Reanda Bernardi

Tax Service

Indonesian Pocket Tax Book 2026

www.reandabernardi.com

Contents

Corporate Income Tax (CIT)

Basis of taxation

Resident companies in Indonesia are generally taxed on their worldwide income. Non-resident companies are generally taxed on Indonesian-source income, including income attributable to a permanent establishment ("PE") in Indonesia. A foreign company carrying on business through an Indonesian PE generally has tax obligations similar to those of an Indonesian resident corporate taxpayer.

A company is generally regarded as an Indonesian tax resident if it is established or domiciled in Indonesia. Indonesian tax residents and Indonesian PEs are subject to the Indonesian self-assessment regime.
Taxable income is generally calculated based on accounting income, subject to the tax adjustments required under Indonesian tax legislation. In general, expenses incurred to obtain, collect and maintain taxable income are deductible, subject to specific deductibility restrictions. Differences between accounting and tax treatment can therefore result in temporary or permanent tax adjustments.

Indonesia does not have a consolidated corporate income tax filing regime; each taxpayer generally calculates and reports its own taxable income.
Foreign companies without an Indonesian PE generally discharge Indonesian income tax liabilities on Indonesian-source income through withholding tax imposed on payments made by Indonesian parties.

Rates of tax

The standard corporate income tax ("CIT") rate is 22% of taxable income. This rate continues to apply for 2026.

Public companies that satisfy a minimum listing requirement of 40% and other conditions are entitled to a tax cut of 3% off the standard rate, giving them an effective tax rate of 19%.

Small enterprises, or corporate taxpayers with an annual turnover of not more than IDR 50 billion, are entitled to a 50% discount of the standard tax rate which is imposed proportionally on taxable income of the part of gross turnover up to IDR 4.8 billion.

Certain taxpayers with annual gross turnover of not more than IDR 4.8 billion may instead be subject to final income tax at 0.5% of gross turnover, subject to the eligibility conditions and time limitations under the applicable regulations.

Year of assessment

Generally, the year of tax assessment is January to December. However, a corporate taxpayer can elect to file a corporate tax return based on the company's book year other than the calendar year of January to December. The approval from Minister of Finance is required if tax payer intends to change the fiscal periods.

Deemed profit margin

Certain industries are subject to specific Article 15 income tax regimes based on deemed profit rather than actual net profit.

Industry/Activity	Deemed Profit on Gross Revenue	Effective Income Tax
Domestic shipping operations	4%	1.2%*
Domestic airline operations	6%	1.8%*
Foreign shipping and airline operations	6%	2.64%*
Foreign oil and gas drilling operations	15%	3.3%**
Foreign trade representative offices	1% of export value	0.22%**

*Calculated using the old tax rate of 30% because the decree that regulates the deemed profit margins has not been revised.
**Calculated using the current tax rate of 22%.

Taxation of dividends

Tax is withheld from dividends as follows:

a. Resident recipients

Dividends distributed by an Indonesian company to an Indonesian resident corporate taxpayer are generally exempt from income tax.

Dividends received by an Indonesian resident individual can also qualify for non-taxable treatment where the applicable reinvestment requirements in Indonesia are satisfied. Otherwise, domestic dividends received by resident individuals are generally subject to final income tax, currently at up to 10%.

Dividends received from foreign companies by Indonesian resident taxpayers may qualify for exemption where the applicable reinvestment/business-use requirements are satisfied. The detailed requirements differ depending on the nature of the foreign investment and should be assessed under the current implementing rules.

b. Non-resident recipients

Dividends paid by an Indonesian resident company to a non-resident are generally subject to 20% final withholding tax, unless a lower rate is available under an applicable double taxation agreement ("DTA").

Application of treaty rates is subject to the relevant treaty requirements, including beneficial ownership and the required certificate of residence/domicile documentation.

c. The Controlled Foreign Corporation (CFC) rules

Indonesia applies CFC rules under which certain passive income of a controlled foreign company may be treated as a deemed dividend received by an Indonesian taxpayer.

A foreign entity can generally fall within the CFC regime where it is at least 50% owned, directly or indirectly, by an Indonesian taxpayer or collectively by Indonesian taxpayers. The rules cover specified passive income, including dividends, interest, rentals, royalties and certain gains from the disposal or transfer of assets. Listed foreign companies meeting the relevant recognised-stock-exchange condition are generally outside the CFC regime.

Taxation of capital gains

Capital gains are generally included in taxable income and subject to the normal CIT rate.

An important exception applies to the transfer of land and/or buildings, which is generally subject to final income tax at 2.5% of the transaction value or government-determined value, as applicable.

Taxation of interest income

Interest received by an Indonesian resident company from time deposits and savings is generally subject to 20% final income tax, subject to the applicable exemptions and special rules.

Interest on bonds is generally subject to 10% final income tax under the current regime.

Other interest income received by an Indonesian resident taxpayer is generally taxable at the normal CIT rate, with 15% Article 23 withholding tax generally applying to interest payments to Indonesian resident recipients. The withholding tax generally constitutes a tax credit against the recipient's CIT liability.

Interest paid to a non-resident is generally subject to 20% Article 26 withholding tax, subject to a lower DTA rate where applicable.

Utilization of tax losses

Tax losses may generally be carried forward for five tax years following the year in which the loss was incurred.

There is generally no carry-back of tax losses.

Certain approved tax incentives can extend the loss carry-forward period beyond five years, subject to specific conditions. Under the tax allowance regime, for example, the carry-forward period can be extended to a maximum of 10 years.

Key tax incentives

a. Tax reduction for public companies

Public companies meeting the statutory requirements may apply the 3-percentage-point CIT reduction, producing an effective CIT rate of 19%.

The principal requirements include:

- at least 40% of paid-up shares being publicly owned;
- the shares being held by at least 300 individual shareholders, subject to the applicable requirements; and
- the relevant public ownership and shareholder conditions being maintained for the required period.

b. Income Tax incentive for medium enterprises

The Companies with an annual gross turnover of not more than Rp50 billion, are entitled a 50% discount of the standard corporate tax rate of 22% which is imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion.

c. Final Tax regime for small enterprises

Eligible taxpayers with gross turnover not exceeding IDR 4.8 billion may be subject to final income tax at 0.5% of gross turnover, subject to the taxpayer's legal form, eligibility and applicable time limitation.

d. Tax holiday

For qualifying pioneer-industry investments, the principal benefits include:

- **100% reduction of CIT** for qualifying investment plans of at least IDR 500 billion; and
- **50% reduction of CIT** for qualifying investment plans of at least IDR 100 billion but less than IDR 500 billion.

For the 100% reduction, the period can range from 5 to 20 years, depending on the investment value, followed by a 50% CIT reduction for two subsequent years.

For the 50% reduction, the facility is generally available for five years, followed by a 25% CIT reduction for two subsequent years.

This facility is provided to firms in pioneer industries which have a wide range of connections, provide additional value and high externalities, introduce new technologies, and have strategic value for the national economy. Currently this facility is available for the business sectors with specific Indonesian Standard Classification of Business Field (Klasifikasi Baku Lapangan Usaha/KBLI) as listed in the regulation. Business sectors outside this list may also apply by fulfilling the self-assessed quantitative scoring system to justify their nature as a pioneer industry.

