



Doing Business in Indonesia 2026

Forvis Mazars

**forvis
mazars**



Table of contents

4	Editorial
6	Forvis Mazars in Indonesia at glance
8	General information about Indonesia
14	Investment incentives
18	Legal framework
21	Business entities available to foreign investors
25	Corporate taxation
33	Individual taxation
36	Property ownership in Indonesia
38	Accounting and audit
40	Labor and employment
45	Practical information
48	Appendix

Table of contents

This guide has been prepared for the assistance of those interested in doing business in Indonesia based on information available up to June 30, 2026. It does not cover exhaustively the subjects it treats but is intended to answer some of the important broad questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant laws and regulations, and to obtain appropriate professional advice. For this reason, the publishers and authors are not responsible for the result of any actions which are undertaken based on information contained within this publication, nor for any errors in, or omissions from this publication.



Welcome to Indonesia



Sebastien Gautier
Managing Partner
Forvis Mazars in Indonesia

Choosing Indonesia as a location for your business is a strategic decision. As the largest economy in Southeast Asia and the fourth most populous country in the world, Indonesia offers a wealth of opportunities and we look forward to partnering with you on this journey.

Making the most of this information

Conducting business across borders involves challenges and complex decisions. This guide is an overview for those aiming to establish an effective, successful business in Indonesia.

We've highlighted key legal and regulatory areas to create a practical, action-focused guide. We'll help you ask the right questions in areas such as foreign investment policy, tax requirements, insurance regulations, employment laws and government initiatives.

How Forvis Mazars can support you

Our aim is to help you navigate the challenges and opportunities you'll encounter as you establish an Indonesian business. The experience, knowledge and integrity of the Forvis Mazars team means we can work alongside you as a strategic local partner you can trust.

Our deep expertise in navigating Indonesia's business landscape will help minimise uncertainty and risk, while enabling you to fully identify and capitalise on the country's many opportunities.

Forvis Mazars in Indonesia at glance



Forvis Mazars in Indonesia at glance

Forvis Mazars is a leading international audit, tax and advisory firm. Operating as a united partnership, we work as one integrated team, leveraging expertise, scale and cultural understanding to deliver exceptional and tailored services in audit and accounting, as well as tax, financial advisory, consulting and legal services*.

*Where permitted under applicable country laws

Since its establishment in 2008 in Indonesia, Forvis Mazars has grown to be one of the top audit, tax, and advisory services provider in the country.

In its fast-growing team, Forvis Mazars employs only highly skilled and dedicated professionals serving a wide range and multi-sector clients including large Indonesian companies, SMEs, subsidiaries of large international groups and NGOs.

With more than 200 professionals from Indonesia, France, Malaysia, Netherlands and the Philippines, our team of highly qualified professionals is representative of the Forvis Mazars' melting pot, which fits in perfectly with the Indonesian cultural diversity.

Forvis Mazars is also present in other Asian countries, enabling the offices to unify their capabilities and energies to satisfy the increasing demand of the market as well as providing tailored solutions to our clients. Our international partners know each other well, work together and can personally recommend their counterparts in other offices around the world, who will ensure solutions that fit your needs.

For more information about how our services can support your business, contact forvismazars.com/id today.



200+ Professionals



1 Office



10 Partners

“We value long-term business and personal relationships, and we strive to strengthen them through each new assignment.”

General information about Indonesia



General information about Indonesia

Geography, climate, and natural resources

Located in South-East Asia between the Indian and Pacific Oceans, Indonesia is the largest archipelago in the world. The country consists of more than 17,000 islands, many of which are uninhabited. Java, where more than 55% of the Indonesian population lives, Sumatra, Borneo, Sulawesi and Papua are the five largest islands of the archipelago.

Jakarta, the capital city, located on the North coast of the island of Java, is the hub of the Indonesian economy, where almost all business and governmental activities are conducted. It is, as well, the most densely populated city in Indonesia, with approximately 10 million Jakartans, and where more than 20 million additional people transit every day. In 2025, the relocation of Indonesia's capital to Nusantara on the east coast of the island of Borneo began, with the first phase of administrative transfer underway. But Jakarta remains the official capital to this day.

The Indonesian climate is typically tropical, characterized by heavy rainfall, high humidity, and high temperature. The wet season, usually, runs from October to April and the dry season is from May to September. Temperatures generally range from 24 to 33 C.

Thanks to its tropical climate and volcanic activity, Indonesia is a rich archipelago with an abundance of renewable (agricultural products) and unrenewable (mining and minerals) natural resources. Plantation, food crops, fishery, forestry, and mining constitute Indonesia's major natural resources. Indonesia is the world's largest producer of palm oil and the second largest cocoa and rubber producer.

Population density and diversity

In 2024, the population of Indonesia reached more than 283.5 million people living in the vast archipelago, which made it the 4th most populous nation in the world. By 2050, Indonesia is expected to reach more than 360 million people.

A multitude of cultures and customs can be found in Indonesia: around 300 native ethnic groups are counted, and more than 700 languages and dialects are estimated spoken within the archipelago. The official national motto of Indonesia "Bhinneka Tunggal Ika" translated as "Unity in Diversity", perfectly reflects the cultural diversity of the country. The largest ethnic group is the Javanese (42%) from Central or East Java, followed by the Sundanese from West Java, comprising 15% of the population. In addition, there are, as well, foreign ethnicities derived from Chinese, Indian and Arabic descendants.

A common language, called "Bahasa Indonesia" was, officially adopted after Indonesia declared its independence in 1945, to help bind Indonesians together. The national language is now mostly used in education, media, commerce, and administration. Most Indonesians speak at least one regional language as mother tongue and learn Bahasa Indonesia at school.

