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Indonesia Tax Guide 2023 - 2024

Deloitte Touche Solutions



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General Indonesian Tax Provisions

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

Overview

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

Types of taxes in Indonesia are, among others:

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

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

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

For supervisory and monitoring purposes, the tax authorities may issue a letter requesting data and/or explanations from the taxpayer (*Surat Permintaan Penjelasan atas Data dan/atau Keterangan*). The taxpayer should respond to the request within 14 days. If the taxpayer does not respond or the response is considered inadequate, the tax authorities may escalate to a formal tax audit procedure.

Administration, bookkeeping, and records

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

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

Foreign investment companies (*Penanaman Modal Asing*), PE, taxpayers that are listed on offshore stock exchanges, subsidiaries of offshore companies, certain collective investment contracts (*Kontrak Investasi Kolektif* (KIK)), or taxpayers that prepare their financial statements in US Dollar as their functional currency in accordance with the SAK may maintain their bookkeeping in English and use the US Dollar denomination (USD bookkeeping) by firstly obtaining an approval from the DGT before commencing the USD bookkeeping preparation.

Contractors of oil and gas Production Sharing Contracts (PSCs) and companies operating under mining Contracts of Work (CoWs) may decide to maintain USD bookkeeping by notifying the DGT.

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

Tax payment and reporting obligations

Monthly tax obligation

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

Type of tax	Monthly payment deadline	Monthly reporting deadline
CIT (Article 25 monthly tax installment)	The 15th of the following month	The 20th of the following month
Individual income tax (Article 25 monthly tax installment)	The 15th of the following month	The 20th of the following month
Article 21/26 employee income tax (EIT)	The 10th of the following month	The 20th of the following month
Withholding taxes (WHT) (other than EIT)	The 10th of the following month	The 20th of the following month
VAT and LST	Before the submission of VAT and LST returns	The end of the following month

Different payment deadlines apply to certain types of tax payment, such as self-assessed VAT on the utilization of taxable intangible goods and/or taxable services from offshore, VAT collected by VAT collectors other than the State Treasurer, and some WHT.

Taxpayer that has settled the Article 25 monthly tax installments and received a state revenue transaction number (*Nomor Transaksi Penerimaan Negara*) is treated

as having already reported the tax with the payment validation date as the submission date.

Late tax payment is subject to a tax surcharge of reference interest rate issued monthly by the Minister of Finance (MoF) (*Suku Bunga Acuan* (SBA)) plus uplift of 5% divided by 12 months for a maximum of 24 months.

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

Annual tax obligation

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

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

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

Late tax payment is subject to a tax surcharge of SBA plus uplift of 5% divided by 12 months for a maximum of 24 months. Tax underpayment arising from voluntary amendment of tax returns is subject to a tax surcharge of SBA plus uplift of 5% or 10% divided by 12 months

for a maximum of 24 months, or a surcharge of 100% depending on the case.

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

Appointment of another party to withhold income tax and VAT

For tax withholding purposes, the MoF is allowed to appoint a domestic party or a foreign party that is directly involved in or facilitates a transaction.

The provisions regarding tax assessment and collection, legal action, and imposition of penalties are extended to a foreign party appointed as a tax withholder by the MoF.

Tax controversy

Tax audit and tax assessment

The DGT may conduct a tax audit on a taxpayer within the statute of limitation. The tax audit aims to:

- Test the tax compliance of the taxpayer; or
- Serve other purposes (such as audit upon request for revocation of an NPWP, audit to determine the commencement of commercial production for the utilization of tax facilities, and others).

Typically, the tax auditor will request to borrow the taxpayer's books, records, and other supporting documents that form the basis for tax calculation. The taxpayer is required to submit the requested information and data within one month since the request date.

Information and data that are not provided within the time frame will not be considered in the tax audit and tax objection processes.

The tax auditor will deliver temporary tax audit findings (*Surat Pemberitahuan Hasil Pemeriksaan (SPHP)*) to the taxpayer, which shall be responded by the taxpayer. The tax auditor will then invite the taxpayer for a closing conference to discuss the SPHP and the response letter.

The taxpayer may submit a request for a review from a Quality Assurance Team if there is a dispute between the taxpayer and the tax auditor regarding the legal basis for the proposed correction during the closing conference.

The product of the tax audit is tax assessment(s) that will be one of the following:

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

For SKPKB, the underpaid amount is subject to a surcharge penalty of SBA plus uplift of 15% or 20%, divided by 12 months for a maximum of 24 months; or a surcharge of 75%, depending on the case. The underpaid amount and the surcharge penalty shall be settled to the State Treasury within one month since the issuance date of the assessment letter, if the assessment has been agreed upon by the taxpayer during the closing conference in the tax audit process.

If the tax audit results in an imposition of interest penalty and incremental penalty, only the higher of the two penalties will be imposed.

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

In the event that an indication of tax crime is found during a tax audit, the audit will be deferred and an audit on preliminary evidence for tax crime (*pemeriksaan bukti permulaan (bukper audit)*) is instigated. A bukper audit can be halted or proceeded with a tax investigation process.

SKPKBT can only be issued based on a tax re-audit (*pemeriksaan ulang*). If the SKPKBT is issued, there will be a tax surcharge of 100% of the underpaid tax amount.

Tax objection

A taxpayer may file a request for an objection (*keberatan*) to a tax assessment letter or tax withheld by a third party.

The objection letter must be filed within three months since the delivery date of tax assessment letter or the date of tax withholding. If the objection is filed over a tax assessment letter, the taxpayer must settle at least the amount that has been agreed upon during the tax audit closing conference. The payment of any amount that has not been agreed upon during the closing conference may be deferred until one month after the issuance date of Tax Objection Decision Letter (*Surat Keputusan Keberatan*).

A Tax Objection Decision Letter must be issued within 12 months since the filing date of the objection letter. If the decision letter has not been issued by the deadline, the objection request will be deemed to be approved.

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

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

Tax appeal

A taxpayer can file an appeal (*banding*) against a Tax Objection Decision Letter to the Tax Court.

The appeal letter must be filed, at the latest, three months since the Tax Objection Decision Letter is received.

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

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

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

Judicial review request

In some cases, a taxpayer or the DGT may challenge the Tax Court Verdict by filing a judicial review (*peninjauan kembali*) request to the Supreme Court.

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

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

Lawsuit

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

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

Other tax dispute resolution

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

- Reduce or cancel an administration sanction, in the case the sanction is imposed due to the taxpayer's unintentional mistakes;
- Reduce or cancel an incorrect tax assessment letter or a tax collection letter; or
- Cancel tax audit findings or tax assessment letters that are issued without:
 - Delivering SPHP properly; or
 - Conducting a closing conference with the taxpayer.

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

Tax collection procedures

In addition to tax assessment letters, the DGT can issue tax collection letters (*Surat Tagihan Pajak (STP)*) to collect tax payables and/or tax penalties and surcharges arising from the following conditions:

- Tax underpayment or unpaid;

- Tax penalties and surcharges;
- VAT-able entrepreneur (*Pengusaha Kena Pajak* (PKP)) does not issue VAT invoices and/or is late in issuing VAT invoices;
- PKP issues incomplete VAT invoices (with certain exception);
- Interest compensation that should not have been granted; or
- Taxpayer requests for tax deferment or tax installment but fails to pay by the due date.

An STP can be issued maximum five years after the tax, the fiscal period, the part of fiscal year, or the fiscal year is due. Under certain conditions, the statute of limitation can be extended.

A Distress Warrant (*Surat Paksa*) may be issued if the taxpayer does not settle the tax payable along with the tax penalties and surcharges, despite the DGT's effort for collection. If the taxpayer still does not settle the tax payable along with the tax penalties and surcharges, the DGT can seize the taxpayer's assets for auction.



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

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

Tax crimes

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

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

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

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

Corporate Income Tax

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

Tax rates

The standard CIT rate is 22%.

Certain incomes are subject to final income taxes that are calculated from the gross revenue (please refer to page 62 to 65).

Certain corporate taxpayers that earn or receive gross revenue not exceeding IDR 4.8 billion in a fiscal year (small and medium enterprises) are subject to final income tax rate of 0.5% on gross revenue for a certain period of time (please refer to page 63 and 65). However, these taxpayers may opt to apply the standard CIT rate after notifying the DGT.

Corporate taxpayers with gross revenue of up to IDR 50 billion shall receive a 50% reduction of CIT rate for the initial gross revenue of IDR 4.8 billion.

Following the self-assessment principle, taxpayers are required to pay the CIT in installment on a monthly basis (Article 25 monthly tax installments) in the current year.

Branch profit tax

In addition to CIT, a PE is subject to branch profit tax (BPT) at a rate of 20%, applicable to the PE's taxable income after tax. This rate may be lowered subject to the

accessibility of tax treaty benefits (please refer to page 102 to 107).

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

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

Tax residence and registration

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

A corporate tax resident that has the obligation to pay or withhold taxes shall be obliged to register for an NPWP. For a corporate taxpayer with business activities in several places, aside from having to register for an NPWP for its headquarter, it shall also be obliged to register its branches for NPWPs for each of their place of business activity.

A foreign corporation carrying out certain business activities in Indonesia over the PE time test within a period of 12 months shall be regarded as having taxable presence in Indonesia through a PE and has to register for an NPWP.

Calculation of income—business profits

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

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

Nontaxable income

The following incomes are exempted from income tax, among others:

- Aid or donations, including *zakat*, *infak*, charity, religious donations, or certain gifts received, provided that there is no business, work, or ownership relations between the parties concerned;
- Dividends received by a resident corporate taxpayer from another resident corporate taxpayer;
- Dividend income from an offshore subsidiary, PE's taxable income after tax, and income from foreign active business without a PE, that are reinvested into Indonesia for a certain period of time;
- Assets, including cash, received by an entity in exchange for shares or capital contribution;
- Contributions received or collected by a pension fund, the establishment of which has been approved by the Indonesian Financial Services Authority (*Otoritas Jasa Keuangan* (OJK));
- Return of investments in specific fields by a pension

fund, the establishment of which has been approved by the OJK;

- Profits distributed to a venture-capital company by a small or medium-sized enterprise or enterprise engaging in certain businesses in Indonesia;
- Certain incomes earned by Hajj Finance Management Agency (*Badan Pengelola Keuangan Haji (BPKH)*);
- Surpluses that fulfill certain conditions and are earned by a registered social and religious body and educational/research and development institution; and
- Shares of profit received by a member of a limited partnership without share capital, cooperation, partnership, association, or firm, including a participation unit holder of KIK.

Calculation of income—deductible expenses

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

Depreciation and amortization

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

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

Notes:

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

The list of asset groupings is regulated by MoF regulations.

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

Notes:

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

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

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

Pre-operational expenses with useful life of more than one year should be capitalized and amortized accordingly. Spending related to the acquisition of oil and natural gas mining rights as well as other related expenses with a useful life of more than one year should be amortized using the unit of production method. Likewise, spending related to the purchase of non-oil and gas mining rights, forestry concession rights, and rights to exploit natural resources or other natural products should be amortized using the unit of production method capped at 20% annually.