Generally, an application must be submitted via the Online Single Submission (OSS) system, which will verify the eligibility of the application and pass it on to the MoF. Under the latest regulation, proposals can be submitted to the MoF until 31 December 2025.

Under the latest Tax Holiday regulation, a taxpayer who has obtained a Tax Holiday facility but also falls under a qualifying taxpayer being part of a multinational enterprise group that is subject to Global Minimum Tax under Pillar Two rules, is subject to an additional domestic top up tax under this rule. This domestic top up tax would also apply to those who have obtained the Tax Holiday facility prior to 9 October 2024.

e. Tax allowance

Eligible Indonesian companies investing in certain designated business areas or in certain designated regions may obtain a tax allowance.

The principal facilities include:

1. a reduction in taxable income equal to 30% of the qualifying investment in tangible fixed assets, including land, allocated at 5% per year over six years from commercial production;
2. accelerated depreciation of qualifying tangible fixed assets and accelerated amortisation of qualifying intangible assets;
3. reduced dividend withholding tax rate of 10%, or the applicable lower DTA rate, for dividends paid to non-resident shareholders; and
4. an extension of tax-loss carry-forward periods to more than five years but not more than 10 years, subject to the relevant conditions.

Eligibility generally depends on criteria such as high investment value/export orientation, high labour absorption or high local content. Applications are generally made through the Online Single Submission ("OSS") system and are subject to approval by the Ministry of Finance.

e. Other investment and regional incentives

Indonesia also provides tax and customs incentives for investments in designated areas and sectors, including:

- Special Economic Zones ("KEKs");
- Free Trade Zones;
- certain industrial zones;
- the Nusantara/IKN area; and
- certain qualifying investment projects.

Depending on the applicable regime, benefits may include CIT reductions, accelerated depreciation, VAT and import-tax facilities, customs exemptions and other incentives.

f. Super deduction facility

The super deduction facility will be given to certain industries as follows:

- facility for labour-intensive industries; in the form of a reduction in net income of 60% of the amount invested in the form of tangible fixed assets (including land utilised for main business), spread throughout a certain period;
- facility for human resources development in certain competencies; in the form of a reduction in gross income of up to 200% of the amount spent for this activity;
- facility for certain R&D activities in Indonesia; in the form of reduction in gross income of up to 300% of the amount spent for this activity.

g. Other investment and regional incentives

Indonesia also provides tax and customs incentives for investments in designated areas and sectors, including:

- Special Economic Zones ("KEKs");
- Free Trade Zones;
- Certain industrial zones;
- The Nusantara/IKN area; and
- Certain qualifying investment projects.

Depending on the applicable regime, benefits may include CIT reductions, accelerated depreciation, VAT and import-tax facilities, customs exemptions and other incentives.

Withholding tax

Dividends – Based on the new Tax Regulations Harmonization Law, starting from the 2022 fiscal year, in general dividends are non-tax- objects. This was in the contrary of the previous regulations of which dividends were tax objects. To qualify for non-tax-objects, dividends paid by a domestic corporate taxpayer to a resident individual must be invested in Indonesia for a certain period. If not met, a 10% final withholding tax is imposed on dividends paid to a resident individual. If dividends paid by a domestic corporate taxpayer to a non- resident, dividends are subject to a final 20% withholding tax (or a reduced treaty rate). If dividends were paid by a domestic corporate taxpayer to a domestic corporate taxpayer, it is exempted as tax objects without any investment requirements (non-taxable). Dividends paid from foreign corporate taxpayer to a domestic individual and/or domestic corporate taxpayer must be invested in Indonesia for a certain period and at least 30% must be invested in Indonesia and before the DGT issues any tax assessment letters on the dividends.

Interests - Interest paid to a non-resident is subject to a 20% withholding tax (or a reduced treaty rate). Interest paid by a domestic taxpayer to a resident is subject to a 15% withholding tax, which represents an advance payment of tax liability.

Royalties - A 20% withholding tax is imposed on royalties remitted abroad (or a reduced treaty rate). For tax purposes, royalties refer to any charge for the use of property or know-how in Indonesia, as well as the transfer of a right to use property or know-how in Indonesia. Royalties paid by a domestic taxpayer to a resident are subject to a 15% withholding tax, with the payment representing an advance payment of tax liability.

Technical service fees and rental - A 2% withholding tax applies on gross payments made by a domestic taxpayer to a resident taxpayer for technical, management and consulting services and rentals (except for land and building rentals). For the land and building rental is subject to 10% Final Income Tax. Under the domestic tax law, a 20% withholding tax (or a reduced treaty rate) is imposed on technical service fees remitted abroad.

Branch Profit Tax - Permanent establishments are subject to a 20% branch profits tax (or a reduced treaty rate) on after-tax profits.

Transfer pricing

Transactions between related parties must comply with the arm's-length principle.

The principal current regulation is Minister of Finance Regulation No. 172/2023 (“PMK 172/2023”), which replaced and consolidated the earlier transfer-pricing documentation, Mutual Agreement Procedure and Advance Pricing Agreement regulations.

Where applicable, taxpayers must prepare and maintain three-tier transfer-pricing documentation consisting of:

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

The Master File and Local File requirements generally apply where specified thresholds are met, including, among other criteria:

- prior-year gross turnover exceeding IDR 50 billion;
- prior-year related-party transactions exceeding IDR 20 billion for tangible goods; or
- related-party transactions exceeding IDR 5 billion for each category of services, interest, intangible-property transactions or other specified transactions; or
- transactions with related parties in jurisdictions having a lower income tax rate than Indonesia, subject to the regulation.

The transfer-pricing documentation must be available in accordance with the current rules and, generally, no later than the deadline for the annual CIT return. DGT guidance states that documentation supporting an APA should be available at the same time as the tax return, i.e. no later than four months after the end of the fiscal year.

The DGT may recalculate taxable income or deductible expenses where transactions do not comply with the arm's-length principle. Current rules also provide mechanisms for corresponding adjustments, APAs and MAP procedures.

Filling deadline	**Annual corporate tax returns must be filed within 4 months from the end of the book year and may get a filing extension for up to 2 months.** **Monthly Article 4(2), Article 15, Article 21/26, Article 22, Article 23/26 and Article 25 returns are by the 20th day of the following month.**
Penalties	**Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is interest, which is based on monthly Ministry of Finance interest rate plus the statutory surcharge.** **Late filings are subject to the following penalties:** • **Monthly income tax return: IDR 100,000 (for income taxes)** • **Monthly VAT return: IDR 500,000** • **Annual corporate income tax return: IDR 1,000,000**
Payment of corporate income tax	**The monthly tax instalment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filing the tax return. Monthly Article 25 instalments generally operate as prepayments against the current-year CIT liability.**

Global minimum tax/Pillar Two

Indonesia has issued MoF Regulation No.136/2024, effectively from 1 January 2025, and the implementing administrative procedures, PER-6/PJ/2026, which was issued on 4 May 2026, as an implementation of the OECD/G20 Global Anti-Base Erosion ("GloBE") rules. This regulation introduced:

- the Income Inclusion Rule (IIR);
- the Undertaxed Profits Rule (UTPR); and
- a Qualified Domestic Minimum Top-Up Tax (QDMTT)

The rules generally apply to multinational enterprise groups with consolidated annual revenue of at least EUR 750 million, subject to the detailed scope and exclusions in the regulation.