A mosaic of religions can also be noted in the Indonesian landscape. Religion plays an important part in the daily life of Indonesians. While the Indonesian constitution guarantees to "all people in Indonesia the freedom of worship, each according to his or her own religion or belief", only 6 official religions are recognized in the country: Islam (87,2%), Protestantism (7,4%), Catholicism (3,1%), Hinduism (1,7%), Buddhism (0,7%) and Confucianism (0,05%).

Economic environment

With a Gross Domestic Product of US\$1,4 trillion in 2024, Indonesia is ranked the World's 16th largest economy and is the largest market in South- East Asia. According to economic reports, Indonesia is predicted to be in the top 5 of the World's largest economies by 2045. The constant growing domestic demand has been the main driver of Indonesian growth for more than a decade and household consumption still represents more than 50% of Indonesian GDP in 2024.

INDICATORS	2024
Currency	Indonesian Rupiah (IDR)
GDP growth (annual %)	5.0
Inflation (%)	2.2
Population, total (millions)	283.5
GDP per capita (\$)	4.925.4
Labor Force, total (millions)	145.2
Unemployment rate (%)	3.3
Source: World Bank (data 2024)	

Indonesia's economic conditions have remained stable amid global shocks. In 2023, economic growth reached 5.05%, supported by strong domestic demand and rising commodity prices. Growth remained steady at 5.03% in 2024, driven by solid private consumption, government support measures, and stronger fixed investment. The World Bank projects average annual growth of around 4.8% through 2027, supported by consumption, investment, and continued infrastructure development.

General information about Indonesia

Even though Indonesia has experienced strong economic growth over the past decade, the economy still faces inefficiencies due to infrastructure gaps, including inadequate roads, airports, seaports, and healthcare systems. Under President Prabowo Subianto, who took office in October 2024, the government has tightened fiscal discipline and reprioritized spending toward food security, defense, and social assistance programs, including the flagship Free Nutritious Meals (Makan Bergizi Gratis) program. However, development remains a priority, with continued public and international support, including recent funding from the World Bank to accelerate clean energy and improve logistics.

Recognizing the urgent need for infrastructure development, an ambitious national plan was launched by President Joko Widodo during his first term. The plan included the construction of 15 new airports, the expansion and/or construction of 24 container ports (comprising 5 main port hubs and 19 feeder ports), and 1,000 kilometers of new toll roads. In addition, a target was set to expand the railway network by 60% (around 3,300 kilometers) and to add 35,000 megawatts of energy capacity to support industrial growth and electrification.

In July 2019, President Joko Widodo presented his “Indonesian Vision” for the 2019–2024 period, outlining his second-term priorities. The government focused on bureaucratic reform, infrastructure development, investment realization, human capital development, and more efficient use of the state budget. These initiatives were designed to accelerate inclusive growth and strengthen Indonesia's long-term competitiveness.

Over the past decade, Indonesia has steadily improved its investment climate, becoming a more attractive and secure destination for foreign capital. Key strengths include resilient growth, a strategic Asia-Pacific location, a youthful workforce (nearly half under 30), rapid urbanization (over 59% in 2024), political stability, and progressive opening of new sectors.

Moreover, under President Prabowo Subianto, who was inaugurated in October 2024, there is strong continuity of Jokowi’s major projects, alongside new priorities such as food security and social welfare programs.

President Prabowo Subianto has confirmed that he will continue the development of Nusantara, Indonesia’s new capital city, with a phased approach targeting full operational readiness by 2028. He also plans to carry on national strategic projects, including key toll roads like the Jakarta–Cikampek II South.

In addition, President Prabowo is promoting greater private sector involvement in infrastructure, such as the launch of an US\$80 billion seawall project along Java’s north coast, inviting both local and international investors to participate.

While the World Bank’s Ease of Doing Business (EODB) rankings were discontinued in 2021, Indonesia is now evaluated under the new Business Ready (B READY) framework, introduced in 2024. In the latest 2025 edition, Indonesia ranked among the top performers in ASEAN, reflecting the country's continuous efforts to improve its business environment. The report acknowledges Indonesia's progress in areas such as investment licensing, infrastructure expansion, and public service delivery. While opportunities for further improvement remain, particularly in simplifying administrative procedures, Indonesia’s strong policy commitment and ongoing regulatory reforms position it as an increasingly competitive and attractive destination for business and investment.

Government

Indonesia is a democratic country that applies a presidential system and the separation of the legislative, executive and judicial bodies (Trias Politica). Sovereignty in Indonesia is vested in the people, who exercise their will through the People's Consultative Assembly (Majelis Permusyawaratan Rakyat or MPR), the highest state institution.

Executive branch

The executive branch of government is administered by a president and a vice president. Both President and Vice-president (running as a pair) are elected, by direct popular vote, for 5 years and can be elected for two 5-year terms at most. The President is the Head of State, meaning that he is the official symbol of Indonesia in the World. He is, also, Head of Government and the commander-in-chief of the Indonesian Armed Forces. After the election, the new president appoints a council of ministers, usually members from his own party, called the Cabinet.

Legislative branch

Legislative power is administrated by the People's Consultative Assembly (Majelis Permusyawaratan Rakyat or MPR) which has the power to set or change some articles of the Constitution, to enthrone, impeach and appoint the pair President/Vice-President. The MPR is composed of the House of People's Representatives (Dewan Perwakilan Rakyat or DPR) and the Regional Representative Council (Dewan Perwakilan Daerah or DPD).