Transfer of assets

Generally, gains arising from the transfer of assets (please refer to page 31 to 32) are subject to income tax. Likewise, losses incurred from the transfer of asset are tax deductible. The gains or losses from the transfer are calculated from the proceeds minus the fiscal net book value of the asset.

Promotional expenses

The following promotional expenses are deductible for tax purposes:

- Costs of advertisement;
- Costs of product exhibition;
- Costs related to introducing new products; and/or
- Costs of sponsorships associated with product promotion.

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

Provision for doubtful debts

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

- a. The write-off has been booked as an expense in the commercial income statements;
- b. The list of uncollectible receivables must be submitted to the DGT by the taxpayer; and

- c. The collection effort of the uncollectible receivables has been brought to the district court or other relevant authority; or there is a written agreement for the write-off between the creditor and debtor concerned; or it has been announced in general or certain publications; or the debtor has acknowledged that a certain amount of the debt has been written-off.

Donations

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

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

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

Calculation of income—nondeductible expenses

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

- Profits distribution in any form and name, such as dividends and profits distribution from a cooperation;
- Expenses incurred for the personal interest of shareholders or partners;
- Provisions, with certain exceptions;

- Amount in excess of normal compensation payable to shareholders or other parties having a special relationship;
- Grants, aid, or donations, except those allowed to be deductible (please refer to page 29);
- Income taxes;
- Salaries payable to members of a partnership or certain types of business where the equity is not divided into shares;
- Tax administrative sanctions;
- Excess of commercial depreciation over fiscal depreciation;
- Excess of commercial amortization over fiscal amortization; and
- Expenses that are deferred for tax purposes.

Borrowing costs

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

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

A taxpayer that obtains loan and would like to utilize the relevant interest as deduction is required to submit a

DER calculation report. If the loan is from overseas, the taxpayer has to attach a report on foreign loan along with its CIT return submission.

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

Tax loss carryforward

A tax loss may be carried forward for five years following the year when the loss incurs. Subject to approval from the DGT, this period may be extended up to 10 years for certain industries and operations of specific industries in certain remote areas.

The carryback of losses is not permitted.

Transfer of land and/or buildings

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

Exemptions are granted for certain types of transfer of land and/or buildings, such as grant, inheritance, merger

with book value approved by the MoF, transfer of land and/or buildings by a non-taxpayer, and sale of land and/or buildings with a value of less than IDR 60 million by an individual taxpayer whose annual income does not exceed the threshold of nontaxable income.

Dividend income

Dividend income earned or received from domestic listed and non-listed companies is exempted from tax if the recipient is a domestic corporate recipient.

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

Dividend from an offshore non-listed company and PE's taxable income after tax may be tax exempted if the reinvested dividend or taxable income after tax is at least 30% of the total taxable income after tax, proportionated in accordance with the shareholding percentage. The difference between the reinvested amount and the 30% threshold of the total taxable income after tax is subject to income tax.

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

- a. Indonesian government securities (including sharia securities);
- b. State-owned enterprise bonds, in which the trading is supervised by the OJK;

- c. Bonds issued by government-owned financial institutions, in which the trading is supervised by the OJK;
- d. Financial investment in banks, including sharia banks;
- e. Bonds issued by private companies, in which the trading is supervised by the OJK;
- f. Infrastructure investment via public-private placement (*Kerja Sama Pemerintah - Badan Usaha*);
- g. Real sector investment based on priority set by the government;
- h. Capital contribution (as a shareholder) in a newly established company domiciled in Indonesia;
- i. Capital contribution (as a shareholder) in an existing company domiciled in Indonesia;
- j. Cooperation with sovereign wealth fund;
- k. Utilization to support other business activities in the form of loan to micro and small businesses in Indonesia, in accordance with the regulation on micro, small, and medium enterprises; and/or
- l. Other legitimate form of investment pursuant to the laws and regulations.

Reinvestments in instruments as referred to in points a to e and point l above must be conducted in certain financial markets. Reinvestments in instruments as referred to in points f to k above must be conducted in certain nonfinancial markets.

Controlled Foreign Company

Under Controlled Foreign Company (CFC) rules, the MoF is authorized to determine when a dividend is deemed to be earned from a non-listed company established in another country, where an Indonesian resident taxpayer (either alone or collectively with other Indonesian resident taxpayers) holds, directly or indirectly, at least

50% of the total paid-in-capital or voting rights of an unquoted foreign company, with the 50% threshold criteria applied at each level.

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

- In the fourth month following the tax return filing deadline in the foreign country; or
- Seven months after the foreign company's fiscal year ends if the country does not have a specific tax return filing deadline.

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

The net passive incomes include:

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

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

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

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

The following points define the criteria of a special relationship for fiscal purposes:

- Share ownership of the other party is 25% at minimum, either directly or indirectly;
- There is a relationship through direct or indirect management or technology control of the other party; or
- There is a family relationship either through blood or through marriage within one degree of direct or indirect lineage.

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

The DGT often views a tax haven country as a country that has a corporate tax rate of 50% lower than that of Indonesia or a country that has bank secrecy law and does not have a provision on exchange of information with Indonesia.

Tax-neutral merger, consolidation, expansion, or acquisition

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

The business purpose tests entail the following conditions:

- a. The main purpose of the merger, consolidation, expansion, or acquisition is to create a strong business synergy and strengthen the capital structure, and not to seek tax avoidance;
- b. The business activities of the taxpayer that transfers the assets are still ongoing until the effective date of the business merger, consolidation, expansion, or acquisition;
- c. The business activities of the dissolving and surviving taxpayers must be continued for at least five years after the effective date; and
- d. The assets cannot be transferred for at least two years after the effective date of the business merger, consolidation, expansion, or acquisition, unless the purpose is to increase efficiency.

Deemed profit margin

Incomes derived from the following businesses are subject to deemed profit margin.

Type of income	Deemed profit from gross revenue	Effective income tax rate ^{*)}
Foreign oil and gas drilling service operations	15%	3.3%
Foreign shipping and airline operations	6%	2.64%
Domestic shipping operations	4%	1.20%
Domestic airline operations	6%	1.80%
Trade representative offices	1% of gross export value	0.44%
Build, operate, and transfer of a building construction by an investor to a landowner	Market value or NJOP	5%
International toll manufacturing (<i>jasa maklon</i>) for toys	7% of manufacturing or assembly costs, excluding direct material costs	2.1%

Notes:

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

Corporate income tax incentives

Reduction of corporate income tax rate for public companies

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

Major income tax incentives available for corporate taxpayers are:

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



Tax holiday facility

A tax holiday regime is available for a new investment or business expansion in certain pioneer industries.

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

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

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

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

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

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

 <p>Integrated upstream metals industry</p>	 <p>Integrated crude oil and natural gas refinery industry</p>	 <p>Integrated basic organic and chemical industry sourced from crude oil/natural gas/coal</p>
 <p>Integrated basic organic chemicals industry sourced from agriculture/plantation/forestry</p>	 <p>Integrated basic inorganic chemicals industry</p>	 <p>Integrated pharmaceutical main raw materials industry</p>
 <p>Irradiation, electro-medical or electrotherapy equipment manufacturing industry</p>	 <p>Manufacturing industry for electronic or telematics equipment main components</p>	 <p>Machine and machinery main components manufacturing industry</p>
 <p>Manufacturing industry for robotic components supporting the production of machinery in the manufacturing industry</p>	 <p>Main components manufacturing industry for electricity generator machinery</p>	 <p>Automotive and automotive main components manufacturing industry</p>
 <p>Vessel main components manufacturing industry</p>	 <p>Railway main components manufacturing industry</p>	 <p>Aircraft main components manufacturing industry and industry in aerospace auxiliary activities</p>
 <p>Agriculture/plantation/forestry-based paper pulp industry</p>	 <p>Economic infrastructure</p>	 <p>Digital economy covering data processing, hosting, and the related activities</p>

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

Tax allowance facility

Tax allowances are available to 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. This facility is applicable for new investment or expansion of the corporate taxpayer's main business activities.

The tax allowance facility includes:

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

In general, the applicant must meet the following criteria:

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

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

Super tax deduction facility

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

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

Corporate income tax facilities in special economic zone

A taxpayer in an SEZ can be classified as either:

- A business entity (*badan usaha*), i.e., a legal entity that manages an SEZ; or

- A business player (*pelaku usaha*), i.e., an enterprise that carries out business in an SEZ.

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

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

Business entity	Business player	
Tax holiday	Tax holiday	Tax allowance
<ul style="list-style-type: none"> Eligible income is not subject to WHT for a business entity that carries out an SEZ's main activity (the business activity and associated chain of production that is the main focus of the SEZ) during the facility period. 		

Corporate income tax facilities in Ibu Kota Nusantara

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

Income tax facilities that will be provided for these investments and business activities are:

- A reduction in the CIT rate;
- Super tax deduction facilities for certain activities or expenditures;
- Employee income tax being borne by the government;
- Final income tax of 0% on certain gross income for small and medium enterprises; and
- An income tax exemption on the transfer of rights over land and/or building.

Corporate income tax for certain industries/ taxpayers

Taxpayers in certain industries are subject to final income tax based on their gross income. Please refer to page 62 to 65 on Article 4(2) income tax.

Tax provisions for mineral and coal mining, upstream oil and gas, geothermal, and sharia-based industries are regulated separately by the government and MoF regulations. To date, the regulation for geothermal industry has not been issued yet.

Taxation for general mining and coal mining industries

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

Taxation for upstream oil and gas industry

An upstream oil and gas company typically has to calculate its CIT in accordance with its PSC. Several regulations have been issued to provide more guidance on the cost recovery items, other incomes, and tax reporting. A regulation on taxation for gross-split arrangement has also been issued, which offers more business planning flexibility for the contractors engaging in upstream oil and gas activities.

Taxation for sharia business

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

1. Sharia banking

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

2. Sharia financial services

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

Individual Income Tax

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

Tax rates

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

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

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

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

Notes:

*) Payments made in the third year and thereafter shall be subject to normal tax rates and can be claimed as tax credit.

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

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

Notes:

*) Payments made in the third year and thereafter shall be subject to normal tax rates and can be claimed as tax credit.

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

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

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

Tax residency, registration, and filing

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

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

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

Individual taxpayers are required to file annual individual income tax returns (Form SPT 1770 or 1770 S or 1770 SS). Individual taxpayers are encouraged to file their tax returns electronically through the e-Filing system.

An Indonesian citizen staying outside Indonesia for more than 183 days within a 12-month period can apply for a confirmation from the DGT on his/her tax status as a foreign tax resident, if the citizen meets certain requirements and can prove the intention of becoming a foreign tax resident when leaving Indonesia (such as by providing a long-term working contract or proof of residency in the other country). If the DGT approves the application, the Indonesian citizen is treated as a non-Indonesian taxpayer since the date of his/her departure from Indonesia. As such, any Indonesian-sourced income earned or received by the citizen concerned will be subject to the withholding of Article 26 income tax. In addition, the citizen can apply to the DGT for a noneffective taxpayer status so that he/she does not have to file annual individual income tax returns during his/her stay outside Indonesia.

