10/15 ¹⁹⁾	15 ⁷⁾
Pakistan	10	15	15	15 ²⁰⁾	10
Papua New Guinea	15	15	10	10 ⁸⁾	15 ⁷⁾
Philippines	15	20	10/15 ²¹⁾	15	20
Poland	10	15	10	15	10 ⁷⁾
Portugal	10	10	10	10	10 ⁷⁾
Qatar	10	10	10	5	10 ⁷⁾
Romania	12.5	15	12.5	12.5/15 ²²⁾	12.5
Russia	15	15	15	15	12.5 ⁷⁾
Serbia	15	15	10	15	15 ⁷⁾
Seychelles	10	10	10	10	20 ¹²⁾
Singapore	10	15	10	8/10 ²³⁾	10 ⁷⁾

Country ¹⁾	Dividend ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
	For investor company (%)	Other (%)			
Slovakia	10	10	10	10/15 ²⁴⁾	10 ⁷⁾
South Africa	10	15	10	10	10 ⁷⁾
Spain	10	15	10	10	10 ⁷⁾
Sri Lanka	15	15	15	15	20 ¹²⁾
Sudan	10	10	15	10	10 ⁷⁾
Suriname	15	15	15	15	15 ⁷⁾
Sweden	10	15	10	10/15 ²⁵⁾	15 ⁷⁾
Switzerland	10	15	10	10 ²⁶⁾	10 ⁷⁾
Syria	10	10	10	15/20 ²⁷⁾	10 ⁷⁾
Taiwan	10	10	10	10	5 ⁷⁾
Tajikistan	10	10	10	10	10 ⁷⁾
Thailand	15	15	15	15	20 ¹²⁾
Tunisia	12	12	12	15	12 ⁷⁾
Turkey	10	15	10	10	10/15 ⁷⁾
Ukraine	10	15	10	10	10 ⁷⁾
United Arab Emirates	10	10	7	5 ²⁸⁾	5 ⁷⁾
United Kingdom	10	15	10	10/15 ²⁵⁾	10 ⁷⁾
United States of America	10	15	10	10	10 ⁷⁾
Uzbekistan	10	10	10	10	10 ⁷⁾
Venezuela	10	15	10	10/20 ²⁹⁾	10 ⁷⁾
Vietnam	15	15	15	15	10 ⁷⁾
Zimbabwe ³⁰⁾	10	20	10	15 ⁸⁾	10 ⁷⁾

Notes:

- 1) This is a general summary of the current treaty provisions. For more comprehensive information, please refer to the relevant treaty.
- 2) These rates are applicable only if the shareholder is the beneficial owner of the dividends. The lower rate applies where the dividend recipient holds, at minimum, 25% of the capital of the paying company (voting shares in Japan or voting power in the UK; 10% in the case of South Africa, Venezuela, Laos, and Bangladesh; 20% in the case of Czech Republic, Poland, and Ukraine; and 15% in the case of the UK).
- 3) These rates are applicable only if the recipient is the beneficial owner of the interest. Many of the treaties provide exemptions for certain types of interest, such as interest paid to the government, central banks, banks, or financial institutions. Such exemptions are not considered in this column.
- 4) These rates are applicable only if the recipient is the beneficial owner of the royalty. Royalty paid to the government of Brunei is exempted.
- 5) BPT is levied on taxable income after tax.
- 6) 10% applies to payments of certain royalties. 15% in all other cases.
- 7) There is a specific provision regarding the application of BPT in PSCs and/or mining CoW (or similar contracts) in the oil and gas and/or mining sectors.
- 8) 10% applies to royalties and fees for technical services.
- 9) 10% applies to the use of, or the right to use copyright of literary and artistic or scientific works, including cinematographic films, and films or tapes for television or radio broadcasting. 15% applies to the use of or the right to use patents, trademarks, designs or models, plans, secret formula or process, or any industrial, commercial or scientific equipment, for information concerning industrial, commercial, or scientific experience.
- 10) 10% applies if the interest is paid by a bank, or financial institution, or by an enterprise of which the activities are mainly to carry on business in the fields of agriculture, plantation, forestry, fishery, mining, manufacturing, industries, transportation, low-cost housing projects, tourism, and infrastructure, and is paid to a bank or to another enterprise. 15% applies to interest on other types of debt.
- 11) 10% applies to the use of, right to use, or for information regarding industrial, commercial, or scientific equipment or experience. 15% applies to the use of, or the right to use copyrights of literary, artistic, or scientific work, patents, trademarks, designs or models, plans, secret formulas, or processes. 7.5% applies to technical, managerial, or consulting services.
- 12) The treaty is silent on the BPT rate. In the absence of the specific reference to BPT rate in the treaty, the DGT may view that the rate of 20% should apply.