This development is particularly important when assessing the economic value of tax holidays and other CIT incentives for large multinational groups, because a tax incentive reducing the Indonesian effective tax rate may result in a domestic top-up tax under Pillar Two.

Individual Income Tax

Basis of taxation

Individual residents in Indonesia are taxed on their worldwide gross income less allowable deductions and non-taxable income.

An individual is a tax resident if he/she fulfils the following conditions:

- He/she resides in Indonesia;
- He/she is present in Indonesia for more than 183 days in any 12-months period (the provisions of tax treaties may overwrite this rule);
- He/she is present in Indonesia during a fiscal year and intends to reside in Indonesia.

The taxable income of individuals includes profits from a business, employment income, capital gains, passive income such as royalty, interest, dividend, etc.

Rates of Tax

For resident tax payer, income is taxed on progressive rates. Starting from fiscal year 2022, the new bracket of 35% was introduced. The progressive rates are as follows: 5% on the first IDR 60 million of annual taxable income; 15% on amounts exceeding IDR 60 million up to IDR 250 million; 25% on amounts exceeding IDR 250 million up to IDR 500 million; 30% on amounts exceeding IDR 500 million up to IDR 5 billion; and 35% amounts exceeding IDR 5 billion.

Effective 1 July 2018 onwards, individual as Indonesian taxpayer with an annual turnover less than IDR 4.8 billion are subject to 0.5% final income tax on the gross sales turnover. As amended by Government Regulation No. 20 of 2026 (effective 22 April 2026), the 0.5% final income tax facility is now limited to: (a) individual taxpayers; (b) sole proprietorships established by a single individual; and (c) cooperatives. The regulation removed the facility for limited partnerships (CV), firms, limited liability companies (PT), and Village-Owned Enterprises (BUMDes). Existing beneficiaries in these categories may continue using the facility for the remainder of their eligibility period under the previous rules. For cooperatives, the facility is available for up to four years from the initial date of business registration. The calculation of gross turnover for determining eligibility now includes aggregated income from the husband, wife, and their respective owned entities with single individual shareholders. This final tax should be paid on monthly basis. This threshold excludes income from independent personal services such as doctors, lawyers, consultants, and notaries, and income that is already subject to final income tax such as construction services and rental or sale of assets, land and buildings.

Starting from fiscal year 2022, individual as Indonesian taxpayer with an annual turnover less than IDR 500 million is not taxed.

For non-resident taxpayers: 20% withholding tax rate on Indonesia-sourced income.

Year of Assessment

The calendar year (January to December).

Allowance and Deductions

An individual who conducts a business may deduct expenses from business income. Expenses generally are deductible if they are incurred for the purposes of generating income. The allowances are provided for the taxpayer, the taxpayer's spouse and up to 3 dependent children.

Starting from 2016 fiscal year, the non-taxable income threshold and allowable deduction for the individual are as follows:

	IDR
Taxpayer	54,000,000
Spouse	4,500,000
Each dependent (max of 3)	4,500,000
Occupational expenses (5% of gross income, max Rp 500,000/month)	6,000,000
Employee contribution to jamsostek of “BPJS” for pension fund security savings (2% of gross income)	Full Amount
Pension contributions (5% of gross income, max Rp 200,000/month)	2,400,000

Taxation of dividends

Dividend income received by an individual tax payer from Indonesia-income source is exempted from the income tax object with a condition that the dividends must be invested in Indonesia within a certain time limit. If the dividends came from outside of Indonesia with the following sources:

- Equity investments in stock exchanges outside of the jurisdiction of Indonesia: must be invested or used for business activities in Indonesia under a certain time limit.
- Equity investments in a non-listed company outside of the jurisdiction of Indonesia: must invest in Indonesia at a minimum of 30% of earnings before tax as long as a tax assessment letter is not issued.

The type of investments qualified for the exemption as well as the time limit are regulated.

Dividends received by resident individual tax payers are subject to final income tax at a maximum rate of 10%. If received by non-resident recipients, they are subject to final withholding tax of 20% (or lower for treaty countries).

Taxation of capital gain

Capital gains derived by an individual are taxed as income at the normal rates; gains on shares listed in Indonesia stock exchange are taxed at 0.1% (final tax) of the transaction value (an additional tax of 0.5% applies to the share value of founder shares at the time of an initial public offering). Gains on the disposal of land and/ or buildings are taxed at 5% (final tax) of the transaction value.

Taxation of interest income

Interest income on time or saving deposits and on Bank Indonesia (SBIs) other than that payable to banks operating in Indonesia and to government-approved pension funds is subject to 20% final tax.

Interest on bonds other than that payable to banks operating in Indonesia and government-approved pension funds is subject to 15% final tax. If the recipient is a mutual fund registered with the Capital Market Supervisory Board (now Indonesia Financial Services Authority), the tax rate is 5% for 2011-2013 and 15% thereafter. If the recipient is a non-resident tax payer, the tax rate is 20% (or a lower treaty rate).

Interest and other benefits including premium or discount which is the interest between loans received or obtained by the Individual Taxpayers are assessable to the individual earning the interest at the ordinary tax rate alongside the other income. Interest are subject to withholding tax at 15% if it is paid by the Corporate. The amount withheld constitutes a prepayment of the Income tax liability for the individual earning the interest.

Personal assessment and utilization of losses

Personal tax is self-assessed. There is no utilization of losses for deemed income.

Withholding tax

Employers are required to withhold income tax from the salaries payable to their employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable for other payments to non-employee individuals (e.g. fees payable to individual consultant or service providers). Resident individual taxpayers without a Personal Tax Number / Nomor Pendaftaran Wajib Pajak (NPWP) are subject to a surcharge of 100% in addition to the standard withholding tax.

Non-resident individuals are subject to withholding tax of 20% (unless treaties apply) in respect of the following payments:

The Corporate should withhold the payment to other parties with the various rate (i.e. 2%; 15%; 20%, 25%, etc.). This tax rates are stipulated by Minister of Finance, or Directorate General of Taxation Regulation for certain type of following transactions:

a. On gross amounts:
   - Dividends;
   - Interest, including premiums, discounts and guarantee fees;
   - Royalties, rents and payment for the use of assets;
   - Fees for services, work, and activities;
   - Prizes and awards;
   - Pensions and any other periodic payments;
   - Swap premiums and other hedging transactions;
   - Gains from debt write-offs;
   - After-tax profits of a branch of PE.

a. On Estimated Net Income (ENI), being a specified percentage of the gross amount:

	ENI	Effective Tax Rate
Insurance premiums paid to non-resident insurance companies:		
By Indonesia insurance companies	50%	10%
By Indonesia reinsurance companies	10%	2%
Sale of non-listed Indonesian company shares by non-residents	5%	1%

	ENI	Effective Tax Rate
Sale by non-resident of a conduit company where this company serves as an intermediary for the holding of Indonesian company shares or a PE	25%	5%
Sale of luxurious jewelleries, diamonds, gold, luxurious watches, antiques, paintings, cars, motorcycles, yachts and light aircrafts with sale value of above IDR 10 million	25%	5%

Statutory obligation of employers

Employers are required to withhold, remit, and report income tax on the employment income of their employees.

Social security and retirement contributions

The social security system is administered by:

1. Social Security Agency for health insurance (BPJS Kesehatan) - covering health insurance
2. Social Security Agency for worker's social security (BPJS Ketenagakerjaan) - covering accidents insurance, old age savings, death insurance, unemployment insurance, and pensions.

