International Tax

Indonesia Highlights 2022

Updated January 2022

Recent developments

For the latest tax developments relating to Indonesia, see Deloitte tax@hand.

Investment basics

Currency: Indonesian Rupiah (IDR)

Foreign exchange control: Individuals entering or departing from Indonesia with cash and/or other forms of payment with a value of at least IDR 100 million (or the equivalent in any foreign currency) must notify the Indonesian Customs and Excise authority. Individuals entering Indonesia must also, upon arrival, enter the red line (Jalur Merah), subject to physical checks by the Customs and Excise authority.

Indonesia does not prohibit the transfer of funds to or from foreign countries. However, for transfers/remittances from Indonesia of at least USD 100,000 (or the equivalent in any foreign currency), the person undertaking the transaction or remittance must provide underlying documentation that will be provided to Bank Indonesia by the relevant bank. All cash or noncash transactions carried out in Indonesia, by residents or nonresidents, must use IDR. Exemptions may apply to certain transactions within the framework of implementing the state budget, the acceptance or provision of grants (hibah) from or to an overseas party, international trade transactions, foreign currency bank deposits, and international financing transactions.

Accounting principles/financial statements: Indonesian GAAP applies.

Principal business entities: The limited liability company (Perseroan Terbatas or PT) is the most common form of business entity in Indonesia. There is an official list of sectors that are closed (in whole or in part) for foreign investment; sectors that are not included on the list are considered fully open for foreign investment. A branch of a foreign corporation normally is not permitted to engage in sectors on the list, except for entities providing banking services. Alternatively, investors may opt to set up a representative office in Indonesia to conduct marketing and R&D activities; a representative office generally is not allowed to conduct any revenue-generating activities in Indonesia, other than in the construction sector.

Corporate taxation

Rates	
Corporate income tax rate	22%
Branch tax rate	22%, plus 20% branch profits tax in certain circumstances
Capital gains tax rate	22% (standard rate)/various

Residence: A company is regarded as Indonesian tax resident if it is established or domiciled in Indonesia, or if its place of effective management or control is in Indonesia.

Basis: Resident companies are taxed on their worldwide income with tax exemptions available for dividends and foreign-source business income if certain criteria are met. Nonresident companies are taxed only on Indonesia-source income, including income attributable to a permanent establishment (PE) in Indonesia.

Taxable income: Taxable income is defined as assessable income less tax-deductible expenses. Assessable income includes (but is not limited to) business income, gains from the sale of assets, and passive income (such as dividends, interest, and royalties).

Rate: The standard corporate income tax rate is 22%. Certain resident companies (other than PEs of foreign companies) that earn or receive gross income not exceeding IDR 4.8 billion in a fiscal year are subject to a reduced corporate income tax of 0.5% of gross income for a certain period of time. However, these taxpayers may opt to apply the standard corporate income tax rate after notifying the Directorate General of Taxation (DGT). Resident companies with gross revenue up to IDR 50 billion receive a 50% reduction of the corporate income tax for the initial taxable income of IDR 4.8 billion. In addition to corporate income tax, a PE also is subject to branch profits tax at the rate of 20% (unless reduced under an applicable tax treaty). The branch profits tax does not apply where all of a PE's net profit after tax is reinvested in Indonesia under certain conditions.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends paid by an Indonesian limited liability company to a resident company or entity are exempt from income tax. Foreign dividends received by a resident company or entity are subject to income tax but a tax credit may be available where certain criteria are met.

Capital gains: Capital gains earned by a resident company generally are taxed as ordinary income at the standard corporate income tax rate. Gains on the sale of shares listed on the Indonesia Stock Exchange are subject to a final tax of 0.1% of the transaction value. An additional final tax of 0.5% applies to founder shares on the share value at the time of an initial public offering (IPO), regardless of whether the shares are held or sold following the IPO. Gains on the disposal of land and/or buildings generally are subject to income tax at 2.5% of the sale proceeds.

Different rates apply to certain transactions, (e.g., the sale or transfer of low-cost residential accommodation (1%), and transfers to the government for the public interest (0%)). Capital gains derived from the sale of Indonesian assets held by nonresidents are taxable at a rate of 5% of the gross proceeds, subject to relief under an applicable tax treaty.

Losses: Tax losses may be carried forward for five years following the year the losses were incurred. Subject to approval from the DGT, this period may be extended to a maximum of 10 years for certain industries, and for operations of specific industries in certain remote areas. The carryback of losses is not permitted.