- 13) 10% applies to the use of, right to use, or for information regarding industrial, commercial, or scientific equipment or experience. 15% applies to all other royalties.
- 14) Tax is only applicable if profits are remitted to the head office within 12 months after the profits are accrued.
- 15) 12.5% applies to royalties. 10% applies to fees for technical services.
- 16) The tax treaty with Malaysia does not cover business activities conducted in Labuan offshore, as defined in the Malaysian Labuan Offshore Business Activity Act of 1990.
- 17) 10% applies if the beneficial owner is a pension fund meeting certain requirements. 15% applies in all other cases.
- 18) 5% applies to the interest paid on a loan made for a period of more than two years or is paid in connection with the sale on credit of any industrial, commercial, or scientific equipment. 10% applies to interest on other types of debts with certain exceptions.
- 19) 10% applies to patents, trademarks, secret formulas, designs or models, plans, or processes, and for the use of, or right to use, or for information concerning industrial, commercial, or scientific equipment or experience. 15% applies to copyrights of literary, artistic, or scientific works.
- 20) 15% applies to royalties and fees for technical services.
- 21) 10% applies to interest on public issuance of bonds, debentures, or similar obligations. 15% applies to interest on other types of debt with certain exceptions.
- 22) 12.5% applies to the use of or the right to use patents, trademarks, designs or models, plans, secret formulas, or processes, or the use of, right to use, or information concerning industrial, commercial, or scientific equipment or experience. 15% applies to the use of or the right to use copyrights of literary, artistic, or scientific works. 10% applies to commission payments.
- 23) 8% applies to the use of, or right to use, or information concerning industrial, commercial, or scientific equipment or experience. 10% applies to the use of or the right to use any copyright of literary, artistic or scientific work, any patent, trademark, design or model, plan, secret formula, or process.
- 24) 10% applies to the use of or the right to use motion picture films, film, or videos for use in connection with television, or tapes for use in connection with radio broadcasting, or total or partial forbearance in respect of the use or supply or any property or right. 15% applies in certain other cases.
- 25) 10% applies to the use of or right to use industrial, commercial, or scientific equipment or for information concerning industrial, commercial or scientific experience. 15% applies to the use of or the right to use copyrights of literary, artistic, or scientific works, or any patent, trademark, design or model, plan, secret formula, or process.
- 26) 10% applies to royalties. 5% applies to payments for furnishing of services, including consulting services.

27) 15% applies to the use of or the right to use any copyright of literary, artistic, or scientific work. 20% applies to the use of or the right to use any patent, trademark, design or model, plan, or any industrial or scientific equipment, or for information concerning industrial or scientific experience.

28) 5% applies to royalties and fees for technical services.

29) 20% applies to royalties. 10% applies to fees for technical services.

30) The treaty is not yet in force.

Certain activities conducted in Indonesia for more than a certain period may trigger the creation of a PE. The following table summarizes the period specified in available tax treaties:

Country	Construction	Installation	Assembly	Supervisory	Other Services
Algeria	3 months	3 months	3 months	3 months	3 months
Armenia	6 months	6 months	6 months	6 months	120 days
Australia	120 days	120 days	120 days	120 days	120 days
Austria	6 months	6 months	6 months	6 months	3 months
Bangladesh	183 days	183 days	183 days	183 days	91 days
Belarus	6 months	6 months	6 months	6 months	120 days
Belgium	6 months	6 months	6 months	6 months	3 months
Brunei Darussalam	183 days	3 months	3 months	183 days	3 months
Bulgaria	6 months	6 months	6 months	6 months	120 days
Cambodia	183 days	183 days	183 days	183 days	183 days
Canada	120 days	120 days	120 days	120 days	120 days
China	6 months	6 months	6 months	6 months	6 months
Croatia	6 months	6 months	6 months	6 months	3 months
Czech Republic	6 months	6 months	6 months	6 months	3 months
Denmark	6 months	3 months	3 months	6 months	3 months
Egypt	6 months	4 months	4 months	6 months	3 months
Finland	6 months	6 months	6 months	6 months	3 months
France	6 months	-	6 months	183 days	183 days