A foreign citizen staying in Indonesia for more than 183 days within a 12-month period may be treated as an Indonesian tax resident and taxed on his/her Indonesian-sourced income only (territorial basis), if the individual

has certain skills as defined by the government. Territorial basis taxation is valid for the first four years after the foreign citizen becomes an Indonesian tax resident. The Indonesian-sourced income includes income earned from employment performed in Indonesia but paid overseas. The territorial basis taxation will not apply if the foreigner claims benefits from a tax treaty.

In July 2022, the Indonesian government introduced the use of single identification number, i.e., using national identification number (*Nomor Induk Kependudukan* (NIK)) as NPWP for individual taxpayers who are Indonesian nationals. The government has internally started to integrate the two databases, but individual taxpayers are obliged to simultaneously update their NIK in the DGT database, either via the DGT online platform (<https://pajak.go.id>) or by visiting the nearby tax office. Starting from 1 January 2024, the NIK will fully replace NPWP for tax and other purposes for those taxpayers.

Taxable income and personal tax reliefs

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

In general, benefits-in-kind (BIK) are taxable on employees (with certain exception (please refer to page 57)) as from 1 January 2022 (for employers whose financial year 2022 started before 1 January 2022) or as from the start of the employer's financial year 2022 (if the financial year 2022 starts on or after 1 January 2022). However, on 27 June 2023, the MoF issued a regulation stipulating that all BIK received or earned by employees in 2022 are nontaxable.

Dividend income earned/received from domestic companies, dividend income from offshore listed companies, and income from foreign active businesses without a PE that are reinvested into Indonesia within a certain period of time are not subject to income tax. The portion of dividend or income not reinvested into Indonesia for a certain period of time is subject to income tax.

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

Please refer to page 32 to 33 for the list of eligible instruments of reinvestment.

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

Basis of deduction	Deductible amount (per year)
Taxpayer	IDR 54 million
Spouse	IDR 4.5 million (additional IDR 54 million for a wife whose income is combined with her husband's)
Dependents	IDR 4.5 million for each dependent, maximum three dependents

Basis of deduction	Deductible amount (per year)
Occupational expense (<i>Biaya Jabatan</i>)	5% of gross income up to a maximum of IDR 6 million
Pension contribution	5% of gross income up to a maximum of IDR 2.4 million
Employee contribution to an approved pension fund, e.g., manpower social security scheme (<i>Badan Penyelenggara Jaminan Sosial</i> (BPJS) <i>Ketenagakerjaan</i>)	Actual amount
Compulsory tithe (<i>zakat</i>) or religious contributions	Actual amount, if valid supporting evidence is available and all requirements are met

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

Social security schemes

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

Below is the list of premium contributions for the schemes:

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

Notes:

- 1) The job loss security scheme is a new scheme under BPJS *Ketenagakerjaan* introduced by the government in Law Number 11 of 2020 (Omnibus Law). This scheme is intended to give compensation in the form of cash benefits, access to labor market information, and job trading to workers/labors who are terminated from their employment. There is no additional contribution that needs to be paid by both the employers and employees on this new scheme, as the contribution for the job loss security scheme is already inclusive in the existing contributions for working accident and death insurance, plus subsidy from the government.
- 2) The regular salary/wage cap for calculating the pension insurance contribution is IDR 9,559,600 per month, which is valid as from March 2023. The amount may be updated from time to time.
- 3) Contribution to the pension plan is not mandatory for expatriates.
- 4) The regular salary/wage cap for calculating the healthcare contribution is, at the minimum, the amount of regional minimum wage and, at the

maximum, IDR 12 million per month. The amount may be updated from time to time.

- 5) The mandatory premiums cover husband, wife, and three dependents. Additional family members can be covered with additional premiums.



Withholding Taxes

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

Overview

To facilitate the DGT's effort to collect taxes, taxpayers are subject to a number of obligations to withhold income tax on various payments made to residents and nonresidents. Tax withheld may represent either a final income tax for the payment recipient, which is a domestic taxpayer, or prepaid (advance) tax that is either creditable or refundable by the income recipient, which is a domestic taxpayer, against its tax liability.

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

Article 21 employee income tax

An employer is obliged to withhold and remit EIT to the State Treasury on remunerations (including cash allowances) as well as certain performance fees accrued or paid to the following individuals:

- Employees;
- Recipients of severance payments, pensions or pension benefits, and old-age benefits, including their heirs;
- Freelancers;
- Members of board of commissioners or executive

boards that are not permanent employees in the same company;

- Ex-employees; and
- Event participants.

In principle, BIK are taxable for employees.

BIK that are not taxable for employees are limited to:

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

Please refer to page 48 for the progressive tax rates.

For individuals who do not have an NPWP, the rates are 20% higher than the standard rates. The EIT withheld is creditable by the individuals against the annual individual income tax. The tax office can redetermine the amount of income received by an individual taxpayer from an employer that has a special relationship with an offshore company.

Article 22 income tax

Article 22 income tax is a tax collected by:

- State or regional government treasurers on purchases of goods;
- Certain institutions appointed to collect tax from

taxpayers carrying out import activities or engaging in certain business activities; and

- Certain corporate taxpayers selling luxurious goods.

In general, except for certain final taxes, Article 22 income tax withheld is creditable by taxpayers against their CIT.

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

Type of payments	WHT base	WHT rate
Import of certain consumer goods with or without Importer Identification Number (<i>Angka Pengenal Impor (API)</i>)	Import value	7.5%/10%
Import of soybean, wheat, and wheat flour with API	Import value	0.5%
Import of other goods (not in the list of certain consumer goods, soybean, wheat, and wheat flour) with API	Import value	2.5%
Import of other goods (not included in the list of certain consumer goods, soybean, wheat, and wheat flour) without API	Import value	7.5%
Import of auctioned goods	Auctioned price	7.5%

Type of payments	WHT base	WHT rate
Export of commodities, such as coal and metal and nonmetal minerals, except where export is done by the taxpayer under a mining cooperation or CoW arrangement	Export value	1.5%
Purchase of goods by state and regional treasurer or certain government institutions, of which the payments are made by the State Treasury and certain state-owned enterprises (with certain exceptions)	Purchase price (exclude VAT)	1.5%
Sale of fuel oil to Pertamina fuel stations	Selling price (exclude VAT)	0.25%
Sale of fuel oil to non-Pertamina fuel stations	Selling price (exclude VAT)	0.3%
Sale of fuel gas	Selling price (exclude VAT)	0.3%
Sale of lubricants	Selling price (exclude VAT)	0.3%
Sale of cement to distributors	Selling price	0.25%
Sale of paper products to distributors	Selling price	0.1%
Sale of steel products to distributors	Selling price	0.3%
Sale of certain automotive products to distributors	Selling price	0.45%

Type of payments	WHT base	WHT rate
Sale of medicines to distributors	VAT base	0.3%
Sale of certain vehicles by sole agents (<i>Agen Tunggal Pemegang Merek</i> (ATPM)), agents (<i>Agen Pemegang Merek</i> (APM)), and vehicle general importers, excluding heavy equipment	VAT base	0.45%
Purchase of forestry, plantation, agriculture, farm, and fishery raw products by manufacturers or exporters	Purchase value (exclude VAT)	0.25%
Purchase of coal and metal and nonmetal minerals from a company or an individual holding an IUP by an industry or a company	Purchase value (exclude VAT)	1.5%
Sale of gold bars and gold and nongold jewelry	Selling price	0.25%
Sale of phone credits and starter packs by a second-layer distribution agent that is an Article 22 income tax withholder	Amount stated in the invoice by the second-layer distribution agent to the next level distribution channel, or selling price to end-consumers	0.5%

Type of payments	WHT base	WHT rate
<ul style="list-style-type: none"> • Sale of luxurious houses and land exceeding IDR 30 billion or 400 sqm • Sale of apartments, condominiums, and similar items exceeding IDR 30 billion or 150 sqm 	Selling price (exclude VAT and LST)	1%
<ul style="list-style-type: none"> • Private airplanes and helicopters • Cruise ships, yachts, and other similar items • Certain four-wheeled vehicles with selling price exceeding IDR 2 billion or 3,000 cc • Two or three-wheeled vehicles with selling price exceeding IDR 300 million or 250 cc 	Selling price (exclude VAT and LST)	5%
Delivery of cryptoassets by a seller through a cryptoasset exchanger	Transaction value (exclude VAT and LST)	0.1%/0.2% ^{*)}
Income received by a cryptoasset miner from cryptoasset transactions	Income value (exclude VAT and LST)	0.1%
Income received from the provision of goods and services to government institutions through marketplaces or online retails connected to the government procurement information system	Transaction amount (exclude VAT and LST)	0.5%

Notes:

*) Final Article 22 income tax rates:

- 0.1%, if the exchanger has obtained authorization from the relevant

- government authorities; and
- 0.2%, if the exchanger has not obtained authorization from the relevant government authorities.

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

The following activities are exempted from Article 22 income tax:

- Imports and/or deliveries of goods that are not subject to income tax;
- Imports of goods in which the import duty and VAT are exempted or not collected;
- Temporary imports;
- Certain re-importations;
- Purchases of certain goods by certain Article 22 income tax withholders;
- Imports of gold bars to be processed into jewelry for export purposes;
- Sales of vehicles by automotive industry, ATPM, APM, and vehicle general importers that have already been subject to Article 22 income tax on sales of highly luxurious goods; and
- Sales of gold bars to Bank Indonesia.

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

Article 4(2) income tax

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

Incomes below are subject to Article 4(2) income tax, either by self-assessment or through withholding by other parties:

Type of payments	Effective WHT rate
Interest or discount on Bank Indonesia Certificates (<i>Sertifikat Bank Indonesia</i>), time and saving deposits, and government bonds ¹⁾	20% ²⁾
Sale of shares listed on Indonesia Stock Exchange: <ul style="list-style-type: none"> • Sale of non-founder's shares • Sale of founder's shares 	0.1% ³⁾ 0.1% + 0.5% ⁴⁾
Interest or discount on bonds ¹⁾	10%
Lottery prizes	25%
Rental of land and/or buildings	10% ⁵⁾
Construction service: <ul style="list-style-type: none"> • Performance of construction works • Performance of integrated construction works • Consultation regarding construction works 	1.75%/2.65%/4% ⁶⁾ 2.65%/4% ⁷⁾ 3.5%/6% ⁸⁾
Transfer of land and/or buildings	2.5%/1%/0.5%/0% ⁹⁾
Interest on deposits paid by a cooperation to its members	0%/10% ¹⁰⁾
Dividends paid in relation to cooperation with Indonesia Investment Authority (<i>Lembaga Pengelola Investasi</i> (LPI))	7.5% or exempted ¹²⁾
Income earned by a venture capital company on the transfer of shares in its partner	0.1%
Income earned or received by an individual or certain corporate taxpayer (other than PE), of which the total revenue does not exceed IDR 4.8 billion within a fiscal year ¹²⁾	0.5%

Notes:

- 1) WHT is not applicable for the following income recipients: banks operating in Indonesia and government-approved pension funds.
- 2) Different rates may apply on interests received from time deposits sourced from proceeds of exports (*devisa hasil ekspor*), ranging from 0% to 10% for deposits in USD currency, and 0% to 7.5% for time deposits in IDR currency.
- 3) Tax rate of 0.1% of the gross transaction amount.
- 4) Tax rate of 0.1% of the gross transaction amount + 0.5% from the share price at the initial public offering (IPO).
- 5) The tax base includes land and/or building rental expense and all service charges related to land and/or building rental (i.e., costs of maintenance and upkeep, security fees, service fees, and other facility fees). It also includes income received by the landowner in relation to build-operate-transfer arrangement.
- 6) Applicable tax rates shall be:
 - 1.75% for a contractor with a small corporate business qualification certificate (*sertifikat badan usaha kualifikasi kecil*) or certificate of work competency for individuals (*sertifikat kompetensi kerja untuk usaha orang perseorangan*);
 - 4% for a contractor without a corporate business qualification certificate or certificate of work competency for individuals; and
 - 2.65% for a contractor with other type of corporate business qualification or certificate of work competency.
- 7) Applicable tax rates shall be:
 - 2.65% for a contractor with a corporate business qualification certificate; and
 - 4% for a contractor without a corporate business qualification certificate.
- 8) Applicable tax rates shall be:
 - 3.5% for a contractor with a corporate business qualification certificate or certificate of work competency for individuals; and
 - 6% for a contractor without a corporate business qualification certificate or certificate of work competency for individuals.
- 9) Applicable tax rates shall be:
 - 1% for the transfer of basic houses and basic apartments by taxpayers engaging in transfer of land and/or buildings as their main business activities;
 - 2.5% for the transfer of land and/or buildings other than basic houses and basic apartments by taxpayers engaging in transfer of land and/or buildings as their main business activities;
 - 0% for the transfer of land and/or building to the government, state-owned enterprises (*Badan Usaha Milik Negara (BUMN)*), or regional government-owned enterprises (*Badan Usaha Milik Daerah*) under special assignments; and
 - 0.5% for the transfer of real estates to certain SPCs or Real Estate Investment Fund (*Dana Investasi Real Estat*).

- 10) Applicable tax rates shall be:
- 0% for interest income earned up to IDR 240 thousand per month; and
 - 10% for interest income earned more than IDR 240 thousand per month.
- 11) Applicable tax rates shall be:
- 7.5% (or lower rate subject to the accessibility of tax treaty benefits) on dividend income arising from cooperation with LPI that is earned/received by foreign partners. Certain exceptions and requirements apply; and
 - Dividend income arising from cooperation with LPI that is earned/received by an Indonesian tax resident is tax exempted.
- 12) The final income tax applies for no longer than:
- Seven fiscal years for individual taxpayers;
 - Four years for corporate taxpayers in the form of cooperations, limited partnerships, firms (*firma*), village-owned enterprises (*Badan Usaha Milik Desa*) and joint village-owned enterprises (*Badan Usaha Milik Desa Bersama*), or individual companies (*perseroan perorangan*); and
 - Three years for limited liability corporate taxpayers, starting from FY2018 or the fiscal year when the taxpayer is registered.

Article 23 income tax

Taxpayers must withhold Article 23 income tax on the following payments made to domestic taxpayers:

Type of payments	WHT base	WHT rate
<ul style="list-style-type: none"> • Dividends¹⁾ • Interests²⁾ • Royalties³⁾ • Gifts, awards, bonuses, and similar items, except for those that have been subject to EIT 	Gross amount	15%
Rental or compensation for the use of assets, except for rental or compensation that has been subject to Article 4(2) income tax and finance leases (<i>sewa guna usaha dengan hak opsi</i>)	Gross amount	2%

Type of payments	WHT base	WHT rate
<p>Remuneration related to the following services, except for those that have been subject to EIT:</p> <ul style="list-style-type: none"> • Appraisal services; • Actuarial services; • Accounting/audit/attest services; • Legal services; • Architecture services; • Urban planning and landscape architecture services; • Design services; • Drilling services in the oil/gas industry, except for those services provided by a PE; • Auxiliary services in the geothermal and oil/gas mining industry; • Mining and support services in non-geothermal and oil/gas mining industry; • Airline and airport support services; • Logging services; • Waste management services; • Manpower outsourcing services; • Brokerage/agency services; • Services in securities trading, except for trading performed by Indonesia Stock Exchange, Indonesia Central Securities Depository (<i>Kustodian Sentral Efek Indonesia</i> (KSEI)), and Indonesia Clearing and Guarantee Corporation (<i>Kliring dan Penjaminan Efek Indonesia</i>); 	Gross amount	2%

Type of payments	WHT base	WHT rate
<ul style="list-style-type: none"> • Custodian services, except for services provided by KSEI; • Dubbing services; • Film mixing services; • Promotion services, including film promotions, posters for advertisement, photos, slides, banners, pamphlets, billboards, and folders; • Services related to computer software or hardware or systems, including repair and maintenance; • Website creation and/or management services; • Internet and its connection services; • Storage, processing, and/or distribution of data, information, and/or program; • Installation services, except for installation services performed by construction companies; • Repair and maintenance services, except for building repair and maintenance services performed by construction companies; • Maintenance services for vehicles and/or land, water, and air transportation; • Toll-manufacturing services; • Investigation and security services; • Event organizer services; 	Gross amount	2%

Type of payments	WHT base	WHT rate
<ul style="list-style-type: none"> • Services related to provision of space and/or time in mass media, outdoor media, or other media for the delivery of information and/or advertisement; • Pest eradication services; • Cleaning services; • Vacuum septic tank services; • Pool maintenance services; • Catering services; • Freight forwarding services; • Logistics services; • Document-handling services; • Packaging services; • Loading and unloading services; • Laboratory services and/or laboratory test services, except for laboratory services conducted by educational institutions for academic research purposes; • Parking management services; • Soil-testing services; • Land preparation and management services; • Seeding and planting services; • Maintenance services for trees and plants; • Harvesting services; • Processing services for agricultural, plantation, fishery, livestock, and/or forestry products; • Decoration services; • Printing/publishing services; • Translation services; 	Gross amount	2%

Type of payments	WHT base	WHT rate
<ul style="list-style-type: none"> • Transportation/expedition services, except for services regulated under Article 15 income tax; • Port services; • Transportation services through pipeline; • Childcare services; • Training and/or course services; • ATM cash delivery and loading services; • Certification services; • Survey services; • Testing services; • Services other than the above, for which the payments are charged to the APBN and/or APBD; • Payment services related to the distribution of prepaid electricity token; • Marketing services using vouchers; • Payment services related to voucher distributions; • Consumer loyalty/rewards program services; and • Jewelry services 	Gross amount	2%

Notes:

- 1) Dividends, in any name and form, are subject to income tax except for Indonesian-sourced dividends received by Indonesian companies (please refer to page 32 to 33 for tax treatment for dividend income on corporate taxpayers).
- 2) WHT does not apply to payments made to banks operating in Indonesia.
- 3) If the recipients of royalty income are domestic individual taxpayers who calculate their income tax using the net income calculation method, the gross royalty amount will be 40% of the royalty amount.

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

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

Article 26 income tax

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

Type of payments	WHT base	Effective tax rate ¹⁾
Dividends	Gross amount	20% of gross amount
Royalties, rentals, and other payments related to utilization of assets		
Compensation for services, labor, and activities		
Gifts and rewards		
Pension and other period payments		
Swap premiums and hedging transactions		
Gains from debt forgiveness		
Interests ²⁾		10% or 20% of gross amount
Sales of assets in Indonesia exceeding IDR 10 million, except for those that are subject to Article 4(2) income tax	25% of selling price	5% of selling price

Type of payments	WHT base	Effective tax rate ¹⁾
Insurance/reinsurance premiums:		
• The insured's premium is paid to an overseas insurance company	50% of premium amount	10% of premium amount
• The premium is paid by an Indonesian insurance company to an overseas insurance company	10% of premium amount	2% of premium amount
• The premium is paid by an Indonesian reinsurance company to an overseas insurance company	5% of premium amount	1% of premium amount
Sales of shares of a non-listed company in Indonesia	25% of selling price	5% of selling price
BPT ³⁾	Taxable income after tax	20% of net profit after tax

Notes:

- 1) The tax rate may be lowered or exempted subject to the accessibility of tax treaty benefits. Please refer to pages 102 to 107 for the list of treaty rates.
- 2) Interest income from bonds paid to or earned by an offshore party is subject to WHT at the rate of 10% (or the rate based on the tax treaty). This rate has come into effect as from 2 August 2021 and applies to bonds issued by the government and nongovernment agencies, including sharia bonds. Other types of interest income paid to or earned by an offshore party is subject to WHT at the rate of 20% (or the rate based on the tax treaty).
- 3) Please refer to page 22 to 23 on BPT.

Transfer Pricing

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

Overview

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

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

A special relationship is deemed to exist in the following circumstances:

- a. Where a taxpayer directly or indirectly holds 25% or more of the capital of another taxpayer, or where a company holds 25% or more of the capital of two taxpayers, in which case the latter two taxpayers are also considered as related parties; or
- b. Where there is a control through management or the use of technology, even though there are no ownership relations; or
- c. Where there is a family relationship, either biological or by marriage, in vertical and/or horizontal lineage of the first degree.

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

Application of arm's-length principle

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

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

In principle, the Indonesian transfer pricing rules lay down the onus on taxpayers to undertake a transfer pricing analysis regarding their transactions with related parties to ensure that the transactions conform to the arm's-length principle. This involves, inter alia, conducting a comparability analysis and determining the comparable transactions, identifying the most appropriate transfer pricing method, and applying the arm's-length principle based on the results of the comparability analysis and the most appropriate transfer pricing method. The rules also outline specific requirements for intra-group services and intangibles transactions.

Transfer pricing documentation requirements

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

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

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

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

There is no statutory deadline for the submission of transfer pricing documentation, but the documentation must be provided when requested by the DGT. Generally, the DGT provides seven to 14 days upon request in case of regular compliance checks, whereas in the case of tax audits, the timeline to submit the documentation is 30 days upon request. Failure to furnish the documentation within the stipulated time may prompt a detailed transfer pricing audit. It also allows the DGT to disregard any subsequent documentation and determine tax liability based on the data available to the DGT. Any corrections by the tax office may lead to administrative sanctions and additional penalties in the case of tax underpayment.

Master File and Local File

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

Condition ¹⁾	Threshold ²⁾
Gross revenue in the preceding year ³⁾	Exceeds IDR 50 billion
<ul style="list-style-type: none">• Related party transactions of tangible goods in the preceding fiscal year; or• Related party transactions of services, royalties, interests, or other transactions in the preceding fiscal year	Exceeds IDR 20 billion Exceeds IDR 5 billion
Related party transactions with an affiliated party located in a jurisdiction with a tax rate lower than Indonesia's (i.e., 25% for fiscal years until 2019; reduced to 22% for FY2020 onwards).	No minimum threshold
A taxpayer that qualifies as a Parent Entity of a business group ⁴⁾	Consolidated gross revenue of IDR 11 trillion

Notes:

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

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

Country-by-Country Report

Aside from the Master File and the Local File, a taxpayer qualifying as a Parent Entity of a business group having a consolidated gross revenue of IDR 11 trillion is also required to prepare and submit a CbCR. In the event the Parent Entity (or a Surrogate Parent Entity appointed by the Parent Entity) is located in a foreign jurisdiction, the resident taxpayer is required to submit the CbCR when the country of the Parent Entity (or the Surrogate Parent Entity):

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

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

The CbCR must be submitted within 12 months after the end of a fiscal year.

