Tax laws

Corporate Income Tax

A company is subject to the tax obligations set by the Indonesian government if the company's domicile is in Indonesia. Similarly, a foreign company that has a (permanent) establishment in Indonesia - and carries out business activities through this local entity - falls under the Indonesian tax regime. If the foreign company does not have a permanent establishment in Indonesia but does generate income through business activities in Indonesia, then it needs to settle its tax liabilities through withholding of the tax by the Indonesian party paying the income.

In general, a corporate income tax rate of 25 percent applies in Indonesia. However, there are several exemptions:

- Companies listed on the Indonesia Stock Exchange (IDX) that offer at least 40 percent of their total share capital to the public obtain a 5 percent tax cut (hence a tax rate of 20 percent applies for these public companies).
- Small and medium-enterprises with an annual turnover below IDR 50 billion (approx. USD $3.8 million) obtain a 50 percent tax discount (imposed proportionally on taxable income of the part of gross turnover up to IDR 4.8 billion). In 2013, Indonesia's Finance Ministry issued a regulation that set a one percent income tax tariff on individual and institutional taxpayers with an annual gross turnover below IDR 4.8 billion (approx. USD $363,636).

Corporate Income Tax	Tax Rate
• normal rate	25%
• Public company with >40% of its shares traded on the IDX	20%
• Companies with a gross turnover below IDR 50 billion	12.5%
• Companies with a gross turnover below IDR 4.8 billion	1%

Individual Income Tax

If an individual fulfills any of the following conditions, then he/she is regarded a tax resident in Indonesia (except if a tax treaty overrides these rules):

- the individual lives in Indonesia;
- the individual is in Indonesia for more than 183 days within a 12-month period;
- the individual is in Indonesia during a fiscal year and intends to reside in Indonesia.

Meanwhile, non-resident individuals are subject to a 20 percent withholding tax on Indonesia-sourced income.

Nearly all income earned by individual taxpayers in Indonesia is subject to income tax. The following progressive rates are charged to taxable annual income:

Individual Income Tax	Tax Rate
• Up to IDR 50 million	5%
• Over IDR 50 million to IDR 250 million	15%
• Over IDR 250 million to IDR 500 million	25%
• Over IDR 500 million	30%

A large part of individual income tax is collected through withholding by employers. Employers withhold income tax on a monthly basis from the salaries and other compensation paid to the employees. In case the employee is a resident taxpayer (living in Indonesia), the above-mentioned tax rates apply. If the individual is a non-resident taxpayer, the withholding tax is 20 percent of the gross amount (in case of a tax treaty the amount may vary).

Withholding Tax (for payments to residents)	Tax Rate
• For interest, dividends & royalties	15%
• For services	2%
• for land and building rental (final tax)	10%
• These withholding taxes are considered corporate tax prepayments	
• Withholding tax calculated on sales/revenue is considered a final tax	
Withholding Tax (for payments to non-residents)	**Tax Rate**
• normal rate (can be reduced by using tax treaty provisions, or exempt services that qualify as business profits)	20%

Annual non-taxable income was originally set at IDR 36 million (approx. USD $2,727) in 2016. However, in April 2016 Finance Minister Bambang Brodjonegoro said the government plans to raise non-taxable income by 50 percent to IDR 54 million (approx. USD $4,090) in a bid to strengthen people's purchasing power and encourage household consumption.

Value-Added Tax (VAT)

Value Added Tax (VAT) involves the transfer of taxable goods or the provision of taxable services in Indonesia. Events/services that are taxable:

- Deliveries of taxable goods in by an enterprise;
- Import of taxable goods;
- Deliveries of taxable services by an enterprise;
- Use or consumption of taxable intangible goods/services originating from abroad;
- Export of taxable goods (tangible and intangible) or services by a taxable enterprise.

Value-Added Tax (VAT)	Tax Rate
• normal rate	10%

Generally, the VAT rate is 10 percent in Indonesia. However, the exact rate may be increased or decreased to 15 percent or 5 percent according to government regulation. VAT on the export of taxable tangible and intangible goods as well as export of services is fixed at 0 percent. Certain limitations for the zero-rated VAT apply to exports of services.

Luxury-Goods Sales Tax

In addition to VAT, Indonesia has a so-called luxury-goods sales tax (LGST), a tax that was introduced in the Suharto era and meant to create a more just society. This tax implies that the deliveries or imports of certain manufactured taxable goods - for example luxury cars, apartments and houses - are subject to an extra tax. Currently, LGST rates are set between 10 - 125 percent (the law allows for a maximum LGST rate of 200 percent).

Customs & Excise

Although Indonesian law allows import duties to range between 0 and 150 percent (of the customs value of the imported good, the highest rate currently set is at 40 percent. Due to the globalizing economy, Indonesia has signed a number of free-trade agreements, effectively scrapping or significantly lowering import duty rates. However, for protectionist strategies the government still applies high rates for specific goods. There are also anti-dumping import duty rates applicable on certain products from certain countries.

Source:http://www.indonesia-investments.com/finance/tax-system/item277?