Country	Construction	Installation	Assembly	Supervisory	Other Services
Germany	6 months	6 months	-	-	-
Hong Kong	183 days	183 days	183 days	183 days	183 days
Hungary	3 months	3 months	3 months	3 months	4 months
India	183 days	183 days	183 days	183 days	91 days
Iran	6 months	6 months	6 months	6 months	183 days
Italy	6 months	6 months	6 months	6 months	3 months
Japan	6 months	6 months	-	6 months	-
Jordan	6 months	6 months	6 months	6 months	1 month
Korea (North)	12 months	12 months	12 months	12 months	6 months
Korea (South)	6 months	6 months	6 months	6 months	3 months
Kuwait	3 months	3 months	3 months	3 months	3 months
Laos	6 months	6 months	6 months	6 months	6 months
Luxembourg	5 months	5 months	5 months	5 months	-
Malaysia	6 months	3 months/ 6 months	3 months/ 6 months	6 months	3 months
Mexico	6 months	6 months	6 months	6 months	91 days
Mongolia	6 months	6 months	6 months	6 months	3 months
Morocco	6 months	-	6 months	6 months	60 days
Netherlands	6 months	6 months	6 months	6 months	3 months
New Zealand	6 months	6 months	6 months	6 months	3 months
Norway	6 months	6 months	6 months	6 months	3 months
Pakistan	3 months	3 months	3 months	3 months	-
Papua New Guinea	120 days	120 days	120 days	120 days	120 days
Philippines	6 months	3 months	3 months	6 months	183 days
Poland	183 days	183 days	183 days	183 days	120 days
Portugal	6 months	6 months	6 months	6 months	183 days
Qatar	6 months	6 months	6 months	6 months	6 months
Romania	6 months	6 months	6 months	6 months	4 months
Russia	3 months	3 months	3 months	3 months	-
Serbia	6 months	6 months	6 months	6 months	6 months

Country	Construction	Installation	Assembly	Supervisory	Other Services
Seychelles	6 months	6 months	6 months	6 months	3 months
Singapore	183 days	183 days / 3 months	183 days / 3 months	6 months	90 days
Slovakia	6 months	6 months	6 months	6 months	91 days
South Africa	6 months	6 months	6 months	6 months	120 days
Spain	183 days	183 days	183 days	183 days	3 months
Sri Lanka	90 days	90 days	90 days	90 days	90 days
Sudan	6 months	6 months	6 months	6 months	3 months
Suriname	6 months	6 months	6 months	6 months	91 days
Sweden	6 months	6 months	6 months	6 months	3 months
Switzerland	183 days	183 days	183 days	183 days	-
Syria	6 months	6 months	6 months	6 months	183 days
Taiwan	6 months	6 months	6 months	6 months	120 days
Tajikistan	6 months	6 months	6 months	6 months	91 days
Thailand	6 months	6 months	6 months	6 months	6 months
Tunisia	3 months	3 months	3 months	3 months	3 months
Turkey	6 months	6 months	6 months	6 months	183 days
Ukraine	6 months	6 months	6 months	6 months	4 months
United Arab Emirates	6 months	6 months	6 months	6 months	6 months
United Kingdom	183 days	183 days	183 days	183 days	91 days
United States of America	120 days	120 days	120 days	120 days	120 days
Uzbekistan	6 months	6 months	6 months	6 months	3 months
Venezuela	6 months	6 months	6 months	6 months	-
Vietnam	6 months	6 months	6 months	6 months	3 months
Zimbabwe	6 months	6 months	6 months	6 months	183 days

Base erosion and profit shifting and multilateral instrument consideration

Indonesia ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS in November 2019 and deposited its instrument of ratification for the MLI with the Organization for Economic Co-operation and Development (OECD) on 28 April 2020. Indonesia identifies 60 tax treaties as covered tax agreements under the convention. MLIs for the following treaties have come into effect:

Country	MLI's effective date	
	For WHT	For other taxes
Armenia	1 January 2025	1 January 2026
Australia	1 January 2021	1 January 2022
Belgium	1 January 2021	1 January 2022
Bulgaria	1 January 2024	1 January 2025
Canada	1 January 2021	1 January 2022
China	1 January 2023	1 January 2024
Denmark	1 January 2021	1 January 2022
Finland	1 January 2021	1 January 2022
France	1 January 2021	1 January 2022
Hong Kong	1 January 2024	1 January 2024
India	1 January 2021	1 January 2022
Japan	1 January 2021	1 January 2022
Jordan	1 January 2025	1 January 2026
Korea (South)	1 January 2021	1 January 2022
Luxembourg	1 January 2021	1 January 2022
Mexico	1 January 2024	1 January 2025
Netherlands	1 January 2021	1 January 2022
New Zealand	1 January 2021	1 January 2022
Pakistan	1 January 2022	1 January 2023