General information about Indonesia

Judicial Branch

The judicial power of Indonesia is held by the Supreme Court (Mahkamah Agung) which is the final court of appeal and the Constitutional court, which has the power to conduct a judicial review of laws.

Decentralization

Indonesia is administratively split into 38 provinces, each ruled by a Governor. Decentralization has given provinces greater authority. In fact, Foreign affairs, Defense, Justice, Monetary policy, and Religion are still under the control of the central government, all other services are provided by local governments.

Pancasila

Pancasila is the soul of the Indonesian democracy, based on five interrelated and inseparable principles:

- The belief in one God
- A just and civilized humanism
- The national unity of Indonesia
- Democratic citizenship led by wise guidance born of representative consultation
- Social justice for all Indonesians

Visa to Indonesia

Free visit visa

Under Minister of Law & Human Rights Decree M.IP-08.GR.01.01/2025, Indonesia grants visa-free entry for short visits (up to 30 days, non-extendable) to nationals of ASEAN member states (Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam) along with five additional countries: Brazil, Colombia, Hong Kong SAR, Suriname, and Türkiye. The earlier visa-waiver policy covering 169 countries (Presidential Decree No. 21 of 2016) has been superseded.

General Visa On Arrival (VOA)

The visa on arrival is for foreigners who want to make a short visit to Indonesia. It is valid for 30 days but can be extended for another 30 days (without the need to leave the country), hence you can visit Indonesia for a total of 60 days.

Visa on Arrival for is available for the following purposes:

- Conducting activities related to tourism, and visiting friends or family.
- Participate in meetings, incentives, conventions, and exhibitions as an attendee.
- Traveling in Indonesia on a yacht (yachter).

VOA request must be processed online through Electronic Visa On Arrival (Evoa) System (<https://molina.imigrasi.go.id/>). Fee of VOA is IDR 500,000. Not all nationalities are entitled to VOA.

Business Visas

The government issues business visas for those visiting the country for normal business activities including attending a conference, provided their visit does not involve taking up employment or paid work. Several types of business visas can be obtained: visa on arrival, single entry visa or multiple entry visa.

- Visa on arrival
It is valid for 30 days but can be extended for another 30 days (without the need to leave the country). It allows the following activities;
 - a. Carry out activities related to business, meetings, or purchase of goods including but not limited to checking goods at the office, factory, or production site of goods.
 - b. Discuss, negotiate, and/or sign business contracts.
 - c. Conducting activities related to tourism, and visiting friends or family
- A Single-Entry Business Visa
This visa allows the same activities than the visa on arrival above but is valid for a maximum stay of 60 days but can be extended by the Immigration Department to give a total maximum stay of 6 months. It is useful for buying trips, negotiations and consultations. The visa however, does not permit visitors to 'work' in Indonesia, the definition of which is as determined by the Immigration Office.
- A Multiple Entry Business Visa
This visa is valid up to 5 years and is more convenient if you must travel to Indonesia on a frequent basis. You may enter and leave Indonesia at any point of time within the 5-year period, but you are required to leave the country every 2 months, which is the maximum stay permitted. When applying, your business counterparts/sponsors in Indonesia must apply locally on your behalf.

General information about Indonesia

Golden visa

Golden visa is suitable for foreigners who intend to establish a company in Indonesia. This visa gives the right to stay in the country for 5 or 10 years (subject to specific conditions) and it can be extended. With this visa, foreigners can:

- Carry out business and investment activity in Indonesia.
- Bring eligible members of their family.
- Carry out work - related activities.

Investment thresholds vary by investor category:

- Individual investor establishing a company in Indonesia: USD 2.5 million (5-year visa) or USD 5 million (10-year visa).
- Corporate investor (for directors and commissioners of foreign companies investing in Indonesia): USD 25 million (5-year visa) or USD 50 million (10-year visa).
- Individual investor not establishing a company (passive investment in government bonds, IDX-listed shares, mutual funds, or bank deposits): USD 350,000 (5-year visa) or USD 700,000 (10-year visa).
- Nusantara (IKN) Golden Visa (introduced January 2026 for investors supporting the new capital city): USD 5 million (5-year visa) or USD 10 million (10-year visa).

Cost of golden visa varies from IDR 13,000,000 to IDR 19,000,000 depending of the length of the right to stay.

Second Home Visa

Introduced in late 2022, the Second Home Visa is designed for foreigners who wish to reside in Indonesia long-term without working. This visa is valid for 5 or 10 years and requires applicants to either deposit IDR 2 billion (approximately USD 130,000) in an Indonesian bank or own property in Indonesia. It is suitable for retirees, digital nomads, or high-net-worth individuals seeking a lifestyle-based stay. Unlike the Golden Visa, the Second Home Visa does not permit any work-related activities in Indonesia.

Electronic Stay Permit (e-ITAS)

Electronic stay permit is issued to work permit holders, students and dependents of Indonesian citizens or foreigners with a work permit. E-ITAS can be issued for a period up to 5 years and can be renewed (KITAS period of validity, including renewal, cannot exceed 10 years).

Etiquette and customs

Saving face

As in many countries in Asia, the notion of 'face' is very important in Indonesia. Saving the face could be described as the prevention of social embarrassment at all costs to others and to yourself. In the case of argument or disagreement with someone, blame should never be addressed publicly.

To avoid the 'loss of face' and keep a social harmony, Indonesians can communicate very indirectly, direct confrontation is best avoided.

Dress code

Business dress code is usually the same as international standard. Women are usually expected to wear clothes that cover shoulders and fall below the knees.