The CbCR is required to be prepared in a prescribed format, which is broadly aligned with the Base Erosion and Profit Shifting (BEPS) Action 13 format. The CbCR or the Notification, as the case may be, is required to be submitted electronically through an online platform provided by the DGT. The online notification

form generally requires the taxpayers to provide the necessary information to ascertain whether they have the obligation to submit a CbCR. The receipt confirming the submission of Notification and/or CbCR has to be attached to the CIT return.

Advance Pricing Agreement

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

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

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

- The facts and conditions of the related party transactions do not differ materially from the facts and conditions of the related party transactions covered in the APA;

- The statute of limitation has not passed;
- The CIT assessment letter for the relevant fiscal year has not been issued; and
- The taxpayer is not under a tax crime investigation or charged with a tax crime.

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

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

The Indonesian APA regulations recognize the fact that businesses may be negatively impacted by Coronavirus Disease 2019 (COVID-19) pandemic and may include special provisions to address such situation.



Value Added Tax

- *Law Number 8 of 1983 regarding Value Added Tax on Goods and Services and Luxury-goods Sales Tax as amended several times, lastly by Law Number 6 of 2023*
- *Law Number 2 of 2020 regarding Stipulation of Government Regulation in Lieu of Law Number 1 of 2020 regarding State Financial Policy and Financial System Stability for Handling COVID-19 Pandemic and/or in the Context of Facing Threats that Harm National Economy and/or Financial System Stability to Become Law as amended by Law Number 7 of 2021 regarding Law on Harmonization of Tax Regulations*

Overview

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

Generally, a PKP carrying out business activities in Indonesia through business units located in multiple jurisdictions under different tax offices has to register each of its business unit with the respective tax office. The PKP may request the DGT to centralize the VAT administration under one location or more. However, if the PKP is registered with certain tax offices, i.e., Large Tax Office, Special Tax Office, and *Madya Tax Office (Kantor Pelayanan Pajak untuk Wajib Pajak Besar/*

Khusus/Madya (KPP BKM)), the VAT administration is automatically centralized and the PKP does not need to request for VAT centralization. Previously, the VAT centralization statement letter from the DGT was valid for five years. However, VAT centralization statement letter issued after 1 July 2020 will not expire until the PKP is no longer qualified for VAT centralization or the PKP submits a revocation request.

Taxable events

The taxable events consist of the following:

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

Goods and services not subject to Value Added Tax

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

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

Value Added Tax rates

Until 31 March 2022, the standard VAT rate was 10%. Starting from 1 April 2022, the standard VAT rate has been increased to 11%. The standard VAT rate will be increased to 12% by 1 January 2025, at the latest.

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

- Export of taxable tangible goods;
- Export of taxable intangible goods; and
- Export of taxable services (please refer to page 91 to 93).

Starting from 1 April 2022, the government introduces final VAT mechanism (*menggunakan besaran tertentu untuk memungut dan menyetorkan PPN*) for the following deliveries:

Type of delivery	Final VAT calculation ¹⁾
Postal package delivery services	1.1% of the compensation amount
Certain travel agency services and/or provision of travel packages	1.1% of the selling price of the travel package, transport, and accommodation
Freight forwarding services (including freight charges)	1.1% of the amount billed

Type of delivery	Final VAT calculation ¹⁾
Religious mixed with non-religious tour package services	<ul style="list-style-type: none"> • 1.1% of the tour package price for non-religious tour (if the tour package price can be separated between the religious tour portion (which is not subject to VAT) and non-religious tour portion (which is subject to VAT)) • 0.55% of the entire tour package price (if the tour package price cannot be separated between the religious tour portion and the non-religious tour portion)
Marketing services using vouchers, transaction payment services in relation to voucher distribution, and services related to consumer loyalty/ reward programs, which are not based on commission and without any margin	1.1% of voucher sales price
Self-construction activity not in respect of a job or occupation by an individual or an organization, where the construction result will be used by the individual or organization itself or by another party (<i>kegiatan membangun sendiri</i>)	2.2% of expenses incurred on construction activities (excluding land's acquisition cost)

Type of delivery	Final VAT calculation ¹⁾
Certain nonsubsidized liquefied petroleum gas (LPG) by: <ul style="list-style-type: none"> • Distribution agents; and • Sub-agents 	<ul style="list-style-type: none"> • 1.1/101.1 of excess of the distribution agent's selling price over the retail selling price • 1.1/101.1 of excess of the sub-distribution agent's selling price over the distribution agent's selling price
Certain agricultural products	1.1% of sales price ²⁾
Insurance commission received by: <ul style="list-style-type: none"> • Agents • Brokers 	<ul style="list-style-type: none"> • 1.1% of gross commission in any form and name, excluding income tax and other tax collection • 2.2% of gross commission in any form and name, excluding income tax and other tax collection
Used motor vehicles	1.1% of selling price
Trade of cryptoasset by cryptoasset exchanger	0.11% or 0.22% of cryptoasset transaction value
Cryptoasset mining services	1.1% of cryptoasset conversion value

Type of delivery	Final VAT calculation ¹⁾
Gold and nongold jewelry, and jewelry services	
• Self-produced gold jewelry by manufacturers to other manufacturers and/or traders	• 1.1% of selling price
• Self-produced gold jewelry by manufacturers to end-consumers	• 1.65% of selling price
• Nongold jewelry by manufacturers and traders	• 1.1% of selling price
• Jewelry services by manufacturers and traders	• 1.1% of remuneration received
• Gold jewelry by traders to other traders and/or end-consumers if the deliverer has a VAT invoice on the acquisition/import of the jewelry being delivered	• 1.1% of selling price
• Gold jewelry by traders to other traders and/or end-consumers if the deliverer does not have a VAT invoice on the acquisition/import of the jewelry being delivered	• 1.65% of selling price
• Gold jewelry by traders to manufacturers	• 0%

Notes:

- 1) The final VAT rate listed is based on the standard VAT rate of 11%. The final rate will increase when the standard VAT rate is increased to 12% by 1 January 2025, at the latest.
- 2) The PKP may choose to use either the final or standard VAT mechanism. A PKP that uses the final VAT mechanism can choose to use the general VAT regime by submitting a notification to the tax office by the end of the first fiscal period after the end of the fiscal year that uses the final VAT mechanism. Such PKP can no longer revert to using the final VAT mechanism.

Value Added Tax imposition base

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

Type of delivery	Special VAT imposition base
Taxable goods and/or taxable services for self-use or free gifts	Selling price or compensation after deduction of gross profit (i.e., cost of sales)
Movies	Estimated average proceeds per movie title
Tobacco products	Retail selling price, with an effective VAT rate of 9.9% (to be increased to 10.7% by 1 January 2025, at the latest)
Taxable goods in the form of inventories and/or assets that are not for sale, according to their initial purpose, and remain at the time the company dissolves	Fair market value of the goods
Taxable goods from the headquarter to a branch, or vice versa, and/or inter-branches	Cost of sales or acquisition price of the goods
Taxable goods through a broker/agent	Price agreed between the broker/agent and the purchaser
Taxable goods through an auctioneer	Auctioned price
Imported intangible goods in the form of movie and the subsequent delivery from the importer to a movie theater	IDR 12 million per copy of imported movie

Type of delivery	Special VAT imposition base
Certain nonsubsidized LPG by companies appointed by the government to provide and distribute LPG	100/(100 + applicable standard VAT rate) of retail selling price
Phone credits and starter packs by second-layer distribution agents	Amount stated in the invoice by the second-layer distribution agent to the next level distribution channel, or selling price to end consumers
Subsidized fertilizer for the agricultural sector	<ul style="list-style-type: none"> • Subsidized portion: 100/(100 + standard VAT rate) of subsidized amount (which already includes VAT); • Nonsubsidized portion: 100/(100 + standard VAT rate) of highest retail sales price (<i>harga eceran tertinggi</i>).

Value Added Tax invoice

General Value Added Tax invoice

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

The format and content of a VAT invoice must meet the guidelines set by the DGT. Failure to meet these guidelines will cause the VAT invoice to be considered as an incomplete VAT Invoice. The issuance of an invalid VAT invoice is subject to a penalty of 1% of the VAT imposition base and the invalid VAT invoice is not creditable for the buyer.

If a PKP delivers taxable goods and/or taxable services to a branch of a buyer that is a PKP registered with KPP BKM and the branch itself has been registered for tax purposes at its local tax office, the identity of the buyer/ service recipient stated in the VAT invoice must comprise:

- Name of the central PKP;
- NPWP of the central PKP; and
- Address where the actual delivery is made.

Starting from 1 September 2022, the provision in the paragraph above is limited to the delivery of taxable goods and/or taxable services to a branch of a buyer that is a PKP registered with KPP BKM and located in a certain zone/area, and the delivery is eligible for the VAT facility or LST and/or LST not-collected facility.

An *e-Faktur* prepared during a particular month must be uploaded and validated by the DGT no later than the 15th day of the following month; otherwise, the VAT invoice will not be treated as a VAT invoice.

A VAT invoice must be issued:

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

A VAT invoice that is issued exceeding a three-month period since the moment the VAT invoice should be prepared cannot be treated as a valid VAT invoice. The

seller will be considered as not issuing a VAT invoice and the recipient of such VAT invoice cannot claim the input VAT.

Where there is a change to VAT rate:

- If the VAT is due before the VAT rate changes and the VAT invoice is also prepared before the date of change, the previous VAT rate should be used.
- If the VAT is due on or after the date the VAT rate changes or the VAT invoice is prepared on or after the date of VAT rate change, the new VAT rate should be used.

Combined Value Added Tax invoice

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

A combined VAT invoice can only cover transactions under the same transaction code. If the deliveries to the same customer fall under several transaction codes, only transactions under the same transaction code can be combined.

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

Value Added Tax invoice for retail business

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

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

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

Examples of documents that are treated as equivalent to VAT invoices are as follows:

- Export Declaration on Goods (*Pemberitahuan Ekspor Barang*) (accompanied by certain supporting documents).
- Export Declaration on Intangible Goods and/or Export Declaration of Services (*Pemberitahuan Ekspor Jasa*) (accompanied by invoices);
- Import Declaration on Goods (*Pemberitahuan Impor Barang*) (accompanied by certain supporting documents);
- Tax payment slip (*Surat Setoran Pajak* (SSP)) for the payment of self-assessed VAT on utilization of offshore

taxable intangible goods and/or offshore taxable services; and

- VAT collection evidence in relation to transaction through the electronic system (*perdagangan melalui saluran elektronik* (PMSE)).