The current premium contributions are as follows:

Areas Covered	As a percentage of regular salaries/wages	
	Borne by employers	Borne by employees
Working Accident Protection	Borne by employers	
Death Insurance		
Unemployment Insurance for workers affected by lay-off	Reallocated from Death Insurance & Woking Accident Protection	
Old Age Saving	3.7%	2%
Health Care Insurance*	4%	1%
Pension**	2%	1%

<u>Exemption from tax</u>

Working accident protection, death insurance and health care borne by employers are taxable in an employee's income while the pension funds/old age saving borne by employers is exempted from tax. The pension funds/old age savings borne by employees are tax deductible from an employee's income.

Filling due dates	**Monthly employee tax return must be filed by an employer by 20th of the following month. Individual must file his/her annual individual income tax return by the end of the third month after the year end.**
Penalties	**Penalties vary depending on the situation, such as late tax payment, late filing, tax underpayment and voluntary amendment of returns. The most common penalty is 2% monthly interest on tax underpaid with a maximum of 48%. Late filings are subject to the penalties of IDR 100,000.**
Application of holdover	**The monthly tax instalment operates under a self-assessment system, with tax due on the 15th day of the calendar month, following the tax-assessment month. Corporate income tax is due at the end of the fourth month after the book year end before filing the tax return. Monthly Article 25 instalments generally operate as prepayments against the current-year CIT liability.**

International Tax Agreements

Double Tax Agreements

Indonesia's Double Taxation Agreements (DTAs/tax treaties) provide for tax benefits in the form of withholding tax exemptions for service fees and for reduced withholding tax rates on dividends, interest, royalties and branch profits received by tax residents of its treaty partners. Tax exemption on service fees is typically granted only if the foreign party earning the income does not have a PE in Indonesia.

To claim the reduced rates, the foreign party must, at a minimum, present its Certificate of Domicile (CoD) to the ITO through the Indonesian party paying the income. Without this document, either in the form prescribed by the DGT or in the form of the treaty partner country (subject to certain conditions), the party is not entitled to the tax benefit and tax is withheld at a rate of 20%.

Foreign entities must answer the following questions in the DGT prescribed Form based on actual facts and circumstances:

1. The non-individual has relevant economic substance either in the non-individual's establishment or the transaction itself.
2. The non-individual has the same legal form and economic substance either in the non-individual's establishment or the transaction itself.
3. The non-individual has its own management to carry on the business and such management has an independent discretion.
4. The non-individual has sufficient assets to carry on the business other than assets that generate the income from Indonesia.
5. The non-individual has sufficient and qualified personnels to carry on the business.
6. The non-individual has business activity other than receiving dividend, interest, and/or royalty sourced from Indonesia.
7. The purpose of the transaction is to obtain the benefit directly or indirectly under the DTA that is contrary to the object and purposes of the DTA.

8. The non-individual is acting as an agent, nominee, or conduit.
9. The non-individual has a controlling right or disposal right on the income or the assets or the rights that generate the income.
10. No more than 50% of the non-individual's income is used to satisfy any claim by another person.
11. The non-individual assumes risk on its own assets, liabilities, or capital.
12. The non-individual has an obligation to transfer the income received to a resident of third country/jurisdiction.

List of double tax treaties signed

Country	Notes	Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial Holdings			
Algeria		15%	15%	15%/0%	15%	10%
Armenia		15%	10%	10%/0%	10%	10%
Australia		15%	15%	10%/0%	15%/10%	15%
Austria		15%	10%	10%/0%	10%	12%
Bangladesh		15%	10%	10%/0%	10%	10%
Belarus		10%	10%	10%/0%	10%	10%
Belgium		15%	10%	10%/0%	10%	10%
Brunei		15%	15%	15%/0%	15%	10%
Bulgaria		15%	15%	10%/0%	10%	15%
Cambodia	1,5	10%	10%	10%/0%	10%	10%
Canada		15%	10%	10%/0%	10%	15%
China	2	10%	10%	10%/0%	10%	10%
Croatia		10%	10%	10%/0%	10%	10%
Czech Republic		15%	10%	12.5%/0%	12.5%	12.5%
Denmark		20%	10%	10%/0%	15%	15%
Egypt		15%	15%	15%/0%	15%	15%
Finland		15%	10%	10%/0%	15%	15%
France		15%	10%	15%/10%/0%	10%	10%
Germany	1	15%	10%	10%/0%	15%/10%	10%
Hongkong		10%	5%	10%/0%	5%	5%

Country	Notes	Dividend		Interest	Royalty	Branch ProfitTax
		Portfolio	Substantial Holdings			
Hungary	3	15%	15%	15%/0%	15%	20%
India	1	10%	10%	10%/0%	10%	15%
Iran		7%	7%	10%/0%	12%	7%
Japan		15%	10%	10%/0%	10%	10%
Jordan	3	10%	10%	10%/0%	10%	20%
Korea (North)		10%	10%	10%/0%	10%	10%
Korea (South)	2	15%	10%	10%/0%	15%	10%
Kuwait		10%	10%	5%/0%	20%	10%/0%
Laos		15%	10%	10%/0%	10%	10%
Luxembourg	1	15%	10%	10%/0%	12.5%	10%
Malaysia	4.5	10%	10%	10%/0%	10%	12.5%
Mexico		10%	10%	10%/0%	10%	10%
Mongolia		10%	10%	10%/0%	10%	10%
Morocco		10%	10%	10%/0%	10%	10%
Netherlands		10%/15%	5%	10%/5%/0%	10%	10%
New Zealand	3	15%	15%	10%/0%	15%	20%
Norway		15%	15%	10%/0%	15%/10%	15%
Pakistan	1	15%	10%	15%/0%	15%	10%
Papua New Guinea	1	15%	15%	10%/0%	10%	15%
Philippines		20%	15%	5%/10%/0%	15%	20%
Poland		15%	10%	10%/0%	15%	10%
Portugal		10%	10%	10%/0%	10%	10%
Qatar		10%	10%	10%/0%	5%	10%
Romania		15%	12.5%	12.5%/0%	15%/12.5%	12.5%
Russia		15%	15%	15%/0%	15%	12.5%
Serbia		15%	15%	10%/0%	15%	15%
Seychelles		10%	10%	10%/0%	10%	20%
Singapore		10%	10%	10%/0%	10%/8%	10%

Country	Notes	Dividend		Interest	Royalty	Branch Profit Tax
		Portfolio	Substantial Holdings			
Slovakia		10%	10%	10%/0%	15%/10%	10%
South Africa		15%	10%	10%/0%	10%	10%
Spain		15%	10%	10%/0%	10%	10%
Sri Lanka		15%	15%	15%/10%	15%	20%
Sudan		10%	10%	15%/10%	10%	10%
Suriname		15%	15%	15%/0%	15%	15%
Sweden		15%	10%	10%/0%	15%/10%	15%
Switzerland	1	10%	10%	10%/0%	10%	10%
Syria		10%	10%	10%/0%	20%/15%	10%
Taiwan		10%	10%	10%/0%	10%	5%
Tajikistan		10%	10%	10%/0%	10%	10%
Thailand		20%/15%	20%/15%	15%/0%	15%	20%
Tunisia		12%	12%	12%/0%	15%	20%
Turkey		15%	10%	10%/0%	10%	10%
Ukraine		15%	10%	10%/0%	10%	10%
United Arab Emirates	1	10%	10%	7%/0%	5%	5%
United Kingdom		15%	10%	10%/0%	15%/10%	10%
United States of America		15%	10%	10%/0%	10%	10%
Uzbekistan		10%	10%	10%/0%	10%	10%
Venezuela	1	15%	10%	10%/0%	20%	10%
Vietnam		15%	15%	15%/0%	15%	10%
Zimbabwe	1,5	20%	10%	10%/0%	15%	10%