Foreign tax relief: Resident companies that earn income from foreign sources are entitled to a unilateral tax credit for foreign tax paid on the income. The credit is limited to the amount of Indonesian tax payable on the income.

Participation exemption: Dividends paid by an Indonesian limited liability company to a resident company or entity are exempt from income tax.

Holding company regime: There is no holding company regime.

Incentives: A reduced corporate income tax rate (19% for FY 2022) applies to publicly listed corporate taxpayers with a minimum of 40% of their shares held by public investors that meet certain criteria.

A tax holiday regime is available for new investment or business expansion in certain pioneer industries. Qualifying projects in high-priority sectors may be granted a corporate income tax reduction of 100% for a minimum of five years up to a maximum of 20 years, followed by a 50% reduction in corporate income tax 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 corporate income tax for five years from the commencement of commercial operations may be granted for projects with minimum investment of IDR 100 billion but less than IDR 500 billion, with a 25% reduction in corporate income tax for the subsequent two years.

Tax allowances are available to resident companies with a specified minimum level of capital investment in certain industry sectors, or those operating in certain geographic locations where the necessary conditions are satisfied. The facility includes (i) an investment allowance (a reduction in taxable income equal to 30% of the total amount invested in tangible fixed assets, including land used for primary business activities, allocated equally over six years starting from the fiscal year in which commercial production commences), (ii) accelerated depreciation and/or amortization, (iii) an extended carryforward of tax losses for up to a maximum of 10 years, and (iv) a reduced withholding tax rate of 10% on dividends paid to nonresidents.

For resident companies that do not benefit from a tax holiday or tax allowance facility, a “super tax deduction facility” is available for the following business activities or expenditure:

- New capital investment or business expansion in labor intensive industries (eligible for an investment allowance equal to 60% of the total investment amount in tangible fixed assets, including land used for primary business activities, allocated equally over six years starting from the fiscal year in which commercial production commences);
- Apprenticeship, internship, and/or learning programs in human resources development (eligible for a maximum additional deduction of 100% of qualifying expenses, resulting in a maximum deduction of 200% of the total qualifying expenses); and
- Research and development related activities (eligible for a maximum additional deduction of 200% of qualifying expenses, resulting in a maximum deduction of 300% of the total qualifying expenses).

In response to the COVID-19 pandemic, the government introduced and has subsequently extended several temporary income tax and VAT incentives to support both businesses and individuals that are not addressed in this guide.

Compliance for corporations

Tax year: The standard fiscal year is the calendar year. Approval from the DGT is required to use a different fiscal year.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate tax return.

Filing and payment: Indonesia uses a self-assessment system for corporate income tax purposes. Monthly returns must be filed by the 20th day of the following month and annual returns within four months of the end of the book year, although the deadline may be extended by up to two months. The deadline for payment of the monthly corporate income tax installments is the 15th day of the following month. The deadline for payment of withholding tax is the 10th day of the following month. Annual corporate income tax payments must be made before the relevant tax return is filed.

Penalties: Penalties vary depending on the situation, such as late payment of tax, late filing, tax underpayment, and voluntary amendment of returns. The most common penalty is interest on underpaid tax, which may be imposed for a maximum of 24 months and is charged at a variable rate linked to the predetermined monthly interest rate set by the Minister of Finance (MoF).

Rulings: A taxpayer may request confirmation from the DGT regarding the application of the tax law or a particular procedure where this is unclear. There is no timeframe for the DGT to respond to such requests. The ruling applies only to the taxpayer that files the request.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
	Up to IDR 60 million	5%
	Over IDR 60 million to IDR 250 million	15%
	Over IDR 250 million to IDR 500 million	25%
	Over IDR 500 million to IDR 5 billion	30%
	Over IDR 5 billion	35%
Capital gains tax rate		0.1%-35%

Residence: An individual is an Indonesian tax resident where the individual 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 who is present in Indonesia for less than 183 days and has no intention to reside in the country is a nonresident and is not required to register for tax purposes.

Basis: A resident individual is taxed on worldwide gross income, less allowable deductions and nontaxable income. A nonresident is taxed only on Indonesia-source income. A foreign citizen who is a resident of Indonesia is taxed only on Indonesia-source income for up to four years after becoming tax resident in Indonesia, provided that certain requirements are met.

Taxable income: Taxable income includes remuneration from employment, business profits, capital gains, etc.

Rates: Individual income tax is imposed at progressive rates as shown in the table above.

All income earned or received by an individual doing business (except certain independent personal services) that does not exceed IDR 4.8 billion within a fiscal year is subject to a 0.5% final income tax. Individual residents may opt instead to be subject to the standard progressive individual income tax rates by submitting a notification to the DGT.