Body language

- Physical contacts between members of the opposite sex are minimal, handshakes are tolerated.
- Respect towards older people is greatly valued.
- The left hand should never be used to eat, give or receive something.
- Open displays of anger are all considered highly offensive behavior.

Names & titles

Indonesian society is very status conscious, it is consequently important to address people with the proper title, especially in a business context. Generally, people are addressed as 'Bapak' for males, meaning 'father', and 'Ibu' for females, meaning 'mother', followed by the name.

Business etiquette

Time is often considered as flexible in Indonesia and many social events or business meetings are expected not to start on time. It's common for Indonesian to arrive late, yet expatriates are likely expected to be punctual.

General information about Indonesia

In Indonesia, time doesn't necessarily bring money; however, good relationships and harmony do. The first meetings can be more about making personal contact with potential partners as business relationships are based on trust and familiarity in the vast archipelago. Indonesians do not make hasty decisions because they might be viewed as not having given the matter sufficient consideration. Several meetings are often necessary before coming to an agreement.

Investment Incentives

The Law No. 25/2007 on Capital Investment (Investment Law) specifies that the Indonesian Government awards fiscal and non-fiscal incentives that may be obtained by investors making new investments or expanding their business in order to stimulate capital investment.



Investment Incentives

The Investment Law provides the general specification for investors to be eligible for incentives. However, it should be noted that each specific incentive may have more its own specifications that are regulated by the respective authorities e.g. related ministries, institutions, local authorities, etc. The general specifications are the following:

- It should employ numerous local workers,
- The project should be regarded with high importance,
- It should be related to some specific industries: infrastructure constructions/ pioneer industry/ use of local produced capital goods or machines,
- It should be located in a remote, less-developed area or in a Special Economic Zone (SEZ), and
- It should be in partnership with micro, small and medium enterprises.

The Investment Law further stipulates that incentives shall not be granted to foreign investment which is not in the form of a limited liability company in Indonesia.

Fiscal facilities

Import duty exemption

The following exemptions are available:

- Import duty exemption on the import of machinery, capital goods & raw materials for production for a period of 2 years.
- Exemption from Transfer of Ownership Fee for ship registration deed / certificate made for the first time in Indonesia.

Machinery, goods and raw material are considered as imported, if:

- They are not produced in Indonesia;
- Local products are available, but do not meet the required criteria; or
- They are produced locally but the quantity is not sufficient for the need of the industry.

Note:

The exemption of import duty mentioned above is extendable for 1 year. In the event that the company makes use of, at least, 30% of local machineries, the exemption is available for another 4 years.

Tax allowance

The Government Regulation No. 78 of 2019 (GR-78/2019) issued on November 12, 2019 stipulates tax allowance available for investments in specified business sectors and regions. The tax facilities available under GR-78/2019 are as follows:

- Reduction of net taxable income of up to 30% of the amount invested in the form of fixed assets, prorated at 5% per year in the 6-year period of the commercial production, provided that the assets invested are not transferred out within 6 years. Under GR-78/2019, the fixed asset needs to satisfy the following conditions:
 - Be new, unless originating from a complete relocation from another country;
 - Be listed in the new business license as the basis for obtaining tax facility; and
 - Be owned directly by taxpayer (not through a lease) and utilized for the main business activity.
- Accelerated depreciation on tangible assets and/or amortization deductions on intangible assets acquired in the framework of new investment and/or business expansion
- Reduction of withholding tax rate on dividends paid to non-residents to 10 % (or lower based on tax treaty)
- A loss carried forward facility for maximum 10 years

GR-78/2019 introduces the use of the Online Single Submission (OSS) system to process tax allowance application (which must be made before the start of commercial production). Taxpayers who were already granted tax facilities based on previous government regulations can continue to use the facilities until the end of these facilities periods.

In addition, for any taxpayer who has received tax facilities, but no longer meets the requirements, the granted facilities will be revoked, subject to taxes and penalties.

Investment Incentives

Tax Holiday

The Ministry of Finance issued Tax Holiday regulation on September 18, 2020 through PMK-130/2020 which was further amended through PMK-69/2024. Under the said PMK, pioneer industries (the regulation has listed 18 eligible business sectors) are entitled to corporate income tax reduction as follows:

- 50% corporate income tax reduction for a minimum new investment of IDR 100 billion up to IDR 500 billion with 5-year concession period;
- 100% corporate income tax reduction for a concession period up to 20 years depending on the value of the investment made:

Investment Value (In IDR)	Concession Period (in years)
Above 500 Billion and up to 1 Trillion (<)	5
1 Trillion up to 5 Trillion (<)	7
5 Trillion up to 15 Trillion (<)	10
15 Trillion up to 30 Trillion (<)	15
30 Trillion and above	20

At the end of the concession period, taxpayer will be provided with further income tax reduction of 25% or 50% for the following two fiscal years depending on the value of the investment made.

Based on PMK-130/2020, criteria for a company to be eligible for tax holiday are as follows:

- Constituting a pioneer industry;
- Having status as Indonesian legal entity;
- Having not benefited for the investment of other tax holiday, tax allowance or super deduction facility;
- Having a new capital investment plan with a minimum of IDR 100,000,000,000 (one hundred billion rupiah);
- Satisfying the debt to equity ratio required for income tax purposes; and
- Committed to start realizing the investment plan at the latest one year after the issuance of the tax holiday approval.

Application for the tax holiday should be made to the Ministry of Investment / BKPM (Indonesian Investment Coordinating Board) at the time of application for the investment approval (or within a period of one year following BKPM approval of the investment). BKPM will then submit the application to the Ministry of Finance which should render its decision within 5 working days after receipt.