Notes:

1. Service fees including for technical, management and consulting services rendered in Indonesia are subject to withholding tax at rates of 5% for Switzerland and United Arab Emirates, 7.5% for Germany, 10% for Cambodia, India, Luxembourg, Papua New Guinea, Venezuela and Zimbabwe, and 15% for Pakistan.
2. VAT is reciprocally exempted from the income earned on the operation of ships or aircraft in international lanes.
3. The treaty is silent concerning the branch profit tax rate. The ITO interprets this to mean that the tax rate under Indonesia Tax Law (20%) should apply.
4. Labuan offshore companies (under the Labuan Offshore Business Activity Tax Act 1990) are not entitled to the tax treaty benefits.
5. Ratified but not yet effective, pending the exchange of ratification documents.

	Building Site Construction	Installation	Assembly	Supervisory Activities	Other Services
Hungary	3 months	3 months	3 months	3 months	4 months
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	6 months	4 months	4 months	6 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	6 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	4 months	4 months	6 months	3 months
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
Seychelles	6 months	6 months	6 months	6 months	3 months
Singapore	183 days	183 days	183 days	6 months	90 days

	Building Site Construction	Installation	Assembly	Supervisory Services	Other Services
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

Tax Information Exchange Agreements

Indonesia has Tax Information Exchange Agreements (TIEAs) with San Marino (pending the exchange of ratification documents), Bermuda, Guernsey, Isle of Man, Jersey, and the Bahamas.

Mutual Administrative Assistance in Tax Matters

Indonesia signed the Convention on Mutual Administrative Assistance in Tax Matters on 3 November 2011 and ratified it on 17 October 2014. Indonesia has also signed Multilateral Competent Authority Agreements on the automatic exchange of:

1. Financial Account Information using the Common Reporting Standard;
2. Crypto-Asset Reporting Framework; and
3. Transfer Pricing documentation in the form of Country-by-Country Report.

Multilateral convention to implement tax treaty related measures to prevent base erosion and profit shifting

Indonesia signed and ratified the Multilateral Instrument (MLI) on 7 June 2017 and 13 November 2019 respectively. Indonesia has submitted notification to OECD (as the depositary of the MLI) to confirm the completion of internal procedures on 28 April 2020. This MLI has entered into force on 1 August 2020. By 27 November 2023, Indonesia has put 60 tax treaties to be covered by the Convention, whereby the applicability of the MLI is subject to whether or not those jurisdictions also included Indonesia in their notifications.

As part of the implementation of the Organisation for Economic Co-operation and Development (OECD)'s Pillar Two framework, Indonesia has made the following progress:

- Global Anti-Base Erosion (GloBE) – Indonesia has issued the domestic tax regulation to implement the GloBE rules in Indonesia on 31 December 2024 (PMK-136/2024). Under this regulation, the Income Inclusion Rule (IIR) which enforces a 15% global minimum effective tax rate for multinational enterprise groups with annual consolidated turnover exceeding EUR 750 million operating in multiple jurisdictions, Undertaxed Profits Rule (UTPR) will be applicable starting on or after 1 January 2025 and on or after 1 January 2026 respectively.

Indonesia also adopts the Qualified Domestic Minimum Top-up Tax (DMTT) rule under the regulation which will be applicable starting on or after 1 January 2025.

- Subject-to-Tax Rule (STTR) – Indonesia signed the MLI on 19 September 2024 to facilitate the Implementation of the Pillar Two STTR. Indonesia's provisional position contains the list of 29 tax treaties that Indonesia wishes to be covered and will be confirmed upon the deposit of its instrument of ratification.

US FATCA

Indonesia has principally agreed to sign the Inter-Governmental Agreement (IGA) 1 for FATCA compliance purposes.

Value Added Tax

Basis of Tax

VAT is levied on the “delivery” of taxable goods and the provision of taxable services. In general, delivery means sale, but this is not always the case. VAT also applies to intangible goods (including royalties) and to virtually all services provided outside Indonesia to Indonesian business. VAT applies equally to all manufactured goods, whether produce 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 its productivity. Certain goods and services are non-taxable for VAT purposes.

Rates of Tax

The VAT rate is 12% effective from 1 January 2025 under Law No. 7 of 2021 (UU HPP), formalized through Ministry of Finance Regulation No. 131/2024 (MOF Reg. 131/2024) issued on 31 December 2024. However, the government has decided to implement the 12% rate by using Other Value as Tax Base (Dasar Pengenaan Pajak/”DPP Nilai Lain”) of 11/12, resulting in an "effective" VAT rate of 11% using the Other Value as Tax Base (DPP Nilai Lain) methodology for most taxable goods and services. Effective VAT rate of 12% is only applicable to certain luxurious goods.

This may be increased or decreased to 15% or 5% by issuing a GR after consultation with the Parliament. However, VAT on the export of taxable tangible and intangible goods as well as export of services is fixed at 0%. Certain limitations for the zero-rated VAT apply to export of services.

VAT on e-commerce

Indonesian VAT will be imposed on the utilisation of certain intangible goods and services provided from overseas to Indonesian customers through an electronic system. Foreign sellers, foreign service providers, or foreign e-commerce marketplaces and domestic e-commerce marketplace will be appointed as VAT Collectors if their activity in the Indonesian market meets either of the following thresholds:

- transaction value with customers in Indonesia exceeding IDR600 million in a year or IDR50 million in a month; or
- access to their e-commerce platform from Indonesia exceeds 12,000 users in 12 months, or 1,000 users in one month.

The appointed VAT Collectors must collect and pay the VAT from customers as well as submit reports through the designated electronic tax filing system provided by the DGT.

Registration

Entrepreneurs exceeding IDR 4.8 billion in annual sales of taxable goods and/or taxable services are required to register for VAT purposes and issue a VAT invoice on the delivery of taxable goods and/or taxable services.

Filing requirements

A monthly VAT return must be filed by the end of the following month, while payment must be made prior to the tax return filing deadline. Taxpayers must also comply with electronic invoicing requirements (e-Faktur) when issuing VAT invoices. The DGT continues to provide technical guidance on VAT compliance, including updates on invoice issuance procedures under the new rate structure.

Luxury-Goods Sales Tax

Basis of Tax

Luxury-goods sales tax (LST) is levied on deliveries or imports of certain manufactured taxable goods. A particular item will only attract LST once, i.e., tax will be charged either on importation of the goods or on delivery by the (resident) manufacturer to another party. Whether or not the particular item is subject to LST depends on other factors, including capacity, size, or price.

To ascertain whether or not a particular item is subject to LST and to identify the LST rate, reference should be made to the Customs Book using the relevant Harmonised System (HS) code.