Capital gains: Capital gains earned by a resident individual generally are taxed as ordinary income at the standard progressive individual income tax rates. Gains on shares listed on the Indonesia Stock Exchange are subject to a final tax of 0.1% of the transaction value. An additional tax rate of 0.5% applies to founder shares on the share value at the time of an IPO. Gains on the disposal of land and/or buildings are subject to income tax at 2.5% of the sale proceeds.

Deductions and allowances: An individual who carries on a business may deduct expenses from business income. Expenses generally are deductible if they are incurred for the purpose of earning, collecting, and maintaining taxable income. Personal tax reliefs are provided for the individual resident, the individual's spouse, and up to three dependent children.

Foreign tax relief: Individual residents who earn income from foreign sources are entitled to a unilateral tax credit for foreign tax paid on the income. The credit is limited to the amount of Indonesian tax payable on the income.

Compliance for individuals

Tax year: The fiscal year is the calendar year.

Filing status: All individual tax residents (including expatriates) must register for tax purposes. Exemptions are available for individuals earning less than the nontaxable income threshold, those who do not qualify as individual tax residents, and married women who fulfill their tax obligations jointly with their husband. A family is considered as a single economic unit. Separate filing is allowed only where there is a prenuptial agreement between the spouses.

Filing and payment: Individual income taxes in Indonesia are imposed only at the national level. The employer is responsible for calculating, deducting, and remitting tax due on employees' salaries and other remuneration. Most nonsalaried taxpayers assess their own taxable income. The annual tax return is due by 31 March following the end of the relevant fiscal year, but the deadline may be extended for up to two months. Individual residents who conduct a business or independent profession with turnover not exceeding a certain threshold may elect to be exempt from the bookkeeping requirement, and only need to maintain records of revenue. In such cases, taxable income is assessed based on deemed profits.

Penalties: Penalties vary depending on the situation, such as late payment of tax, late filing, tax underpayment, and voluntary amendment of returns. The most common penalty is interest on underpaid tax, which may be imposed for a maximum of 24 months and is charged at a variable rate linked to the predetermined monthly interest rate set by the MoF.

Rulings: A taxpayer may request confirmation from the DGT regarding the application of the tax law or a particular procedure where this is unclear. There is no timeframe for the DGT to respond to such requests. The ruling applies only to the taxpayer that files the request.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%/10%	20%	20%
Interest	15%/20%	15%/20%	10%/20%	10%/20%
Royalties	15%	15%	20%	20%
Fees for technical services	2%-6%	2%-35%	20%	20%

Dividends: No withholding tax applies to dividends paid by an Indonesian company to a resident company and the dividends are exempt from corporate income tax for the recipient. A 10% final withholding tax generally is imposed on dividends paid to an Indonesian resident individual, although an exemption is available where certain criteria are met. Dividends paid by an Indonesian company to a nonresident are subject to a 20% withholding tax, unless the rate is reduced in accordance with an applicable tax treaty.

Interest: Interest paid by an Indonesian company (other than a bank) to an Indonesian resident generally is subject to a 15% withholding tax, which represents a tax credit for the recipient. Interest paid by an Indonesian bank to an Indonesian resident is subject to a 20% final withholding tax. Certain recipients (e.g., banks) are exempt from withholding tax on interest. Interest paid to a nonresident generally is subject to a 20% withholding tax, unless the rate is reduced in accordance with an applicable tax treaty. A reduced withholding tax rate of 10% applies as from 2 August 2021 to interest payable to nonresidents on bonds issued by government and nongovernment agencies, including sharia bonds.

Royalties: Royalties paid by an Indonesian taxpayer to an Indonesian resident are subject to a 15% withholding tax, which represents a tax credit for the recipient. Royalties paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced in accordance with an applicable tax treaty. For tax purposes, "royalties" generally refers to any charge for the right to use certain tangible or intangible assets or know-how in Indonesia, as well as the transfer of a right to use intangible assets or know-how in Indonesia.

Fees for technical services: A 2% withholding tax applies on gross payments made by an Indonesian taxpayer to a resident company or resident individual for technical, management, and consulting services, and rentals (except for land and building rentals, which are subject to a 10% final withholding tax). Payments for technical services provided by resident individuals are subject to employee income tax. Payments for construction services are subject to withholding tax at rates ranging from 2% to 6%. Technical service fees paid to a nonresident are subject to a 20% withholding tax, unless the rate is reduced in accordance with an applicable tax treaty.