Super deduction facility

Super deduction facility is stipulated in Government Regulation No.45 of 2019 (GR-45/2019) that introduces tax concessions for industries with certain emerging features as follows:

- Facility for labor-intensive industries
A reduction in net income of 60% of the amount invested in the form of tangible assets, spread throughout a certain period, eligible for companies that carry out a new business investment or expansion of certain businesses, which are labor-intensive industry and have not been granted other tax allowance and tax holiday facility.
- Facility for human resources development in certain competencies
A reduction in gross income of up to 200% of the amount spent for human resources development, eligible for companies conducting internship or vocational training program for certain competencies to upskill human resources as part of investment and fulfilment of workforce demand.
- Facility for certain research and development activities in Indonesia
A reduction in gross income of up to 300% of the amount spent for research and development activities in Indonesia, spread throughout a certain period, eligible for companies that carry out certain research and development activities in Indonesia leading to invention and innovation, that master a new technology, or transfer technology to ultimately increase the competitiveness of national industries.

Investment Incentives

Further to GR-45/2019, Ministry of Finances issued implementing Regulation Number 81 Year 2024 and its subsequent amendment regarding tax deduction on certain R&D activities conducted in Indonesia.

Corporate taxpayers carrying out R&D activities in Indonesia can be given a maximum of a 300% deduction for the costs incurred for these activities. The 300% reduction consists of:

1. 100% deduction on the gross revenue for the actual costs incurred in the relevant year.
2. A maximum of 200% additional deduction which consists of:
 - a. 50% additional deduction when the R&D activities obtain intellectual property rights in the forms of patent or Plant Variety Protection (PVP) rights that are registered in the Indonesian intellectual property rights office;
 - b. 25% additional deduction when the patent or PVP rights are registered both in Indonesia and overseas;
 - c. 100% additional deduction when the R&D activities reach commercialization stage; and
 - d. 25% additional deduction when the R&D activities in point (a), (b), or (c) are carried out in cooperation with the Government's R&D institutions and/or higher education institutions in Indonesia.

Non-fiscal facilities

The Investment Law points out that non-fiscal facilities can be, as well, provided by the Indonesian Government to investors. The services easiness may take the form of:

Land rights

The following incentives can be provided:

- Right to cultivate may be granted for 60 years and renewed for 35 years;
- Right to build may be granted for 50 years and renewed for 30 years; and
- Right to use may be granted for 45 years and renewed for 25 years.

The land-rights incentives mentioned above may be granted only if investments:

- Are related to structural changes in Indonesian economy (long-term plan);
- Require long term return on investment;
- Don't require sizable area; and
- Respect public interest.

Immigration services

The following immigration services facilities may be provided to investors:

- Non-permanent residence permit for 2 years;
- Non-permanent residence permit may be changed into permanent residence permit after 2 consecutive years of residence in Indonesia;
- Multiple re-entry can be granted for limited residential permit & permanent residential permit holders.

The incentives mentioned above may be granted only if foreign employees are needed in the realization of the investment, maintenance of machines and/or after sales service.