Country	MLI's effective date	
	For WHT	For other taxes
Papua New Guinea	1 January 2025	1 January 2026
Poland	1 January 2021	1 January 2022
Portugal	1 January 2021	1 January 2022
Qatar	1 January 2021	1 January 2022
Russia	1 January 2021	1 January 2022
Serbia	1 January 2021	1 January 2022
Seychelles	1 January 2023	1 January 2024
Singapore	1 January 2021	1 January 2022
Slovakia	1 January 2021	1 January 2022
South Africa	1 January 2024	1 January 2025
Spain	1 January 2023	1 January 2024
Thailand	1 January 2023	1 January 2024
Tunisia	1 January 2025	1 January 2026
Ukraine	1 January 2025	1 January 2026
United Arab Emirates	1 January 2021	1 January 2022
United Kingdom	1 January 2021	1 January 2022
Vietnam	1 January 2024	1 January 2025

In addition, the DGT is authorized to enter into bilateral or multilateral agreements in relation to taxation, which can be in the form of:

- Double tax avoidance agreements;
- The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS;
- Agreements to exchange tax information;
- The Convention on Mutual Administrative Assistance in Tax Matters;
- Bilateral or multilateral agreements between competent authorities; and
- Agreements for the purpose of tackling the taxation issues related to the digitalization of economy and/or BEPS.

Global minimum tax

The GMT or Pillar Two framework in Indonesia is aligned with the OECD's Pillar Two GMT, implementing a 15% GMT rate for multinational enterprises (MNEs) based on income inclusion rule (IIR), qualified domestic minimum top-up tax (QDMTT), and undertaxed payment rule (UTPR). Under this rule, the IIR and QDMTT are applicable in Indonesia starting 1 January 2025, with the UTPR coming into effect the following year, i.e., on 1 January 2026.

The 15% ETR is calculated for all CEs in each jurisdiction where the MNEs operate. If the ETR falls below the 15% global minimum threshold, an additional tax liability so called as "top-up tax" will be payable. For GMT purposes, the ETR is calculated through a complex formula, dividing "covered taxes" by global anti-base erosion (GloBE) income, which requires various accounting and tax adjustments.

The applicable administrative obligations related to the GMT are as follows:

Administrative obligation	Subject (located in Indonesia)	Reporting or payment deadline
GloBE income tax return (SPT <i>Tahunan PPh GloBE</i>)	Ultimate parent entity (UPE)	Four months after the end of the following fiscal year ¹⁾
DMTT income tax return (SPT <i>Tahunan PPh DMTT</i>)	CE	
UTPR income tax return (SPT <i>Tahunan PPh UTPR</i>)		

Administrative obligation	Subject (located in Indonesia)	Reporting or payment deadline
GloBE information return (GIR)	UPE, CE	15 months after the end of the fiscal year ²⁾
Notification		
Top-up tax payment		No later than the end of the following fiscal year ³⁾

Notes:

- 1) The first submission is for fiscal year (FY) 2026 (fiscal year ended 31 December 2026), with the figures reported based on the calculation for FY2025 (fiscal year ended 31 December 2025). Hence, the GloBE/DMTT/UTPR income tax return for FY2026 will be due by 30 April 2027. For the first-year reporting, there is a two-month deadline extension applicable. Hence, the deadline will be on 30 June 2027. For the second-year reporting (i.e., FY2027 (fiscal year ended 31 December 2027)), the deadline will be on 30 April 2028.
- 2) For the first-year reporting, the deadline will be extended up to 18 months. Hence, the deadline for FY2025 GIR is on 30 June 2027. For the second-year reporting (i.e., FY2026), the deadline will be on 31 March 2028.
- 3) Any top-up tax payment for FY2025 will be due by 31 December 2026.

Additionally, for the subject to tax rule implementation, Indonesia has signed the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI) that will be integrated into relevant tax treaties without bilateral negotiations. The STTR MLI, which is expected to affect 36 of Indonesia's existing tax treaties, will come into effect once it is ratified under Indonesian laws and regulations.

Mutual Agreement Procedure

As a member of G20 countries, Indonesia is committed to implementing the minimum standards under the BEPS project, including Action 14 on the dispute resolution mechanism.

A request for an MAP can be filed by:

- An Indonesian resident taxpayer;
- An Indonesian citizen through the DGT;
- The DGT itself; or
- The tax authority of a treaty partner country.

The MAP request should be filed within the timeline specified in the a tax treaty, i.e., from the first notification of the action that results in taxation not to be imposed, in accordance with the provisions of the agreement. The submission period for the MAP request is three years if the tax treaty does not specify a deadline.