Branch remittance tax: A 20% branch profit tax is imposed on the taxable income after corporate income tax of a PE. This rate may be reduced in accordance with an applicable tax treaty. The branch profits tax does not apply where all of a PE's net profit after tax is reinvested in Indonesia.

Anti-avoidance rules

Transfer pricing: Transactions between parties that have a special relationship must be carried out in a "commercially justifiable way" and on an arm's length basis.

The Indonesian tax authorities have issued detailed transfer pricing guidelines that generally are in line with the OECD approach. Certain documentation is required where the total transactions with related counterparties exceed a specified threshold. The documentation must contain the information prescribed by the Indonesian transfer pricing regulations, including an overview of the taxpayer's business operations and structure, details of the taxpayer's transfer pricing policy, a comparability analysis, selected comparables, and an explanation of how the arm's length price or profit is determined (including the transfer pricing methodology).

Interest deduction limitations: A certain portion of interest arising from debt is nondeductible for tax purposes where the taxpayer's debt-to-equity ratio exceeds 4:1. Exceptions apply for certain business sectors.

As from FY 2022, the MoF is authorized to specify the limitation on deductible borrowing costs based on internationally accepted methods, such as the debt-to-equity ratio, borrowing costs compared to EBITDA (earnings before interest, taxes, depreciation, and amortization), or other methods.

Controlled foreign companies: The MoF is authorized to determine when a dividend is deemed to be earned from an unquoted foreign company, where an Indonesian resident taxpayer (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 the unquoted foreign company, with the 50% threshold criterion applied at each level. If no dividends are declared or earned from the foreign company, the Indonesian resident taxpayer must calculate and report a deemed dividend in its annual corporate income tax return. The dividend will be deemed to be received either in the fourth month following the deadline for filing the tax return in the foreign country, or seven months after the end of the foreign company's fiscal year if the country does not have a specific tax filing deadline. The amount of the deemed dividend is the total amount of the dividend to which the Indonesian resident taxpayer is entitled in proportion to its capital participation in the foreign company from the net passive income of the foreign company (including certain rentals and interest, dividends, royalties, and gains on the transfer of assets).

Hybrids: There is no specific anti-hybrid legislation.

Economic substance requirements: There are substance requirements that require certain conditions to be met. Additional conditions must be satisfied by a foreign recipient to establish beneficial ownership where relevant to the taxation treatment of income (e.g., the taxation of interest, dividends, or royalties in accordance with the provisions of an applicable tax treaty).

Disclosure requirements: Resident companies must provide certain information regarding transactions with related parties and a declaration regarding availability of the required transfer pricing documentation as attachments to the annual tax return. The information will be maintained by the tax authorities and may be tested in a tax audit.

Indonesia has introduced the three-tiered approach for transfer pricing documentation, namely, the master file, local file, and country-by-country (CbC) report. A master file and a local file are mandatory where the resident company has related party transactions and has (i) gross revenue in the preceding fiscal year exceeding IDR 50 billion, (ii) tangible goods transactions with related parties in the preceding fiscal year exceeding IDR 20 billion, (iii) interest, royalties, services, or other transactions involving intangibles with related parties in the preceding fiscal year exceeding IDR 5 billion, or (iv) transactions with affiliated parties located in jurisdictions with a tax rate lower than that in Indonesia.

In addition, a resident company that qualifies as a parent entity of a business group with consolidated gross revenue of at least IDR 11 trillion must prepare a CbC report along with a master file and a local file.

Resident companies must provide the necessary information to ascertain whether they have an obligation to submit a CbC report by filing an electronic notification via the DGT's online platform. The receipt for the filing must be attached to the annual corporate income tax return.

Exit tax: The transfer of shares from a non-Indonesian shareholder to a new shareholder is subject to 5% withholding tax. However, the transaction may be exempt depending on the provisions of an applicable tax treaty.

General anti-avoidance rule: Indonesia does not have a general anti-avoidance rule, but a foreign resident receiving income must satisfy certain residence test requirements to obtain benefits under a tax treaty. Where a tax treaty stipulates a beneficial ownership requirement, that requirement also must be met by the foreign taxpayer.