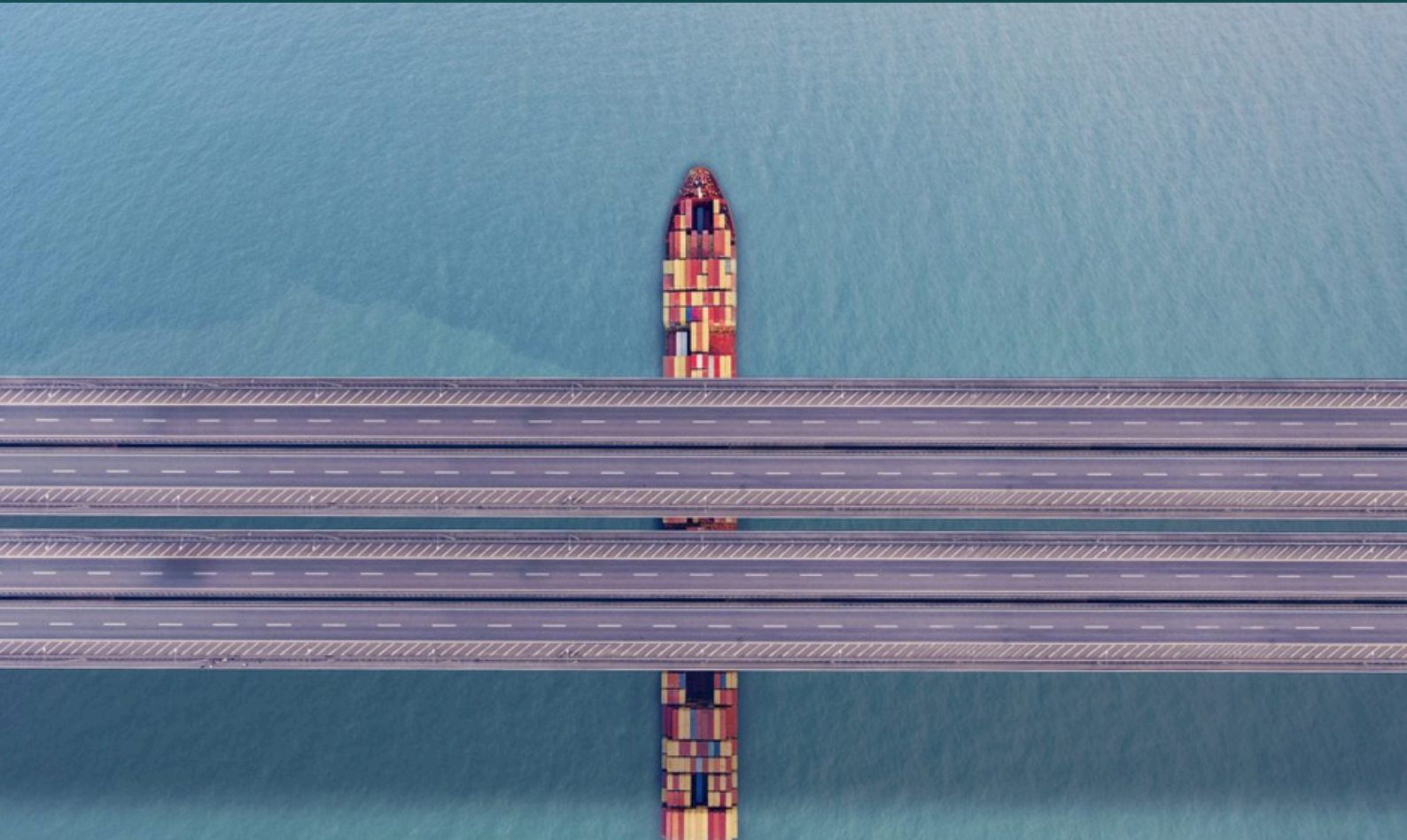
Import licensing facilities

Import licensing incentives may be received for the import of:

- Goods that don't impact negatively health, environment that comply with existing regulations;
- Capital goods or raw materials for own production needs;
- Goods as part of relocation from abroad to Indonesia; and
- Goods respecting Indonesian regulations.

Legal framework

The Law No. 25/2007 on Capital Investment (Investment Law) specifies that the Indonesian Government awards fiscal and non-fiscal incentives that may be obtained by investors making new investments or expanding their business in order to stimulate capital investment.



Legal framework

Investment Restrictions for Foreign Investments

The Law No.25/ 2007 concerning Capital Investment defines a foreign business as any business in the territory of the Republic of Indonesia with even the smallest percentage of foreign shareholding. The type of business lines or activities (KBLI) intended in Indonesia dictates the level of foreign ownership permitted. Following the issuance of Job Creation Law No. 11 of 2020 , the restricted business lines mentioned in the Law No. 25 / 2007 and it's subsequent implementing regulations have been revised. However, following the decision by the Indonesian Supreme Court that the law-making process of Job Creation Law No. 11 of 2020 was deemed as unconstitutional, the Indonesian Government has further enacted Government Regulation in lieu of the Law No. 2 of 2022 concerning Job Creation in place of the Job Creation Law No. 11 of 2020.

The Government Regulation in lieu of the Law No. 2 of 2022 concerning Job Creation substance is more or less the same as the Job Creation Law No. 11 of 2020, and the said regulation does not revoke any implementing regulation that has been enacted prior to its issuance. Therefore, the two regulations along with its implementing regulations collectively shall be referred to as the Indonesian "Omnibus Law".

An implementing regulation to the Omnibus Law for foreign investment in the form of Presidential Regulation No. 10 of 2021 which is further amended by Presidential Regulation No. 49 of 2021 ("Positive List of Investment"). Based on this new regulation, the government of Indonesia has now opened almost all sectors of business including some sectors previously closed and/or restricted for foreign investment. Such relaxation aims to make Indonesia more attractive for investment, for both domestic and foreign investments.

Previously, having an Indonesian partner was mandatory with a certain percentage of equity required varying across the different fields of activity. However, since the issuance of the Positive List of Investment, foreign investors may not be required to have Indonesian partner in some business sectors previously restricted by the regulations.

As mentioned above, in accordance with Article 2 of the Positive List of Investment, all business fields are now open for all investors, except:

- a. Certain business fields stated as closed to Investment in the Omnibus Law ; and
- b. Certain business fields that can only be carried by the Government, such as activities of a service based nature or related to strategic defense.

Moreover, the new Positive List of Investment lists down 245 business fields as priority business fields.

The priority business fields are those fulfilling the following criteria:

- a) National strategic project/program;
- b) Capital intensive;
- c) Work intensive;
- d) High technology;
- e) Industrial pioneer
- f) Export oriented; and/or
- g) Research, development, and innovation oriented.

In principle, if a business is excluded from the Omnibus Law, the business can be started by a foreign investment. Some business fields remain then totally closed (including narcotics industries and cultivation, gambling and casino, fishing to species that are listed in Appendix I of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), coral utilization and harvesting, chemical weaponry industries, liquor and wine industries, and chemical material and ozone depleting industries). A more complete information and the list of these areas can be found in the Positive List of Investment.

Foreign investment in Indonesia must fulfill the following conditions:

- 1.Foreign investment can only be made to large scale activity requiring an investment value of more than IDR 10 billion, excluding the value of land and building; and
- 2.Foreign investment should be conducted in Indonesia through limited liability company (Perseroan Terbatas/PT), except if stipulated otherwise by law.

The above rule regarding investment value may not apply for foreign investment made in tech based startups located in special economic zones.

Legal framework

Foreign investment in financial services and banking industry is regulated by the relevant financial authorities i.e. Indonesia Central Bank (Bank Indonesia or “BI”) or the Financial Services Authority (Otoritas Jasa Keuangan or “OJK”) with regard to its licensing and ownership provisions.

Ministry of Investment and Downstream Industry/BKPM

Foreign capital investment is governed by the Ministry of Investment and Downstream Industry/BKPM (formerly known as BKPM or Indonesian Investment Coordinating Board), which administers and approves foreign capital investment in the majority of economic sectors. Ministry of Investment and Downstream Industry/BKPM is also in charge of monitoring the realization of foreign investment in Indonesia and requires foreign investors, which have already established business in Indonesia, to submit activity report periodically.