Rates of Tax

The LST rates are currently between 10% to 95%. According to the VAT and LST Law, the LST rate may be increased up to 200%.

Filing requirements

LST must be accounted for every month together with VAT. The importer or the manufacturer of the goods is held responsible for the settlement of the LST.

LST incentives

LST incentive is available for "green" motor vehicles in the form of LST base reduction (currently to 0% to 931/3% of the LST base) that will effectively lower the applied LST or mean there is even no LST for certain motor vehicles.

Carbon Tax

Basis of Tax

Carbon Tax is imposed on carbon emissions which have a negative impact on the environment. Carbon Tax can be imposed to individual or body, which:

a. carries out activities that emit a certain level of carbon; and/or
b. purchases carbon content goods.

Carbon Tax on emission-generating activities has not been fully implemented whilst Carbon Tax on purchase of carbon content goods has not been implemented.

This Carbon Tax is calculated through the mechanism of “cap and trade” of emission. Besides Carbon Tax deduction via emission trading, other mechanism (unknown at this stage) under the environment regulations is also allowed.

The first (and only) industry adopting the “cap and trade” mechanism and consequently is subject to Carbon Tax is Coal-Fired Power Plant. The Carbon Tax can be expanded to other industry subject to readiness of respective industry and possibly other factors. Pursuant to Government Regulation No. 40 Year 2025 (“GR-40”) concerning National Energy Policy/Kebijakan Energi Nasional, the Carbon Tax can be expanded to, among others, transportation and industrial (non-power generation) sectors.

Purchase of carbon content goods could also be subject to Carbon Tax via collection by the seller (appointed as Carbon Tax collector).

Rates of Tax

Emitting certain level of carbon emission is subject to Carbon Tax at the rate of currently at the least of:

a. carbon credit price in the domestic carbon market per kg CO_2e; or

b. IDR30/kg CO_2e.

Reporting requirements

Carbon emitter is required to record the carbon emission activities, self-remit (not yet implemented) and report (not yet implemented) the Carbon Tax on annual basis.

The Carbon Tax collector is required to record the relevant sales, remit and report the Carbon Tax on monthly basis (not yet implemented).

Customs and Excise

Import duty

Import duty is generally payable at rates from 0% - 150% on the customs value of imported goods.

Customs value is calculated on Cost, Insurance and Freight level (CIF).

Group	Goods	Rate (%)
Automobiles	Passenger and commercial	5 to 50
	Battery electric vehicles for road transportation	10 to 50
Automobile components	Incompletely Knocked Down	0 to 7.5
	Part by Part	0 to 10
Vessels	Ships, boats and floating structures	0 to 5
Aircraft	Balloons, helicopters, aeroplanes, parachutes, and aircraft launching gear	0
Electronic goods	Camera, refrigerator, cellular phone and others	0 to 20 or, IDR21,450/minute
Textile, textile products and accessories	Bags, footwear, harnesses, apparels, and clothing accessories, etc.	0 to 35

Group	Goods	Rate (%)
Beverages, ethyl alcohol and alcoholic drinks	Ethyl alcohol, juice, beer, wine, spirits and other beverages	5 to 150 or, IDR14,000/ltr
Essential oils and resinoids	Odoriferous substances	5 to 150
Agricultural products	Animal and vegetable products	0 to 20 or, IDR450/kg
Furniture	Bedding, mattresses, lamp and lighting fittings, and others	0 to 20
Toys	Toys, games and sport requisites, parts and accessories thereof	5 to 20
Plastic	Plastics and article thereof	0 to 25
Rubber	Rubber and article thereof	0 to 15
Wood	Wood and article thereof	0 to 25
Steel	Steels and article thereof	0 to 20
Others	Chemicals, pharmaceutical products, software, works of art, arms and ammunition, musical instrument, and others	0 to 40

On top of normal import duty rates, there are several additional import duty rates on certain products such as anti-dumping, safeguard, compensation, and requital import duty rates.

ASEAN duty rates Limited relief is given to Association of South East Asian Nations (ASEAN) countries on imports of goods that have fulfilled the origin criteria i.e. wholly obtained or not wholly obtained from the origin country and have been directly shipped between such countries.

Indonesian Government implements the ASEAN Trade In Goods Agreement (ATIGA) since 1 January 2010. This scheme is intended to increase inter-ASEAN trade by reducing duty rates on most goods to 0% import duty.

Import duty relief/exemption/deferral

The Indonesian Government offers import duty relief, exemption, and/or deferral concessions to foreign and/or domestic investors in order to promote the development of local and export-oriented industries. This concession usually combined with other tax facilities such as VAT and income tax. Certain entities that import goods related to Research and Development (R&D) activities can also be granted with import duty and/or excise exemptions.

Export duty

Export duty can be calculated based on a certain percentage of customs value (ad valorem) or specifically based on duty rate/quantity in a certain currency. Customs value is determined by the Director General of Customs and Excise in accordance with the price benchmark set by Minister of Trade.

Group	Goods	Rate (%)
Leather and wood	Leather made from certain furry animals, veneer, chip wood, processed wood	2% to 25%
Cocoa beans		0% to 7.5%
Palm fruit, Crude Palm Oil (CPO) and its derivative products	Fresh fruit bars, CPO, Crude Palm Kernel Oil (CPKO), hydrogenated CPO/CPKO, Palm Fatty Acid Distillates (PFAD), biodiesel	USD0 to USD431 / Metrics Ton
Refined mineral products	Certain metals	5% to 7.5%
Certain mineral products	Certain nickel and bauxite	10%
Pine resin		25%
Gold products	Doré, granules, lumps, ingot, cast bars, minted bars	7.5 to 15%

Excise

Excise is imposed on certain goods for which distribution and consumption needs to be controlled due to their potential negative effect on society. Currently, goods subject to excise are alcoholic products and tobacco products.

Group	Rate
Ethyl alcohol	IDR20,000/litre
Alcoholic drink	IDR16,500/litre to IDR152,000/litres
Ethyl alcohol concentrate	IDR1,000/gram or IDR228,000/litre
Tobacco products	IDR10 to IDR110,000/stick or gram or millilitre for certain tobacco products

Import duty incentives

Masterlist facility

The Indonesia Investment Coordinating Board may also provide import duty exemption through the issuance of a Masterlist facility for importing machinery and raw materials. An importer can also obtain an exemption from VAT, LST, and/or Article 22 Income Tax by applying to the DGT for approval.

Other taxes

Land and building tax

Land and building tax (Pajak Bumi dan Bangunan/PBB) is a tax on property chargeable on all land and/or buildings, unless exempted. Each regional Government has to issue a regulation (Peraturan Daerah/PERDA) to regulate PBB in its territory.

The scope of PBB under Central Government and the Regional Government (Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah/HKPD) Law covers all land and building except for the following industries, such as forestry, plantation, mining, and other industries located in national waters outside the territory of regional area, which are governed by separate regulations.

Under HKPD Law, the PBB rate is maximum 0.5% and the tax due is calculated by applying the tax rate on a certain percentage of NJOP (ranging from 20% to 100%) deducted by non-taxable NJOP. Any changes are to be made by issuing a PERDA. The non taxable NJOP is set at IDR10 million at the minimum. In the event that a taxpayer owns or controls more than one PBB object in one area, the nontaxable NJOP is only given to one PBB object for each fiscal year.