The timeline refers to the date of the tax assessment letter or the date of the payment receipt or the WHT slip, or from the occurrence of inconsistence of tax treatment with the tax treaty. There is a defined time limit of 24 months for authorized officials to conclude the negotiations. Failure to meet this time limit will cause the MAP to be deemed to result in a "disagreement". There is a provision that allows for extensions, but only in limited cases where the in-principle agreement has already been reached on certain issues, such as the existence of the transaction, approach for transfer pricing analysis, transfer pricing method, tested party, and profit level indicator.

An MAP may also be pursued in parallel to the domestic dispute process. The MAP process does not postpone the tax payments or refunds, as the case may be, in accordance with the tax assessment.

Automatic Exchange of Information

The OECD has developed a global Common Reporting Standard (CRS) for automatic exchange of tax and financial information, aimed at minimizing the possibility of tax evasion. This provides a facility for exchange of information on nonresident financial accounts with the tax authorities in the account holders' country of residence. Participating jurisdictions implementing the Automatic Exchange of Information (AEOI) send and receive pre-agreed information each year without having to make a specific request.

Since September 2018, Indonesia has been implementing the AEOI and to date, 89 reporting destination countries have received information from Indonesia as part of the AEOI process.

To support the CRS implementation, the MoF, DGT, and OJK have issued several regulations requiring the reporting financial institutions (such as banks and insurance companies) to submit CRS reports to the OJK (which will be passed to the DGT to be exchanged with the tax authorities of the reporting destination countries). The DGT will use the CRS reports to monitor the tax compliance of Indonesian taxpayers. In addition, the DGT is authorized to audit the CRS reports and impose sanctions on the reporting financial institutions for noncompliance with the CRS.

The reporting financial institutions are prohibited from entering into agreements and/or engaging in practices with the intent to avoid their obligations, or from providing false statements or concealing true information. The DGT may conduct an investigation or request clarification from

relevant parties if there are indications of violations. If such indications persist even after the clarification process has been carried out, the DGT may escalate the case to a tax audit on the reporting financial institutions.

Assistance with global tax collection

The DGT and a partner jurisdiction may assist each other with regard to tax collection, provided that the collection authorities are specified in the relevant international agreement and the assistance is reciprocal.



Tax Facilities in Ibu Kota Nusantara

- *Government Regulation Number 12 of 2023 regarding Granting of Business License, Ease of Doing Business and Investment Facility to Business Players in Ibu Kota Nusantara*
- *Minister of Finance Regulation Number 28 of 2024 regarding Tax and Customs Incentives in Ibu Kota Nusantara*

As the government is planning to move Indonesia's capital from Jakarta to IKN, various tax incentives and facilities are provided for investments and business activities conducted in both IKN and the partner regions (*daerah mitra*) (i.e., certain areas in Kalimantan Island that will be developed as economic superhubs for IKN). These incentives and facilities are provided to expedite the construction and development process in IKN.

The tax facilities provided are as follows:

- CIT rate reduction;
- Super tax deduction facility for certain activities or expenditures;
- Article 21 income tax borne by the government;
- Final income tax of 0% on certain gross income of UMKM;
- Income tax exemption on the transfer of rights over land and/or buildings; and
- VAT and LST facilities.

CIT rate reduction

The CIT rate for eligible taxpayers investing a minimum of IDR 10 billion in certain business sectors may be reduced by up to 100% for a specific period of time:

- In IKN and/or the partner regions—A CIT rate reduction of 100% (or 50% in certain circumstances) for the period of 10 to 30 years depending on business sectors;
- In financial centers (areas designated as concentrations of financial services as well as centers of technology development and supporting services in the financial services sector)—A CIT rate reduction of 85% or 100% (depending on the financial sectors) for the period of 20 or 25 years; and
- For the establishment and/or relocation of head and/or regional offices to IKN until 31 December 2045—A CIT rate reduction of 100% for the first 10 years, followed by a 50% reduction for the following 10 years.

This CIT rate reduction applies as from the fiscal year in which the commercial operation commences.

For main business activities that have already benefited from the reduced CIT rate, a WHT exemption facility is available for the income sourced from main business

activities on the purchase or import of goods or materials related to those activities. The exempted portion of the WHT is aligned with the reduced CIT rate.

To encourage foreign investments in the financial center, a 10-year WHT exemption facility applies to income earned from such investments, provided that the foreign investor (either an entity or an individual, but not a PE) is the beneficial owner of the income.