The current regulations of Ministry of Investment and Downstream Industry/BKPM in relation to foreign investment are BKPM Regulation No. 5 of 2025 and Government Regulation No. 28 of 2025.

Online Single Submission System (OSS)

In 2018, through Government Regulation No.24 of 2018 on Electronically Integrated Business Licensing Services (GR No.24/2018) which has been replaced several times and lastly through Government Regulation No. 28 of 2025 (GR No. 28/2025), the Indonesian Government set-up an Online Single Submission (OSS) System.

The OSS, officially launched on July 9, 2018, aims at simplifying the business licensing process, including for foreign investors. Managed by the Ministry of Investment and Downstream Industry/BKPM, it was further updated in 2025 and has adopted a Risk-Based Assessment principle where the list of compliance that must be fulfilled prior to commencing business in Indonesia is determined by the business classification (KBLI) of the activity intended in Indonesia.

The OSS is aimed to deliver an integrated business licensing process as well as some documents related to the employment of foreign workers (RPTKA). Before applying for any license, a newly established company will need to obtain a Business Identification Number (NIB) from the OSS. The NIB will be valid for the duration of the establishment of the company and replaces several registration numbers which were required under previous regulations (business registration

certificate, import identification number).

Throughout the year, development over the system and overall licensing process has been implemented. While the system is still experiencing issues from time to time and routine consultations and follow-up with government authorities' officers are generally still required, an attempt to centralize the coordination through the system is gradually improved.

In the latest developments made to the system, the Ministry of Investment and Downstream Industry/BKPM tried to implement stricter pre-commercial requirements such as spatial and environmental commitments, as well as commercial requirements such as business approval from relevant institutions, and to implement a stricter timetable.

In addition, sanction provisions which previously were absent are now gradually implemented.

We are monitoring practical development of the recently enacted risk-based licensing regulations and expect some significant changes may take place within the next 1 – 2 years.

Business entities available to foreigners

Before starting any business in Indonesia, it's important to define what kind of activities the company wants to conduct.

If the company plans to conduct commercial activities and generate revenue in Indonesia, the legal entity needed is a foreign investment limited liability company (PMA Company). If the company wants to explore business opportunities without any commercial transaction, a representative office is more suitable. However, there are some exceptions to which a company with business related to construction activities could establish a representative office with commercial transactions in construction project with some limitations.



Business entities available to foreigners

Representative office

To get to know the market, foreign investors frequently open first a representative office (RO) in Indonesia. This is the easiest and fastest way to set up a presence in the country for foreign investors. Thereafter, if the findings are positive implying that Indonesian market can be a profitable business opportunity for the company, foreign investors can establish a limited liability company.

The advantage of setting up a RO is that no capital investment is required contrary to the limited liability company and foreign investors have 100 percent control over this legal entity. Though representative offices don't generate any revenue, they usually must perform some filings for compliance purposes. Requirements for representative office compliance include the submission of an activity report to BKPM (every 6 months), some monthly/annual tax filings and social security reporting.

There are 3 main types of RO in Indonesia: the Foreign Representative Office, the Foreign Trade Representative Office and the Foreign Construction Services Representative Office.

Foreign representative office

Foreign representative office (KPPA) is a representative office established in Indonesia with the purpose to support the Parent Company offshore. KPPA cannot be established in all sectors and cannot generate revenue, but it allows companies to explore the market, find business partners and promote products. It is important to notice, as well, that a foreign parent company abroad is required before opening a representative office in Indonesia.

There is no validity period of the KPPA license as per BKPM regulation No. 5/2025. KPPA can only be domiciled in an office building in the capital of an Indonesian province (for example: Jakarta, Bandung, Yogyakarta...).

Foreign trade representative office

A Foreign Trade Representative Office (KP3A) can be established in the form of a selling agent, a manufacturer agent or a buying agent. Subject to their business shape, the foreign trade representative offices can perform several support functions such as market research, quality control, promotion of goods produced by overseas parent company and importation of goods to local companies in the country. However, conducting trading and sales transactions is prohibited.

There is no geographic restriction for KP3A, it can be opened within the whole territory of Indonesia but must be incorporated in an office building. The requirements to establish a KP3A are the same as a KPPA except that a specific license (SIUP3A) to perform trading related activities must be delivered by the Ministry of Investment / BKPM.

KP3A license is generally valid for the same period as the appointment letter for the Chief Representative and can re-apply in OSS without limitation once it has expired.

Foreign construction service representative office

Foreign investors engaged in construction activities can establish foreign construction service representative office (BUJKA) in Indonesia. Based on the New Construction Law (Law No.2 of 2017), a BUJKA is expected to be involved in high-risk and high-technology projects as well as involving high-cost projects (projects should be at least evaluated at IDR 100 billion) in Indonesia.

A specific representative licensing is needed to engage in construction activities within Indonesian territory; the validity period of this license is maximum 3 years and may be extended. A BUJKA is considered as "equivalent to Limited Liability Company legal entity engaging in the field of construction service business" and can then conduct sales transactions in Indonesia.

PMA Company

The legal entity through which foreign investors can conduct commercial activities in Indonesia is known as PMA Company (foreign investment limited liability company). This structure allows foreign investors to engage in sales activity and to generate revenue and profits in Indonesia.

Generally, the structure of a PMA Company will consist of minimum 2 (two) investors that can be foreign investors or domestic investors based on requirements stated in the Positive List of Investment.