Tax on land and building transfer

A transfer of rights to land and building will give rise to income tax on the deemed gain on the transfer/sale to be charged to the transferor (seller). The tax is set at 2.5% of the gross transfer value (tax base). However, for transfers of simple houses and simple apartments conducted by taxpayers engaged in a property development business, the tax rate is 1%. This tax must be paid by the time the rights to land and building are transferred to the transferee. All the tax paid constitutes a final tax.

Duty on the acquisition of land and building rights

A transfer of land and building rights will typically also give rise to duty on the acquisition of land and building rights (Bea Pengalihan Hak atas Tanah dan Bangunan/BPHTB) liability for the party receiving or obtaining the rights.

BPHTB is based on the Tax Object Acquisition Value (Nilai Perolehan Objek Pajak/NPOP), which in most cases is the higher of the market (transaction) value or the NJOP of the land and building rights concerned. The tax due on a particular event is determined by applying the applicable duty rate of a maximum of 5% to the relevant NPOP, minus an allowable non-taxable threshold. The non-taxable threshold amount varies by region: the minimum is IDR80 million, except in the case of an inheritance, for which starts from IDR300 million.

Estate duty

No estate duty will be imposed on the value of an individual's property passing on death. However, further distributions which require a change in certificates of ownership are subject to duty on the acquisition of land and building rights with 5% rate to the relevant tax object acquisition value, minus an allowable non-taxable threshold.

Stamp duty

Stamp duty is a tax on documents. Certain documents are subject to stamp duty at a nominal amount of 10,000. Examples of documents subject to stamp duty are as follows:

a. Agreements, certificates, statement letters, or similar documents, and their copies.
b. Notarial deeds and grosse, and their copies and excerpts.
c. Deeds of a Land Deed Officer and their copies.
d. Securities in any form and name.
e. Securities transaction document.
f. Auction documents in the form of excerpts, minutes, copies and grosse.
g. Documents stating a sum of money above IDR5,000,000 which describe the receipt of money or contain an acknowledgement of debt payment or settlement, either entirely or partially.
h.. Documents to be used as instruments of evidence before a court.

Consumption tax

Provincial tax is charged mostly at 10% e.g. hotel, restaurant, and place of recreation and entertainment, etc.

Accounting for Tax

A taxpayer must maintain a proper bookkeeping in Indonesia for at least 10 years, including all supporting documents as the basis of accounting records. These documents must be stored only in Indonesia. The bookkeeping must be maintained and recorded in Rupiah and Indonesian language in accordance with Indonesian Financial Accounting Standards.

If the gross turnover from the company is below IDR 4.8 million in a year and has been a subject to final tax or non-tax object, the taxpayer will only need to conduct a recording, not a book-keeping.

PMA companies, permanent establishments, or taxpayers that prepare their financial statements in US Dollar as their functional currency may maintain their book-keeping in English and US Dollar by firstly obtaining DGT approval no later than three months before the beginning of the USD accounting year.commencing USD book-keeping.

The use of a foreign language other than English and a foreign currency other than USD in a company's bookkeeping is prohibited. Irrespective of the currency and the language used, companies typically have to settle their tax liabilities in IDR (except for PSC companies) and file tax returns in Indonesian. For CIT, the assertions must be presented in USD side by side with IDR in the annual CITR.

Early Tax Refund

An early tax refund is available for taxpayers that meet certain criteria, as follows

A. Golden Taxpayers

An early tax refund is available for taxpayers that meet certain criteria, as follows

1. Submit tax returns in a timely manner;
2. Have no tax arrears for all types of taxes, except tax arrears which have obtained a permit to pay tax in instalments or that have been audited;
3. Financial Statement audited by a public accountant or the audit board with an Unqualified Opinion for three consecutive years; and
4. Never have been convicted of a tax crime in the last five years.

B. Taxpayers with low refund values

An early tax refund is available for taxpayers that meet certain criteria, as follows

1) Individuals that do not have any business or freelance activity that apply for an income tax refund in their AITR;
2) Individuals that have business or freelance activities that apply for income tax refund in their AITR of a maximum of IDR100 million;
3) Companies that apply for an income tax refund in their AITR of a maximum of IDR1 billion; or
4) PKPs that apply for VAT refund in their VAT Return of a maximum of IDR5 billion.

C. Low-risk PKPs

Companies that engage in the following business activities are considered as low-risk PKPs:

1) Export activities;
2) Delivering VATable goods and/or services to a VAT Collector; and/or
3) Delivering VATable goods and/or services for which VAT is not collected.

A preliminary tax refund is requested by way of ticking the refund box in the relevant tax return. If the approved tax refund amount is different from the requested amount, the taxpayer can re-apply using a separate letter submitted through the DGT electronic system. The DGT will conduct a formal and/or material examination on all applicants.

Tax Audits and Tax Assessments

An early tax refund is available for taxpayers that meet certain criteria, as follows

Tax audits

Indonesia uses a self-assessment system under which taxpayers are required to calculate, pay, and report their tax liabilities in accordance with prevailing tax laws and regulations. Therefore, The DGT may conduct a tax audit to test this self-assessment compliance with the tax obligations and issue tax assessment as a result of tax audit.

Types of tax audit

The tax audit of a company may cover only a particular tax or all taxes for a particular tax period (a tax month) or tax year. It may be conducted at the company's premises, at the DGT offices, or at both.

Conditions triggering a tax audit

Most tax refund request will trigger a tax audit, except for taxpayers eligible for early tax refunds (see pages 100-101). Due to the requirement for the DGT to decide on a refund request within 12 months, a tax audit will typically begin from a few weeks to several months from the refund request date. A CIT refund request will normally trigger a complete tax audit covering all taxes. A refund request of any other tax will normally trigger a tax audit covering only one particular tax. The DGT will likely broaden the tax audit scope to include other taxes.

Other than that event, DGT may also set other criteria to select tax audit target based on risk analysis. This situation is getting more and more common following the implementation of Core Tax system.

Special tax audit may be conducted for certain purposes and will be subject to different timeline and procedures from the general tax audit.

One-month rule

Taxpayers being audited are required to provide documents and information requested by the tax auditors within a month of the request date. Failure to provide the documents or information within a month may prompt the DGT to determine the tax liabilities on a deemed profit basis. Where documents and information are not supplied within the one month period, they cannot be used later by the taxpayer to dispute the amount of tax assessed.

As an exception, the following documents can be submitted until before the closing conference document is signed:

- Documents requested by tax auditor that have not been obtained by the taxpayer from the third parties;
- Documents other than the ones requested by the tax auditor.

Closing conference

As part of the tax audit process, the tax auditor must provide a list of temporary findings and discuss it with the taxpayer. At the end of a tax audit, the tax auditors will provide the taxpayer with a written notification of the final tax audit findings to which the taxpayer must respond in writing if there is a disagreement. The taxpayer may then reassert its position with regard to the tax audit corrections and present the relevant supporting documents in the closing conference discussion.

If there is still a dispute surrounding a legal basis of an adjustment during the discussion of the tax audit findings, the taxpayer may request a discussion with the Quality Assurance Team (QAT) appointed by the Regional Tax Office or the Directorate of Tax Audit and Collection.

The tax auditors may change some of the suggested corrections in light of the taxpayer’s response to the tax audit findings notification, the discussion result with the QAT, and the closing conference discussion.

