

## Indonesian GES Alert

### March 2016 edition

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### Indonesia – adjusted income cap on mandatory pension contribution and electronic tax payment and return requirements

#### Overview

The Indonesian Manpower Social Security Agency has recently announced the adjusted income cap for mandatory pension contribution and the new pension benefits limit. In addition, the Indonesian Tax Office has introduced the new tax payment process and enforces the use of electronic tax return reporting for individual taxpayers, focusing on 2015 tax returns for civil servants, Indonesian National Armed Forces, Indonesian National Police, and individual taxpayers covered under the Special Regional Offices, including foreign nationals.

#### Points to note

##### 1. Updates on Pension Contribution

The Manpower Social Security Agency (BPJS Ketenagakerjaan) announced updates on the mandatory pension program for Indonesian nationals on end of February 2016.

The pension benefit amount is adjusted based on last year's inflation rate, which is 3.35%, while the maximum monthly income cap used to calculate the pension contribution is adjusted based on last year's growth of Gross Domestic Product, which is 4.79%.

Below is the comparison of the previous and the new amounts.

Details	Previously	Starting March 2016
Monthly income cap	7.000.000	7.335.300
Minimum pension benefit	300.000	310.050
Maximum pension benefit	3.600.000	3.720.600

These new amounts are applicable starting from March 2016.

## 2. New tax payment process: e-billing code

To settle tax liabilities, taxpayers should prepare a tax payment slip (Surat Setoran Pajak) for a specific type of tax and period and pay through a designated receiving bank. The bank will generate a specific code from the Tax Office's database and validate the tax payment slip. This tax payment slip should then be attached to the tax return to confirm that the tax liability has been properly paid.

The Tax Office has recently changed the above process by introducing an e-billing system. Taxpayers will need to generate a specific billing code for each type of tax and period via the e-billing website and present the code when making payment at the bank. The code is valid for seven days and, if it lapses, the taxpayer will need to generate a new billing code.

To use this e-billing system, the taxpayers will need to obtain their e-FIN from the Tax Office and create an account in the Tax Office's website, <https://djponline.pajak.go.id/>.

To give time for taxpayers to adjust to this new payment process, the Tax Office has permitted several state-owned-banks to accept tax payments using the hardcopy tax payment slips until 30 June 2016. From 1 July 2016 onwards, taxpayers should generate the e-billing code and present it to the bank; otherwise, their tax payments cannot be processed.

## 3. Electronic tax return reporting for individual taxpayers

The Tax Office introduced electronic tax filing (e-filing) for annual individual tax returns a few years ago; however, it is not being fully utilized by Indonesian taxpayers, who continue to file their hardcopy individual tax returns to the Tax Office.

To increase the number of electronic tax filing users and to reduce hardcopy filing, the Tax Office has decided to require certain individual taxpayers to file their annual tax returns electronically, i.e., individual taxpayers registered with Tax Offices under the Special Regional Office. This includes foreigners registered with the Foreign Entity and Individual Tax Office (KPP Badora) and individual taxpayers registered in the Large Tax Office.

To support the Tax Office's program, the Ministry of Administrative Reform and Bureaucratic Reform (Kementerian Pendayagunaan Aparatur Negara dan Reformasi Birokrasi) has also announced mandatory use of e-filing for public officials/civil servants, the National Armed Forces, and the National Police.

The three steps to file a tax return electronically are as follows:

1. Register with the Tax Office to obtain e-FIN;
2. Create an account in the Tax Office's website (<https://djponline.pajak.go.id/>) using the e-FIN; and
3. Prepare and submit the tax return via the website.

After the tax return is submitted, taxpayers will receive an electronic receipt. They can keep track of their tax filing records through the website.

## Deloitte's view

The new income cap to calculate pension contribution is valid starting March 2016, and as this change will affect the employees' income tax liability and take home pay calculation, we would suggest that companies communicate these changes to their employees as soon as possible.

The new online tax payment process and the electronic tax return filing are meant to give better service to the taxpayers. In general, the main concern for e-filing is the server's capacity during the peak filing period, i.e., in the last week of March. Although the Indonesian Tax Office continues to increase its server capacity, it is suggested that clients endeavor to file the electronic tax returns earlier. Specifically for foreign taxpayers, the challenges would be in the actual filing itself, as the instructions in the website are all in the Indonesian language.

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