Self-assessed Value Added Tax

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

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

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

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

Value Added Tax reporting

Output-input mechanism

From the supplier/seller's perspective, the VAT levied is considered as an output VAT while from the buyer's perspective, the VAT paid is an input VAT. The input VAT can be offset against the output VAT. If the amount of output VAT exceeds the amount of input VAT, the difference constitutes a VAT underpayment that has to be settled to the State Treasury by the end of the following month prior to the submission of VAT return.

On the other hand, if the amount of output VAT is less than the amount of input VAT, the PKP can carry the excess amount to the following period or request a refund.

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

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

Non-creditable input Value Added Tax

Input VAT arising from the following purchases is not creditable:

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

Export of taxable services

Export of services shall be taxable on taxable services furnished/rendered within the Indonesian customs territory, for the benefit of recipients located outside

Indonesian customs territory. Certain types of export of taxable services that can enjoy a 0% VAT are as follows:

- a. Taxable services related to movable goods for utilization outside the Indonesian customs territory, covering:
 - Toll manufacturing services;
 - Repair and maintenance services; and
 - Provision of freight forwarding services for export purposes;
- b. Taxable services related to immovable goods located outside the Indonesian customs territory, such as construction consultation services, covering assessment, planning, and design of construction related to building or plan for building outside the Indonesian customs territory;
- c. Taxable services delivered for utilization outside the Indonesian customs territory as requested by customers, such as:
 - Technology and information services;
 - Research and development services;
 - Charters of airplanes and/or sea vessels for international flights or shipping activities;
 - Business and management consultancy services, legal consultancy services, architectural and interior design consultancy services, human resource consultancy services, engineering consultancy services, marketing consultancy services, accounting or bookkeeping services, audit services for financial statements, and tax services;
 - Trading services, i.e., services to seek sellers within the Indonesian customs territory for export purposes; and
 - Interconnection, provision of satellite, and/or data communication/connectivity services.

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

- The recipient engages with the service provider and enjoys the benefits of the service directly;
- The recipient must be outside the Indonesian customs territory;
- The offshore service recipient does not have a PE in Indonesia;
- The delivery is based on a written agreement between the PKP and the offshore service recipient; and
- The payment is accompanied by valid proof of payment from the offshore service recipient to the PKP.

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

Value Added Tax collectors

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

Value Added Tax on transaction through electronic system

Starting from July 2020, any transaction made through the electronic system is subject to VAT on PMSE. VAT on PMSE is to be collected, remitted, and reported by foreign traders, foreign service providers, foreign PMSE providers (*Penyelenggara PMSE (PPMSE)*), and/or domestic PPMSEs (collectively referred to as “e-commerce parties”).

The DGT can appoint an e-commerce party as a PMSE VAT collector if such party meets the following criteria:

- The e-commerce party has transactions with customers in Indonesia exceeding IDR 600 million in a twelve-month period or IDR 50 million in a month; and/or
- The e-commerce party has transactions exceeding 12,000 traffics or accesses in a twelve-month period or 1,000 traffics or accesses in a month.

The rate of VAT on PMSE was 10% until 31 March 2022 and it is changed to 11% starting from 1 April 2022 (to be increased to 12% by 1 January 2025, at the latest). The VAT imposition base shall be the amount paid by the customers (excluding VAT). The PMSE VAT collector may use its usual billing documents as proof of PMSE VAT collection as long as it contains the minimum required information.

The PMSE VAT collected must be remitted to the State Treasury on a monthly basis by the end of the following month via electronic transfer.

The PMSE VAT reporting is different from general VAT returns. There are two reports to be submitted by a PMSE VAT collector, namely:

- Mandatory Quarterly PMSE VAT Return (SPT *Masa PPN* PMSE); and
- Annual PMSE VAT Report (*Laporan Tahunan PPN* PMSE)–only if requested by the tax office.

Value Added Tax refund

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

VAT paid by foreign individuals on purchase at designated retail stores can be refunded upon leaving Indonesia. The minimum amount for VAT refundable by foreign individuals is IDR 500 thousand.

Available Value Added Tax facilities

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

For deliveries of which the VAT is not collected, the input VAT related to such delivery is creditable.

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

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

Free trade zone and free port zone

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

Import of certain goods or utilization of offshore taxable intangible goods and/or offshore taxable services into an FTZ is exempted from VAT and/or LST. Delivery of taxable goods and/or certain taxable services from the

Indonesian customs territory into an FTZ is eligible for the VAT not-collected facility.

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

Luxury-goods Sales Tax

In addition to the general VAT rate, certain “luxury” goods are subject to LST with a rate ranging from 10% to 200%. Luxury-goods are goods that meet the following criteria:

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

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

Value Added Tax facilities in Ibu Kota Nusantara

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

In IKN, VAT on deliveries and/or imports of certain strategic taxable goods and/or strategic taxable services is not collected, and the supplies are exempted from LST.

The VAT not-collected facility is also available for the importation and/or delivery of capital goods to PKPs that generate new and renewable electricity in IKN and investments by domestic taxpayers in certain surrounding regions that are eligible for the CIT reduction facility.

Certain sales of luxury housing in IKN are not subject to LST.



Summary of Double Tax Avoidance Agreements

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

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

A non-Indonesian tax resident wishing to access tax treaty benefits must provide a Certificate of Domicile (CoD) in a prescribed format, known as the DGT Form. To apply for a lower WHT rate, the foreign income recipient has to meet the substance and administrative requirements.

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

- a. The entity has relevant economic substance, either in the entity's establishment or the execution of its transaction;
- b. The legal form is not different from its economic substance, either in the entity's establishment or the execution of its transaction;
- c. The entity has its own management in conducting business, and such management has an independent discretion;

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

In addition, the purpose/arrangement of the transaction is not to directly or indirectly obtain benefits under the tax treaty (among others, reduction of tax burden or double non-taxation) that are not in accordance or conflict with the object and purpose of the tax treaty establishment. This is similar to the Principle Purpose Test adopted by Indonesia through the Multilateral Instrument (MLI) on tax treaty.

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

- a. The entity is not acting as an agent, nominee, or conduit;
- b. The entity has controlling rights or disposal rights on the income or the assets, or rights to generate income;
- c. No more than 50% of the entity's income is used to satisfy claims by other parties;

- d. The entity bears the risk on its own asset, capital, or liability; and
- e. The entity has no contract(s) that obligates the entity to transfer the income received to a resident of third country.

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

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

Indonesia has signed tax treaties with a number of countries around the globe. The summary of various reduced tax rates under the tax treaties is presented in the following table.

No.	Country ¹⁾	Dividends ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
		For investor companies (%)	Other (%)			
1	Algeria	15	15	15	15	10
2	Armenia	10	15	10	10	10 ⁸⁾
3	Australia ⁶⁾	15	15	10	10/15 ⁷⁾	15 ⁸⁾
4	Austria	10	15	10	10	12 ⁸⁾
5	Bangladesh	10	15	10	10	10 ⁸⁾
6	Belarus	10	10	10	10	10 ⁸⁾
7	Belgium ⁶⁾	10	15	10	10	10 ⁸⁾
8	Brunei Darussalam	15	15	15	15	10 ⁸⁾
9	Bulgaria	15	15	10	10	15 ⁸⁾
10	Cambodia	10	10	10	10 ⁹⁾	10 ⁸⁾
11	Canada ⁶⁾	10	15	10	10	15
12	China	10	10	10	10	10
13	Croatia	10	10	10	10	10 ⁸⁾
14	Czech Republic	10	15	12.5	12.5	12.5 ⁸⁾
15	Denmark ⁶⁾	10	20	10	15	15 ⁸⁾
16	Egypt	15	15	15	15	15 ⁸⁾
17	Finland ⁶⁾	10	15	10	10/15 ¹⁰⁾	15 ⁸⁾
18	France ⁶⁾	10	15	10/15 ¹¹⁾	10	10
19	Germany	10	15	10	7.5/10/15 ¹²⁾	10
20	Hong Kong	5	10	10	5	5 ⁸⁾
21	Hungary	15	15	15	15	20 ¹³⁾
22	India ⁶⁾	10	10	10	10 ⁹⁾	15 ⁸⁾
23	Iran	7	7	10	12	7

No.	Country ¹⁾	Dividends ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
		For investor companies (%)	Other (%)			
24	Italy	10	15	10	10/15 ¹⁴⁾	12 ⁸⁾
25	Japan ⁶⁾	10	15	10	10	10 ⁸⁾
26	Jordan	10	10	10	10	20 ¹³⁾
27	Korea (North)	10	10	10	10	10
28	Korea (South) ⁶⁾	10	15	10	15	10 ⁸⁾
29	Kuwait	10	10	5	20	10 ⁸⁾ 15)
30	Laos	10	15	10	10	10 ⁸⁾
31	Luxembourg ⁶⁾	10	15	10	10/12.5 ¹⁶⁾	10 ⁸⁾
32	Malaysia ¹⁷⁾	10	10	10	10	12.5 ⁸⁾
33	Mexico	10	10	10	10	10 ⁸⁾
34	Mongolia	10	10	10	10	10 ⁸⁾
35	Morocco	10	10	10	10	10 ⁸⁾
36	Netherlands ⁶⁾	5	10/15 ¹⁸⁾	5/10 ¹⁹⁾	10	10
37	New Zealand ⁶⁾	15	15	10	15	20 ¹³⁾
38	Norway	15	15	10	10/15 ²⁰⁾	15 ⁸⁾
39	Pakistan	10	15	15	15 ²¹⁾	10
40	Papua New Guinea	15	15	10	10 ⁹⁾	15 ⁸⁾
41	Philippines	15	20	10/15 ²²⁾	15	20
42	Poland ⁶⁾	10	15	10	15	10 ⁸⁾
43	Portugal ⁶⁾	10	10	10	10	10 ⁸⁾
44	Qatar ⁶⁾	10	10	10	5	10 ⁸⁾
45	Romania	12.5	15	12.5	12.5/15 ²³⁾	12.5
46	Russia ⁶⁾	15	15	15	15	12.5 ⁸⁾

No.	Country ¹⁾	Dividends ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
		For investor companies (%)	Other (%)			
47	Serbia ⁶⁾	15	15	10	15	15 ⁸⁾
48	Seychelles	10	10	10	10	20 ¹³⁾
49	Singapore	10	15	10	8/10 ²⁴⁾	10 ⁸⁾
50	Slovakia ⁶⁾	10	10	10	10/15 ²⁵⁾	10 ⁸⁾
51	South Africa	10	15	10	10	10 ⁸⁾
52	Spain	10	15	10	10	10 ⁸⁾
53	Sri Lanka	15	15	15	15	20 ¹³⁾
54	Sudan	10	10	15	10	10 ⁸⁾
55	Suriname	15	15	15	15	15 ⁸⁾
56	Sweden	10	15	10	10/15 ²⁶⁾	15 ⁸⁾
57	Switzerland	10	15	10	10 ²⁷⁾	10 ⁸⁾
58	Syria	10	10	10	15/20 ²⁸⁾	10 ⁸⁾
59	Taiwan	10	10	10	10	5 ⁸⁾
60	Tajikistan	10	10	10	10	10 ⁸⁾
61	Thailand	15	15	15	15	20 ¹³⁾
62	Tunisia	12	12	12	15	12 ⁸⁾
63	Turkey	10	15	10	10	10/15 ⁸⁾
64	Ukraine	10	15	10	10	10 ⁸⁾
65	United Arab Emirates ⁶⁾	10	10	7	5 ²⁹⁾	5 ⁸⁾
66	United Kingdom ⁶⁾	10	15	10	10/15 ²⁶⁾	10 ⁸⁾
67	United States of America	10	15	10	10	10 ⁸⁾
68	Uzbekistan	10	10	10	10	10 ⁸⁾