The results of the final discussion are then summarized in a closing conference document that is signed by the tax auditors and the taxpayer. The taxpayer will have to state Agree or Disagree to each of the proposed corrections in the document. The corrections agreed to in the closing conference document will constitute a basis for the minimum amount the taxpayer must pay of the tax assessment issued based on the document. The disagreed portion has not become a tax arrears until the issuance of the Objection Decision or Tax Court Decision if the taxpayer files for Objection or Appeal respectively.

Products of a tax audit

The legal products of a tax audit consist mainly of Tax Assessment Letters (Surat Ketetapan Pajak/SKP) as mentioned above and Tax Collection Letters (Surat Tagihan Pajak/STP), which must be based on the closing conference document. An STP typically serves as a legal instrument to collect administrative tax sanctions not covered in an SKP. In certain other situations, it may also be used by the DGT to collect tax due in a particular tax period (month) within the current year and the interest penalty on this.

Tax assessments

An SKP applies only to one specific tax for one particular tax period or year and typically takes into account the following factors:

- The tax due;
- The applicable tax credits;
- The resulting balance between the tax due and the tax credits (overpaid, nil or underpaid);
- The administrative penalty (interest or a surcharge).

Types of tax assessment letters

The name of an SKP refers to the resulting balance between the tax due and the tax credits. Accordingly, there are three types of SKPs:

- Overpaid Tax Assessment Letter (Surat Ketetapan Pajak Lebih Bayar/SKPLB) if the tax due is less than the taxcredit amount;
- Underpaid Tax Assessment Letter (Surat Ketetapan Pajak Kurang Bayar/SKPKB) if the tax due exceeds the tax credit amount;
- Nil Tax Assessment Letter (Surat Ketetapan Pajak Nihil/SKPN) if the tax due amount is equal to the tax credit amount.

If an SKPKB is issued, this may include administrative penalties in the form of interest based on the applicable MoF Interest Rate, plus a surcharge for a maximum of 24 months, or a 75% surcharge.

Which penalties are applicable will depend on the type of wrongdoing the taxpayer has committed. The penalty amounts are determined by the application of the relevant rate to the underpaid tax amounts. Specific on VAT assessment, if the penalty may result in the application of multiple administrative sanction, the DGT will only apply sanction that has the highest value.

Payments of tax assessment

Tax due based on an SKP must be paid within one month after the issuance of the relevant SKP. If the taxpayer does not pay the tax due and not apply for an Objection, the tax due will be collected using a Distress Warrant.

Tax Dispute and Resolution

A tax dispute between a taxpayer and the DGT will typically arise following the issuance of an SKP by the DGT which the taxpayer disputes. An SKPKB, an SKPKBT, and an STP constitute legal tax collection instruments on the basis of which the DGT may issue a Distress Warrant if the taxpayer fails to settle the underpaid tax on time.

The ways available to resolve such tax disputes are as follows:

Tax objection

A taxpayer who does not agree with an SKP can submit an Objection (Keberatan) to the DGT within three months of the date of issue of the SKP. The Objection must state the amount the taxpayer has calculated as the tax due and set out the reasons for its disagreement with the DGT tax assessment.

The DGT has to issue a decision on the tax objection within 12 months of the filing date of the Objection. If no decision is issued by the DGT within 12 months, the Objection is automatically deemed approved by the DGT.

If the Objection is rejected by the DGT, any underpayment is subject to a surcharge of 30%. However, the underpaid tax and the surcharge are not payable if the taxpayer files an Appeal with the Tax Court in respect of the Objection Decision.

An Objection may also be filed by a taxpayer with the DGT office with respect to tax withheld by a third party. The same time limits on filing the Objection and for the DGT's decision apply to this type of Objection.

Tax appeal

A taxpayer who does not accept the DGT's Objection Decision can file an Appeal (Banding) with the Tax Court within three months of the receipt of the DGT Objection.

To the extent that the DGT Objection Decision calls for a payment of tax due, according to the Tax Court Law, at least 50% of the tax due must be settled before filing the Appeal.

The Tax Court will typically have to decide on an Appeal within 12 months. Any underpaid tax resulting from the Tax Court Decision is subject to a surcharge of 60%.

Other avenues for tax dispute resolution

The DGT, following a taxpayer's Correction Request, or by virtue of its official position (ex-officio), may correct or cancel an SKP, an STP, or their derivatives issued on the basis of those letters. The derivatives include, among others:

- Objection Decision Letters;
- Decision Letters on the Reduction or Cancellation of Administrative Sanctions;
- Decision Letters on the Reduction or Cancellation of Tax Assessment;
- Decision Letters on an Early Refund of Overpaid Tax.

The DGT must issue a decision on a Correction Request within six months of the date of filing. If no decision is issued by the DGT within six months, the Correction Request is automatically deemed to have been approved by the DGT.

Taxpayers who do not (fully) accept the DGT Decision on a Correction Request can file a Lawsuit (Gugatan) with the Tax Court within 30 days of the receipt of the DGT Decision. A Lawsuit against the DGT can also be filed with the Tax Court for the execution of Distress Warrant. In this case, the Lawsuit must be filed no later than 14 days after the execution date.

The Tax Court must decide on a Lawsuit within six months.

Judicial review request to the Supreme Court

A Tax Court Decision is considered to be a final decision with full legal force. However, the parties involved in a tax dispute may file a Judicial Review Request (Peninjauan Kembali/PK) on a Tax Court Decision with the Supreme Court. This can be done only if any of the following conditions prevail:

A Tax Court Decision is considered to be a final decision with full legal force. However, the parties involved in a tax dispute may file a Judicial Review Request (Peninjauan Kembali/PK) on a Tax Court Decision with the Supreme Court. This can be done only if any of the following conditions prevail:

1) The Decision has been based on a perjury, a deception, or false evidence on the part of the opposing party;
2) A piece of important written evidence is found which, had it been considered previously, would have led to a different Decision;
3) Some part of the claim has been ignored without reason;
4) Something which was not demanded was granted;
5) The Decision is clearly inconsistent with prevailing tax regulations.

A Judicial Review Request must be filed with the Supreme Court within an allowable request time limit. For conditions 1 and 2, the time limit is three months after the condition is identified. For conditions 3, 4 and 5, the time limit is three months after the Tax Court decision.

Any underpaid tax resulting from the Supreme Court Decision is subject to a surcharge of 60%.

CONTACTS

Our tax professionals provide advice and support across a wide range of tax matters, helping you manage your obligations efficiently and in a timely manner.

For any tax-related enquiries, please contact your usual consultant or one of the tax professionals below.

General Inquiries

Michelle Bernardi
michelle.bernardi@reandabernardi.com

Vera Butarbutar
vera.butarbutar@reandabernardi.com

Legal and Inward Investment

Mark Bernardi
mark.bernardi@reandabernardi.com

Dedy Simanjuntak
dedy.simanjuntak@reandabernardi.com

China Business Desk

Daisy Peng
daisy.peng@reandabernardi.com

Darwin Halim
darwin.halim@reandabernardi.com

Customs

Tommy Souw
tommy.souw@reandabernardi.com

Transfer Pricing

Ria Astri
ria.astri@reandabernardi.com

Tax Risk and Strategy

Vera Butarbutar
vera.butarbutar@reandabernardi.com

Japan Business Desk

Michiyo Okubo
japandesk@reandabernardi.com