Super tax deduction facility

A super tax deduction facility is available until 2035 for the following business activities or expenses:

- Apprenticeship, internship, and/or learning programs in human resources development—Domestic taxpayers that carry out certain apprenticeship, internship, and/or learning programs for human resources development in IKN are eligible for an income tax facility in the form of a maximum deduction of 250% of the total qualifying expenses.
- Activities related to R&D—Domestic taxpayers having a domicile and/or place of business in IKN while carrying out R&D activities in IKN are eligible for an income tax facility in the form of a maximum deduction of 350% of the total qualifying expenses.
- Donations and/or nonprofit construction of public and social facilities—Certain donations and/or nonprofit construction of public and social facilities are eligible for an income tax facility in the form of a maximum deduction of 200% of the total qualifying expenses. The donations and/or expenses can be in the form of money, goods, and/or construction expenses.



Article 21 income tax borne by the government

The government will bear the article 21 income tax for permanent and/or nonpermanent employees earning income from certain qualifying employers in IKN until 2035.

Income tax borne by the government is not a taxable income for the employees; however, other types of income received by employees that are not eligible for this facility will be subject to income tax in accordance with the prevailing regulations.

Final income tax of 0% on certain gross income of micro, small, and medium-sized enterprises

Domestic taxpayers (excluding PEs) that qualify as UMKM and invest less than IDR 10 billion in IKN are subject to a 0% final income tax on the first IDR 50 billion of gross income per fiscal year. If the taxpayers have several places of business or branches in IKN, the investment amount has to be aggregated for the purpose of checking the eligible limit. The same concept applies when calculating the gross revenue threshold.

Certain types of revenue are not eligible for this facility, including:

- Income earned by individual taxpayers in relation to freelance activities;
- Income earned by CV (*commanditaire vennootschap*) or firm (*firma*) taxpayers established by several individual taxpayers that provide the same type of freelance activities;
- Income sourced from services provided outside IKN and/or utilized by service recipients living or domiciled outside IKN; and
- Income subject to final income tax in accordance with the prevailing regulations (with certain exceptions).

Income that is not eligible for this facility and gross income exceeding the IDR 50 billion threshold will be subject to income tax in accordance with the prevailing tax regulations. Taxpayers utilizing the facility are required to maintain separate bookkeeping for business activities that are eligible and not eligible for the facility.

The income tax facility can be utilized as from the date the approval is obtained from the DGT until 2035.

Income tax exemption on the transfer of rights over land and/or buildings

A transfer of rights over land and/or buildings, including transfer through a sale and purchase commitment agreement (*perjanjian pengikatan jual beli*), to a buyer that purchases land and/or buildings in IKN for the first time is exempt from income tax until 2035. The reduction is applicable upon obtaining a tax exemption letter from the DGT.



VAT and LST facilities

Business activities carried out in IKN and/or the partner regions may be eligible for the VAT not-collected facility until 2035. The VAT not-collected facility is available for:

- Delivery of certain strategic taxable goods and certain strategic taxable services; and
- Import of certain strategic taxable goods.

Qualifying strategic taxable goods include:

- New buildings handed over to qualifying buyers;
- Certain domestically manufactured battery electric vehicles registered in IKN that are delivered to qualifying buyers; and
- Strategic taxable goods required for the purpose of preparation, construction, relocation, and development in IKN.

Qualifying strategic taxable services include:

- Space rental services provided to renters doing business in IKN;
- Construction services for certain infrastructures and landed houses, apartments, offices, shops, and/or warehouses; and
- Management of garbage and/or waste generated in IKN.

Sales of certain luxury residential housing located in IKN are exempt from LST.



Voluntary Disclosure Program

Law Number 7 of 2021 regarding Law on Harmonization of Tax Regulations

Overview

From 1 January to 30 June 2022, the Indonesian government had implemented a VDP to provide an opportunity for taxpayers to voluntarily disclose assets that had not been reported previously. The VDP also allowed such taxpayers to pay final tax at specified rates, which varied depending on factors such as the location of the assets and whether they were repatriated and/or reinvested in Indonesia.

In general, the program covered two categories of assets:

- Assets acquired between 1 January 1985 and 31 December 2015 that had not been fully disclosed during the 2016–2017 TA. Participation in the VDP for these assets (VDP I) resulted in the waiver of taxes and sanctions under the TA Law, which would have been imposed if the DGT discovered the not-fully-disclosed assets beforehand.
- Assets acquired between 1 January 2016 and 31 December 2020 that were still owned as of 31 December 2020 but had not been reported in the 2020 annual income tax return.
With regard to the participation in the VDP for these assets (VDP II), the DGT would not issue tax assessment letters for FY 2016 through FY 2020 unless the DGT obtained information on the existence of additional assets that had not been fully disclosed by the participants via the program.

Taxpayers that had committed to repatriating their offshore assets to Indonesia were required to transfer the assets to Indonesia by 30 September 2022 and maintain the assets in Indonesia for at least five years. For reinvestment commitments, taxpayers were required to have reinvested the assets in Indonesia by 30 September 2023 and continue to meet the reinvestment requirements for five years.