Value added tax

Rates	
Standard rate	10%/11% (as from 1 April 2022)
Reduced rate	0%

Taxable transactions: VAT is imposed on the "delivery" of taxable goods and/or taxable services. This consists of delivery of taxable goods and/or taxable services within Indonesian customs territory (territory in Indonesia that is subject to Indonesian Customs Law), import of taxable goods, utilization of offshore taxable intangible goods and/or offshore taxable services in Indonesia, and export of taxable goods and/or taxable services by a PKP (low-risk VATable entrepreneur). VAT applies equally to all manufactured goods, whether produced locally or imported. Manufacturing is defined as any activity that changes the original form or nature of a good, creates a new good, or increases a good's productivity. Deliveries to certain areas (e.g., a free trade zone or bonded zone) may enjoy certain VAT incentives. Certain goods and services are nontaxable for VAT purposes.

Transactions carried out via electronic systems (PMSE) are subject to VAT. The DGT can appoint a foreign e-commerce party that meets certain criteria to be the PMSE VAT collector for its transactions in Indonesia.

In addition to VAT, certain goods considered as "luxury" items are subject to luxury-goods sales tax (LST).

Rates: The standard rate of VAT is 10%, increasing to 11% as from 1 April 2022. Exports of taxable tangible goods, certain taxable intangible goods, and certain taxable services are zero rated.

LST rates range from 10% to 200%, depending on the type of luxury goods. Exports of luxury goods are subject to 0% LST.

Registration: Entrepreneurs who deliver taxable goods and/or taxable services exceeding IDR 4.8 billion in a fiscal year must register for VAT purposes and issue VAT invoices on the delivery of taxable goods and/or taxable services. Entrepreneurs domiciled in free trade zones are not required to register.

Filing and payment: Indonesia uses a self-assessment system for VAT. A monthly VAT return must be filed by the end of the following month, while the monthly VAT payment deadline is before the VAT return is filed. The deadline for payment of self-assessed VAT on the utilization of taxable intangible goods or taxable services from abroad is the 15th day of the month following the period when the VAT becomes due.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: Two comprehensive social security schemes, a manpower scheme and a healthcare scheme, apply for Indonesian nationals and foreigners who work in Indonesia for at least six months. Contributions to the manpower scheme are intended to provide security insurance for work accidents, death, old age, and pensions. The employer contributions are 0.24%-1.74% for work accident protection, 0.3% for death insurance, 3.7% for old age savings, and 2% (subject to a salary cap) for the pension plan. The employer contribution for the healthcare scheme is 4% (subject to a salary cap). The contribution to the pension plan is not mandatory for expatriates.

Employed resident individuals must make social security contributions (old age savings) of 2% of monthly compensation, and a pension plan contribution of 1%. An employed individual also is required to make a healthcare contribution of 1% of monthly compensation (subject to a monthly cap). An employee may add other family members in return for an additional 1% contribution per family member, per month.

Payroll tax: There is no specific payroll tax, but an employer is required to withhold, remit, and report income tax on the remuneration paid to its employees.

Capital duty: There are no duties on capital or assets, apart from the land and building tax, but various registration fees apply.

Real property tax: Land and building tax is payable annually on land, buildings, and permanent structures.

Under the Regional Tax and Retribution Tax Law, the rate is not more than 0.3% of the estimated sales value of the property in rural and urban areas, as determined by the relevant authority. The land and building tax for certain businesses (i.e., upstream oil and gas, geothermal, mining, plantation, forestry) is regulated by a specific regime.

Transfer tax: Certain disposals of land and/or buildings are subject to a final income tax rate of 2.5% of the transaction value. A land and building acquisition duty of a maximum of 5% of the higher of the acquisition value or the tax object sale value (Nilai Jual Objek Pajak or NJOP) is payable when a person obtains rights to land or a building with a value greater than IDR 60 million. Various exemptions apply, including on transfers in connection with a merger and transfers to relatives.

Stamp duty: Certain documents are subject to stamp duty at a nominal amount of IDR 10,000.

Net wealth/worth tax: Indonesia does not impose a net wealth tax or a net worth tax.

Inheritance/estate tax: Indonesia does not impose an inheritance tax or an estate tax.

Other: The sale of shares listed on the Indonesia Stock Exchange is subject to a final tax at a rate of 0.1% of the transaction value. An additional tax rate of 0.5% applies to founder shares on the share value at the time an IPO registration becomes effective.

The transfer of the shares of an unlisted resident company by a foreign shareholder is subject to a withholding tax at a rate of 5% of the transfer value, unless an exemption applies under a tax treaty.

A carbon tax applies to coal-fired power plants as from 1 April 2022.

Tax treaties: Indonesia has concluded more than 70 tax treaties. The OECD multilateral instrument (MLI) entered into force for Indonesia on 1 August 2020. For further information on Indonesia's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Directorate General of Taxation (DGT)

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