No.	Country ¹⁾	Dividends ²⁾		Interest ³⁾ (%)	Royalty ⁴⁾ (%)	BPT ⁵⁾ (%)
		For investor companies (%)	Other (%)			
69	Venezuela	10	15	10	10/20 ³⁰⁾	10 ⁸⁾
70	Vietnam	15	15	15	15	10 ⁸⁾
71	Zimbabwe ³¹⁾	10	20	10	15 ⁹⁾	10 ⁸⁾

Notes:

- 1) This is a general summary of the current treaty provisions. For more comprehensive information, please refer to the relevant treaty.
- 2) These rates are applicable only if the shareholder is the beneficial owner of the dividends. The lower rate applies where the dividend recipient holds, at minimum, 25% of the capital of the paying company (voting shares in Japan or voting power in the UK; 10% in the case of South Africa, Venezuela, Laos, and Bangladesh; 20% in the case of Czech Republic, Poland, and Ukraine; and 15% in the case of the UK).
- 3) These rates are applicable only if the recipient is the beneficial owner of the interest. Many of the treaties provide exemption for certain types of interest, such as interest paid to the government, central banks, banks, or financial institutions. Such exemptions are not considered in this column.
- 4) These rates are applicable only if the recipient is the beneficial owner of the royalty. Royalty paid to the government of Brunei is exempted.
- 5) BPT is levied on total profit after tax.
- 6) The MLI becomes effective for these treaties starting from 1 January 2021 for WHT and from 1 January 2022 for other taxes.
- 7) 10% applies to payments of certain royalties. 15% in all other cases.
- 8) There is a specific provision regarding the application of BPT in PSCs and/or mining CoWs (or similar contracts) in the oil and gas and/or mining sectors.
- 9) 10% applies to royalties and fees for technical services.
- 10) 10% applies to the use of, or the right to use copyright of literary and artistic or scientific works, including cinematographic films, and films or tapes for television or radio broadcasting. 15% applies to the use of or the right to use patents, trademarks, designs or models, plans, secret formula or process, or any industrial, commercial or scientific equipment, for information concerning industrial, commercial, or scientific experience.
- 11) 10% applies if the interest is paid by a bank, or financial institution, or by an enterprise of which the activities are mainly to carry out business in the fields of agriculture, plantation, forestry, fishery, mining,

manufacturing, industries, transportation, low-cost housing projects, tourism, and infrastructure, and is paid to a bank or to another enterprise. 15% applies to interest on other types of debt.

- 12) 10% applies to the use of, right to use, or for information regarding industrial, commercial, or scientific equipment or experience. 15% applies to the use of, or the right to use copyrights of literary, artistic, or scientific work, patents, trademarks, designs or models, plans, secret formulas or processes. 7.5% applies to technical, managerial, or consulting services.
- 13) The treaty is silent on the BPT rate. In the absence of the specific reference to BPT rate in the treaty, the DGT may view that the rate of 20% should apply.
- 14) 10% applies to the use of, right to use, or for information regarding industrial, commercial, or scientific equipment or experience. 15% applies to all other royalties.
- 15) Tax is only applicable if profits are remitted to the head office within 12 months after the profits are accrued.
- 16) 12.5% applies to royalties. 10% applies to fees for technical services.
- 17) The tax treaty with Malaysia does not cover business activities conducted in Labuan offshore, as defined in the Malaysian Labuan Offshore Business Activity Act of 1990.
- 18) 10% applies if the beneficial owner is a pension fund meeting certain requirements. 15% applies in all other cases.
- 19) 5% applies to the interest paid on a loan made for a period of more than two years or is paid in connection with the sale on credit of any industrial, commercial, or scientific equipment. 10% applies to interest on other types of debts with certain exceptions.
- 20) 10% applies to patents, trademarks, secret formulas, designs or models, plans, or processes, and for the use of, or right to use, or for information concerning industrial, commercial, or scientific equipment or experience. 15% applies to copyrights of literary, artistic, or scientific works.
- 21) 15% applies to royalties and fees for technical services.
- 22) 10% applies to interest on public issuance of bonds, debentures, or similar obligations. 15% applies to interest on other types of debt with certain exceptions.
- 23) 12.5% applies to the use of or the right to use patents, trademarks, designs or models, plans, secret formulas, or processes, or the use of, right to use, or information concerning industrial, commercial, or scientific equipment or experience. 15% applies to the use of or the right to use copyrights of literary, artistic, or scientific works. 10% applies to commission payments.
- 24) 8% applies to the use of, or right to use, or information concerning industrial, commercial, or scientific equipment or experience. 10% applies to the use of or the right to use any copyright of literary, artistic or scientific work, any patent, trademark, design or model, plan, secret formula, or process.

- 25) 10% applies to the use of or the right to use motion picture films, film, or videos for use in connection with television, or tapes for use in connection with radio broadcasting, or total or partial forbearance in respect of the use or supply of any property or right. 15% applies in certain other cases.
- 26) 10% applies to the use of or right to use industrial, commercial, or scientific equipment or for information concerning industrial, commercial or scientific experience. 15% applies to the use of or the right to use copyrights of literary, artistic, or scientific works, or any patent, trademark, design or model, plan, secret formula, or process.
- 27) 10% applies to royalties. 5% applies to payments for furnishing of services, including consulting services.
- 28) 15% applies to the use of or the right to use any copyright of literary, artistic, or scientific works. 20% applies to the use of or the right to use any patent, trademark, design or model, plan, or any industrial or scientific equipment, or for information concerning industrial or scientific experience.
- 29) 5% applies to royalties and fees for technical services.
- 30) 20% applies to royalties. 10% applies to fees for technical services.
- 31) The treaty is not yet in force.

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

No.	Country	Construction	Installation	Assembly	Supervisory	Other Services
1	Algeria	3 months	3 months	3 months	3 months	3 months
2	Armenia	6 months	6 months	6 months	6 months	120 days
3	Australia ¹⁾	120 days	120 days	120 days	120 days	120 days
4	Austria	6 months	6 months	6 months	6 months	3 months
5	Bangladesh	183 days	183 days	183 days	183 days	91 days
6	Belarus	6 months	6 months	6 months	6 months	120 days
7	Belgium ¹⁾	6 months	6 months	6 months	6 months	3 months
8	Brunei Darussalam	183 days	3 months	3 months	183 days	3 months
9	Bulgaria	6 months	6 months	6 months	6 months	120 days
10	Cambodia	183 days	183 days	183 days	183 days	183 days

No.	Country	Construction	Installation	Assembly	Supervisory	Other Services
11	Canada ¹⁾	120 days	120 days	120 days	120 days	120 days
12	China	6 months	6 months	6 months	6 months	6 months
13	Croatia	6 months	6 months	6 months	6 months	3 months
14	Czech Republic	6 months	6 months	6 months	6 months	3 months
15	Denmark ¹⁾	6 months	3 months	3 months	6 months	3 months
16	Egypt	6 months	4 months	4 months	6 months	3 months
17	Finland ¹⁾	6 months	6 months	6 months	6 months	3 months
18	France ¹⁾	6 months	-	6 months	183 days	183 days
19	Germany	6 months	6 months	-	-	-
20	Hong Kong	183 days	183 days	183 days	183 days	183 days
21	Hungary	3 months	3 months	3 months	3 months	4 months
22	India ¹⁾	183 days	183 days	183 days	183 days	91 days
23	Iran	6 months	6 months	6 months	6 months	183 days
24	Italy	6 months	6 months	6 months	6 months	3 months
25	Japan ¹⁾	6 months	6 months	-	6 months	-
26	Jordan	6 months	6 months	6 months	6 months	1 month
27	Korea (North)	12 months	12 months	12 months	12 months	6 months
28	Korea (South) ¹⁾	6 months	6 months	6 months	6 months	3 months
29	Kuwait	3 months	3 months	3 months	3 months	3 months
30	Laos	6 months	6 months	6 months	6 months	6 months
31	Luxembourg ¹⁾	5 months	5 months	5 months	5 months	-
32	Malaysia	6 months	3 months/ 6 months	3 months/ 6 months	6 months	3 months
33	Mexico	6 months	6 months	6 months	6 months	91 days
34	Mongolia	6 months	6 months	6 months	6 months	3 months
35	Morocco	6 months	-	6 months	6 months	60 days
36	Netherlands ¹⁾	6 months	6 months	6 months	6 months	3 months
37	New Zealand ¹⁾	6 months	6 months	6 months	6 months	3 months

No.	Country	Construction	Installation	Assembly	Supervisory	Other Services
38	Norway	6 months	6 months	6 months	6 months	3 months
39	Pakistan ²⁾	3 months	3 months	3 months	3 months	-
40	Papua New Guinea	120 days	120 days	120 days	120 days	120 days
41	Philippines	6 months	3 months	3 months	6 months	183 days
42	Poland ¹⁾	183 days	183 days	183 days	183 days	120 days
43	Portugal ¹⁾	6 months	6 months	6 months	6 months	183 days
44	Qatar ¹⁾	6 months	6 months	6 months	6 months	6 months
45	Romania	6 months	6 months	6 months	6 months	4 months
46	Russia ¹⁾	3 months	3 months	3 months	3 months	-
47	Serbia ¹⁾	6 months	6 months	6 months	6 months	6 months
48	Seychelles ³⁾	6 months	6 months	6 months	6 months	3 months
49	Singapore	183 days	183 days / 3 months	183 days / 3 months	6 months	90 days
50	Slovakia ¹⁾	6 months	6 months	6 months	6 months	91 days
51	South Africa	6 months	6 months	6 months	6 months	120 days
52	Spain ³⁾	183 days	183 days	183 days	183 days	3 months
53	Sri Lanka	90 days	90 days	90 days	90 days	90 days
54	Sudan	6 months	6 months	6 months	6 months	3 months
55	Suriname	6 months	6 months	6 months	6 months	91 days
56	Sweden	6 months	6 months	6 months	6 months	3 months
57	Switzerland	183 days	183 days	183 days	183 days	-
58	Syria	6 months	6 months	6 months	6 months	183 days
59	Taiwan	6 months	6 months	6 months	6 months	120 days
60	Tajikistan	6 months	6 months	6 months	6 months	91 days
61	Thailand	6 months	6 months	6 months	6 months	6 months
62	Tunisia	3 months	3 months	3 months	3 months	3 months
63	Turkey	6 months	6 months	6 months	6 months	183 days
64	Ukraine	6 months	6 months	6 months	6 months	4 months

No.	Country	Construction	Installation	Assembly	Supervisory	Other Services
65	United Arab Emirates	6 months	6 months	6 months	6 months	6 months
66	United Kingdom ¹⁾	183 days	183 days	183 days	183 days	91 days
67	United States of America	120 days	120 days	120 days	120 days	120 days
68	Uzbekistan	6 months	6 months	6 months	6 months	3 months
69	Venezuela	6 months	6 months	6 months	6 months	-
70	Vietnam	6 months	6 months	6 months	6 months	3 months
71	Zimbabwe ⁴⁾	6 months	6 months	6 months	6 months	183 days

Notes:

- 1) The MLI becomes effective for these treaties starting from 1 January 2021 for WHT and from 1 January 2022 for other taxes.
- 2) The MLI becomes effective for this treaty starting from 1 January 2022 for WHT and from 1 January 2023 for other taxes.
- 3) The MLI becomes effective for these treaties starting from 1 January 2023 for WHT and from 1 January 2024 for other taxes.
- 4) The treaty is not yet in force.