In addition, taxpayers with repatriation and/or reinvestment commitments must submit annual realization reports electronically to the DGT until the end of the mandatory holding period. The reported amount would be the value at the end of the fiscal year prior to the year of report submission.



Sanctions

Subsequent to the VDP disclosure period, the tax authorities would perform a verification process to confirm the correctness of the statement letter on net asset declaration (*Surat Keterangan Pengungkapan Harta Bersih*) as well as to monitor the taxpayer's compliance with the repatriation and investment commitments.

Significant penalties may apply in cases where the DGT becomes aware of any incomplete or incorrect disclosure of assets by VDP participants via the notification of asset declaration (*Surat Pemberitahuan Pengungkapan Harta*) and nonfulfillment of the repatriation and investment commitments.



Carbon Tax

Law Number 7 of 2021 regarding Law on Harmonization of Tax Regulations.

Carbon tax is defined as a tax levied on carbon dioxide emissions resulting from burning fuel.

A carbon tax subject is an individual or entity that purchases goods containing carbon or producing carbon emissions. Meanwhile, a carbon tax object is a purchase of goods containing carbon or an activity producing a certain quantity of carbon within a certain period.

For carbon tax purposes, a taxpayer is defined as an individual or corporation that meets subjective and objective requirements stipulated in the Law on Harmonization of Tax Regulations (carbon taxpayer) or a carbon tax collector.



Carbon tax is due at:

- The time of the purchase of goods containing carbon;
- The end of the calendar year in which the activities result in a certain amount of carbon emissions; or
- Another time as specified by a government regulation.

There are two types of carbon tax reports, namely:

- Annual carbon tax return that must be submitted by a carbon taxpayer (with certain exception) by the end of the fourth month after the calendar year ends; and
- Periodic carbon tax return that must be submitted by a carbon tax collector by the 20th day after a fiscal period ends.

Late submission of carbon tax reports will be subject to a late submission penalty.

Carbon taxpayers and carbon tax collectors are required to maintain a record (*pencatatan*) of the activities that result in carbon emissions and/or sales of goods containing carbon. Carbon taxpayers are also required to retain the data used for calculating the carbon tax for 10 years.

The carbon tax rate of IDR 30/kg CO₂e or equivalent unit is applied from 1 July 2022. However, as of 30 June 2023, the implementation of carbon tax has been postponed.

List of Abbreviations

AEOI	: Automatic exchange of information
APA	: Advance Pricing Agreement
APBD	: Regional state budget (<i>Anggaran Pendapatan dan Belanja Daerah</i>)
APBN	: State budget (<i>Anggaran Pendapatan dan Belanja Negara</i>)
API	: Importer Identification Number (<i>Angka Pengenal Impor</i>)
APM	: Agent (<i>Agen Pemegang Merek</i>)
ATPM	: Sole agent (<i>Agen Tunggal Pemegang Merek</i>)
BEPS	: Base Erosion and Profit Shifting
BIK	: Benefits in kind
BPJS	: Social security scheme (<i>Badan Penyelenggara Jaminan Sosial</i>)
BPT	: Branch profit tax
BUMD	: Regional-owned enterprises (<i>Badan Usaha Milik Daerah</i>)
BUMN	: State-owned enterprise (<i>Badan Usaha Milik Negara</i>)
CbCR	: Country-by-Country Report
CE	: Constituent entity
CFC	: Controlled foreign company
CIT	: Corporate income tax
CoR	: Certificate of residence
Coretax	: Core System of Tax Administration portal
CoW	: Contract of Work
CRS	: Common Reporting Standard
DER	: Debt-to-equity ratio

DGT	: Directorate General of Taxes
DMTT	: Domestic minimum top-up tax
EIT	: Employee income tax (article 21/26 income tax)
ETR	: Effective tax rate
FTZ	: Free trade zone and free port zone
FY	: Fiscal year
GIR	: GloBE information return
GloBE	: Global anti-base erosion
GMT	: Global minimum tax
IDR	: Indonesian Rupiah
IIR	: Income inclusion rule
IKN	: Indonesia's new capital city (<i>Ibu Kota Nusantara</i>)
IUP	: Mining business license (<i>Izin Usaha Pertambangan</i>)
JO	: Joint operation
KIK	: Collective investment contract (<i>Kontrak Investasi Kolektif</i>)
KSEI	: Indonesia Central Securities Depository (<i>Kustodian Sentral Efek Indonesia</i>)
LPG	: Liquefied petroleum gas
LPI	: Indonesia Investment Authority (<i>Lembaga Pengelola Investasi</i>)
LST	: Luxury-goods Sales Tax (<i>Pajak Penjualan atas Barang Mewah</i>)
MAP	: Mutual Agreement Procedure
MLI	: Multilateral Instrument
MoF	: Minister of Finance
NIK	: National identification number (<i>Nomor Induk Kependudukan</i>)

NJOP	: Tax object sale value (<i>Nilai Jual Objek Pajak</i>)
NPWP	: Tax identification number (<i>Nomor Pokok Wajib Pajak</i>)
OECD	: Organization for Economic Co-operation and Development
OJK	: Indonesian Financial Services Authority (<i>Otoritas Jasa Keuangan</i>)
PAT	: Profit after tax
PE	: Permanent establishment (<i>Bentuk Usaha Tetap</i>)
PKP	: VAT-able entrepreneur (<i>Pengusaha Kena Pajak</i>)
PMSE	: Transaction through electronic system (<i>Perdagangan Melalui Sistem Elektronik</i>)
PPMSE	: PMSE provider (<i>Penyelenggara PMSE</i>)
PSC	: Production Sharing Contract
PTKP	: Nontaxable income (<i>Penghasilan Tidak Kena Pajak</i>)
QDMTT	: Qualified domestic minimum top-up tax
R&D	: Research and development
SAK	: Indonesian Financial Accounting Standards (<i>Standar Akuntansi Keuangan</i>)
SBA	: Reference interest rate issued monthly by the MoF (<i>Suku Bunga Acuan</i>)
SEZ	: Special economic zone (<i>Kawasan Ekonomi Khusus</i>)
SKPKB	: Underpaid Tax Assessment Letter (<i>Surat Ketetapan Pajak Kurang Bayar</i>)
SKPKBT	: Additional Underpaid Tax Assessment Letter (<i>Surat Ketetapan Pajak Kurang Bayar Tambahan</i>)
SPC	: Special-purpose company
SPHP	: Tax audit findings notification letter (<i>Surat Pemberitahuan Hasil Pemeriksaan</i>)
SSP	: Tax payment slip (<i>Surat Setoran Pajak</i>)

STP	: Tax collection letter (<i>Surat Tagihan Pajak</i>)
STTR MLI	: Multilateral Convention to facilitate the implementation of the Pillar Two STTR
TA	: Tax Amnesty Program
TLDDP	: Another area within the Indonesian customs area (<i>Tempat Lain Dalam Daerah Pabean</i>)
TPB	: Bonded stockpile area (<i>Tempat Penimbunan Berikat</i>)
UMKM	: Micro, small, or medium-sized enterprise (<i>Usaha Mikro, Kecil atau Menengah</i>)
UPE	: Ultimate parent entity
USD	: United States Dollar
UTPR	: Undertaxed payments rule
VAT	: Value added tax (<i>Pajak Pertambahan Nilai</i>)
VDP	: Voluntary Disclosure Program (<i>Program Pengungkapan Sukarela</i>)
WHT	: Withholding tax

Contacts

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

John Lauwrenz
jlauwrenz@deloitte.com
Tax & Legal Leader
Business Tax and M&A

Cindy Sukiman
csukiman@deloitte.com
Business Tax and International Tax

Heru Supriyanto
hsupriyanto@deloitte.com
Business Tax

Muslimin Damanhuri
mdamanhuri@deloitte.com
Business Tax and Business Process Solutions

Roy Sidharta Tedja
roytedja@deloitte.com
Business Tax and Business Process Solutions

Sri Juliarti Hariani
shariani@deloitte.com
Global Employer Services

Balim
bbalim@deloitte.com
Transfer Pricing

Daniel Alexander Laoh
dlaoh@deloitte.com
Transfer Pricing

Irene Atmawijaya
iatmawijaya@deloitte.com
Business Process Solutions and Global Employer Services

Reggy Widodo
rwidodo@deloitte.com
Business Tax

Sandra Suhenda
ssuhenda@deloitte.com
Transfer Pricing

Turmanto
tturmanto@deloitte.com
Business Tax, Indirect Tax, and Global Trade Advisory (Customs)

Budi Prasongko
bprasongko@deloitte.com
Business Tax

Dionisius Damijanto
ddamijanto@deloitte.com
Business Tax

Muhammad Zaini Arsyad
marsyad@deloitte.com
Business Tax

Roy David Kiantiong
rkiantiong@deloitte.com
Transfer Pricing

Shivaji Das
shivdas@deloitte.com
Transfer Pricing

Wiwin Siswanti Rizki G
wrizki@deloitte.com
Transfer Pricing

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: iddtl@deloitte.com
www.deloitte.com/id



Deloitte.

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.