Base Erosion and Profit Shifting and Multilateral Instrument consideration

Indonesia ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS in November 2019 and deposited its instrument of ratification for the MLI with the Organization for Economic Co-operation and Development (OECD) on 28 April 2020. Indonesia identifies 47 tax treaties to be covered under the Convention.

The MLI entered into force for Indonesia on 1 August 2020 (three months after the deposit of its instrument of ratification).

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

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

Mutual Agreement Procedures

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

Request for a Mutual Agreement Procedure (MAP) can be filed by:

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

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

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

Automatic Exchange of Information

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

Indonesia has carried out the exchange of information since September 2018. Up to date, the number of reporting countries receiving information from Indonesia is 81 countries.

To support the implementation of CRS, the MoF, DGT, and OJK have issued several regulations requiring the reporting financial institutions (such as banks and

insurance companies) to submit CRS reports to the OJK (which will be passed to the DGT to be exchanged with the tax authorities of the reporting countries). The DGT then will use the CRS reports to monitor the tax compliance of Indonesian taxpayers. In addition, the DGT is authorized to audit the CRS reports and impose sanctions on the reporting financial institutions for noncompliance with the CRS.

Assistance with global tax collection

The DGT would be able to assist another country to collect tax, and vice versa; provided that the authority to do so is included in the relevant international agreement. The treatment must be reciprocal.



Voluntary Disclosure Program

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

Overview

During 1 January to 30 June 2022, the government had introduced a Voluntary Disclosure Program (*Program Pengungkapan Sukarela Wajib Pajak* (VDP)), which is an opportunity for taxpayers to disclose assets that have not yet been disclosed when participating in the Tax Amnesty (TA) program or in their 2020 tax return.

There are two VDP schemes available depending on the type of taxpayers.

Topic	VDP I	VDP II
Type of participants	Ex-TA program participants (individuals and corporations) that have not fully disclosed their assets acquired between 1 January 1985 and 31 December 2015 in the asset declaration letter for TA (<i>Surat Pernyataan Harta untuk Pengampunan Pajak</i>).	Certain individual taxpayers with net assets acquired between 1 January 2016 and 31 December 2020, still owned on 31 December 2020, and have not yet been reported in the 2020 annual income tax return.

Topic	VDP I	VDP II
Final tax rate:		
• Asset is located in Indonesia and would be invested in certain investment instruments	6%	12%
• Asset is located in Indonesia but would not be invested in certain investment instruments	8%	14%
• Asset is located outside Indonesia but would be repatriated to Indonesia and invested in certain investment instruments	6%	12%
• Asset is located outside Indonesia and would be repatriated to Indonesia but would not be invested in certain investment instruments	8%	14%
• Asset is located outside Indonesia and would not be repatriated to Indonesia	11%	18%

Topic	VDP I	VDP II
Asset and liability values used for calculating the final tax	<p>Net assets values and conditions as of the end of FY2015 (assets value – liabilities related to the acquisition of the assets).</p> <p>The allowable liability is capped at 50% of the asset value for individual taxpayers and 75% of the asset value for corporate taxpayers.</p>	<p>Net assets (assets value – liabilities related to the acquisition of the assets).</p> <p>Nominal value (for cash and cash equivalent) or acquisition cost of the assets. If the value cannot be determined can use the fair value per 31 December 2020 based on taxpayer assessment.</p>

Participation in VDP I resulted in the waiver of taxes and sanctions under the TA Law that would have been imposed if the DGT found the not-fully-disclosed assets beforehand.

For participation in VDP II, the DGT will not issue tax assessment letters for FY2016 to FY2020 unless the DGT obtains information that there are additional assets having not been fully disclosed by the participants via the program.

Investment procedures

Taxpayers that have declared a commitment to repatriate their offshore assets to Indonesia, must fulfill their commitment and repatriate their offshore net assets to Indonesia by 30 September 2022 through banks. Declared assets that are already located in

Indonesia or offshore assets repatriated to Indonesia must be held in Indonesia for at least five years as from the date of the statement letter.

Taxpayers that have declared their intention to invest in eligible projects or instruments must make the investment by 30 September 2023. These eligible investment projects are:

- The natural resources processing and renewable energy sectors, either in the form of establishment of a new company or injection of capital into a company as part of an IPO or rights issue. There are 332 Indonesian standard industrial classifications (*Klasifikasi Baku Lapangan Usaha Indonesia*) covering the following business categories:
 - Geothermal industry;
 - Processing industry;
 - Supply of electricity, gas, steam/hot water, and cold air;
 - Water management, wastewater management, waste treatment and recycling, and remediation activities;
 - Transportation and warehousing; and
 - Information and communication; and
- State securities (i.e., government bonds and government/state sharia securities) purchased from a primary dealer (a bank or securities company appointed by the MoF) in a primary market using the private placement mechanism.

Reporting requirement

Taxpayers that have declared their intention to repatriate their offshore net assets to Indonesia and/or commitment to invest in eligible investment projects or

instruments must submit an annual repatriation and/or investment realization report electronically to the DGT until the required investment holding period has been fulfilled. The reported amount would be the value at the end of the fiscal year prior to the year of submission.

The first year's realization report must be submitted by the due date for submission of the FY2022 annual income tax return. The reports for the second and subsequent years are due by the due date for submission of the FY2023 and subsequent annual income tax returns.

Sanctions

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

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

Carbon Tax

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

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

A carbon tax subject is an individual or entity that buys goods containing carbon or producing carbon emissions; whereas a carbon tax object is a purchase of goods containing carbon or an activity that emits a certain quantity of carbon within a certain period.

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

Carbon tax is due at:

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

There would be two types of carbon tax reports, namely:

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

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

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

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





List of Abbreviations

AEOI	: Automatic Exchange of Information
APA	: Advance Pricing Agreement
APBD	: Regional state budget (<i>Anggaran Pendapatan dan Belanja Daerah</i>)
APBN	: State budget (<i>Anggaran Pendapatan dan Belanja Negara</i>)
API	: Importer Identification Number (<i>Angka Pengenal Impor</i>)
APM	: Agent (<i>Agen Pemegang Merek</i>)
ATPM	: Sole agent (<i>Agen Tunggal Pemegang Merek</i>)
BEPS	: Base Erosion and Profit Shifting
BIK	: Benefit-in-kind
BPJS	: Social security scheme (<i>Badan Penyelenggara Jaminan Sosial</i>)
BPT	: Branch profit tax
BUMN	: State-owned enterprise (<i>Badan Usaha Milik Negara</i>)
CbCR	: Country-by-Country Report
CFC	: Controlled Foreign Company
CIT	: Corporate income tax
CoD	: Certificate of Domicile
CoR	: Certificate of Residence
COVID-19	: Coronavirus Disease 2019
CoW	: Contract of Work
CRS	: Common Reporting Standard
DER	: Debt-to-equity ratio
DGT	: Directorate General of Taxation

EIT	: Article 21/26 employee income tax
FTZ	: Free trade zone and free port zone
IDR	: Indonesian Rupiah
IKN	: Indonesia's new capital city (<i>Ibu Kota Nusantara</i>)
IPO	: Initial public offering
IUP	: Mining business license (<i>izin usaha pertambangan</i>)
KIK	: Collective investment contract (<i>Kontrak Investasi Kolektif</i>)
KPP BKM	: Large Tax Office, Special Tax Office, and Madya Tax Office (<i>Kantor Pelayanan Pajak untuk Wajib Pajak Besar/ Khusus/Madya</i>)
KSEI	: Indonesia Central Securities Depository (<i>Kustodian Sentral Efek Indonesia</i>)
LPG	: Liquefied petroleum gas
LPI	: Indonesia Investment Authority (<i>Lembaga Pengelola Investasi</i>)
LST	: Luxury-goods Sales Tax (<i>Pajak Penjualan atas Barang Mewah</i>)
MAP	: Mutual Agreement Procedure
MLI	: Multilateral Instrument
MoF	: Minister of Finance
NIK	: National identification number (<i>Nomor Induk Kependudukan</i>)
NJOP	: tax object sale value (<i>Nilai Jual Objek Pajak</i>)
NPWP	: Tax identification number (<i>Nomor Pokok Wajib Pajak</i>)
OECD	: Organization for Economic Co-operation and Development
OJK	: Financial Services Authority of Indonesia (<i>Otoritas Jasa Keuangan</i>)

PE	: Permanent establishment (<i>Bentuk Usaha Tetap</i>)
PKP	: VAT-able entrepreneur (<i>Pengusaha Kena Pajak</i>)
PMSE	: Transaction through electronic system (<i>predagangan melalui saluran elektronik</i>)
PPMSE	: PMSE provider (<i>Penyelenggara PMSE</i>)
PSC	: Production Sharing Contract
PTKP	: Nontaxable income (<i>Penghasilan Tidak Kena Pajak</i>)
SAK	: Indonesian Financial Accounting Standards (<i>Standar Akuntansi Keuangan</i>)
SBA	: Reference interest rate issued monthly by the MoF (<i>Suku Bunga Acuan</i>)
SEZ	: Special economic zone (<i>Kawasan Ekonomi Khusus</i>)
SKPKB	: Underpaid Tax Assessment Letter (<i>Surat Ketetapan Pajak Kurang Bayar</i>)
SKPKBT	: Additional Underpaid Tax Assessment Letter (<i>Surat Ketetapan Pajak Kurang Bayar Tambahan</i>)
SKPLB	: Overpaid Tax Assessment Letter (<i>Surat Ketetapan Pajak Lebih Bayar</i>)
SKPN	: Nil Tax Assessment Letter (<i>Surat Ketetapan Pajak Nihil</i>)
SPC	: Special purpose company
SPHP	: Tax audit findings (<i>Surat Pemberitahuan Hasil Pemeriksaan</i>)
SSP	: tax payment slip (<i>Surat Setoran Pajak</i>)
STP	: Tax Collection Letter (<i>Surat Tagihan Pajak</i>)
TA	: Tax Amnesty
USD	: United States Dollar
VAT	: Value Added Tax (<i>Pajak Pertambahan Nilai</i>)
VDP	: Voluntary Disclosure Program (<i>Program Pengungkapan Sukarela</i>)
WHT	: Withholding tax



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