Some business activities that are open to foreign investment may require a local partner, as such prior to establishing the PMA Company, investors are advised to check the maximum proportion of foreign investment that can be made in the Positive List of Investment as the list clarifies the sectors that are open to foreign investment and the ownership allowed to foreign investors.

Business entities available to foreign investors

Regulatory framework

The relevant authorities involved in establishing a foreign business in Indonesia are the Ministry of Law and Human Rights, the coordinating Ministry for Economic Affairs and the Ministry of Investment / BKPM, which receives, reviews and approves any investment capital applications.

The key laws governing foreign investment in Indonesia are:

- Law No. 25 of 2007 regarding Investment;
- Law No. 40 of 2007 regarding Limited Liability Company;
- Omnibus Law;
- Positive List of Investment;
- Government Regulation No. 28 of 2025 regarding Implementation of Risk-Based Business Licensing;
- BKPM Regulation No. 5 of 2025 regarding Guidelines and Procedure of Risk-Based Approach Business Licensing and Investment Facilities; and
- Indonesia's Standard Industrial Classification Year 2025.

Establishment process

Steps to establish PMA company are as follows:

- Application and registration of the PMA Company name to the Ministry of Law and Human Rights.
- Preparation and notarization of the Deed of Establishment ("DoE") by notary. The DoE must, at least, contain the PMA Company's Articles of Association which should covers items stipulated under Article 15 of Indonesia Company Law. Detailed information regarding the Founders, Boards of Directors ("BoD"), Commissioners ("BoC") and the Shareholders should be included too.
- Obtaining approval and legalization of the Deed of Establishment by Ministry of Law and Human Rights.
- Obtaining the Tax Identification Number ("NPWP") and Tax Registration Letter ("SKT") from the relevant tax office;
- Registering to the Online Single Submission – Risk Based Assessment ("OSS-RBA") system and obtaining the Business Identification Number (Nomor Induk Berusaha or "NIB") from the OSS-RBA system;

- Application of the Letter of Domicile of the company ("SKDP") to the relevant sub-district; (if needed based on area. Establishment on Jakarta area will not require this SKDP process);
- Application of business licensing via OSS-RBA and/other related ministry (if applicable); and
- Application of other commercial/operational licenses (where required).

Further, in terms of investments BKPM Regulation stipulates that to apply for permanent business license, foreign investors must comply with the requirements of large-scale business (either net assets of IDR 10 billion – excluding land & building or annual revenue of more than IDR50 billion) with minimum paid-up capital in accordance with the provisions regarding the capital value depending on the business activities.

Compliance

A PMA company is obliged to submit periodical Investment Activity Progress Report (LKPM) to Ministry of Investment and Downstream Industry / BKPM, containing among other information, investment realized by the company and headcount. Any company failing to submit the Investment Activity Progress Report is subject to administrative sanction that can lead to a revocation of investment license and/or investment facilities. LKPM reporting is done every quarter (by the 10th of month following the end of the quarter).

As of 2026, with the enactment of Ministry of Law and Human Rights Regulation 49/2025, companies are required to do the following:

1. Notarization of the company's Annual General Meeting of Shareholders (AGMS) minutes and register the deed to the Ministry of Law and Human Rights.
2. Submit the company's Annual Report to the Ministry of Law and Human Rights system.
3. Report their financial statements to the Ministry of Law and Human Rights System.
4. Periodically update their beneficial ownership information; and
5. Ensure information of shareholders is up to date, following the implementation of shareholders' verification process.

Business entities available to foreign investors

The AGMS, together with the company's annual report and financial statements, must be finalized and filed within six months following the close of the relevant financial year. Enforcement of this requirement in 2026 exposes businesses to significant regulatory risk in case of non-compliance. Failure to submit the required filings within the prescribed timeframe may create a substantial administrative bottleneck, as the company's profile may be blocked from processing corporate changes and transactions until the outstanding compliance obligations have been fulfilled. Companies are also required to submit Mandatory Manpower Report online every year (in December), or at occurrence of certain events, on the employment conditions at the companies.

Corporate Structure

PMA Company requires a minimum of 2 shareholders (individuals or organizations that own equity in the company). Owning shares of a company gives the right to shareholders to:

- Attend and cast votes in the General Meeting of Shareholders (GMS);
- Receive payment of dividends; and
- Exercise multiple other rights defined under the Company Law.

It is required for a company to be managed by a Board of Directors, which in turn should be supervised by a Board of Commissioners. Both Boards are appointed by the General Meeting of Shareholders.

The Board of Directors, consisting at least of one member, oversees the general management of the company while standing for its best interest. The Board of Directors represents the company on the day-to-day activities.

The Board of Commissioners (one member required at least) is responsible for the supervision of the company and shall give advice to the Board of Directors. The Board of Commissioners is not part of the daily management of the company.

Both Directors and Commissioners can be foreign nationals.

Minimum Capital Investment

In the current investment framework under BKPM Regulation No. 5 Year 2025, the general investment required to be made in Indonesia must be higher than IDR 10 billion per KBLI code.

Further in accordance with the provisions of BKPM Regulation No. 5 Year 2025, following such investment, paid-up capital subscribed by the shareholders must be at least IDR 10 billion with minimum share participation by one shareholder at least amounting to IDR 10 million.

The Company Law stipulates that the minimum amount of the total subscribed and paid-up capital of a company should be 25% of the company's authorized capital.

There are some exceptions in certain (capital intensive) industries for which paid-up capital requirements may be higher than the general requirement above.

Employing foreign workers

A PMA Company must apply for an Expatriate Manpower Utilization Plan (RPTKA) endorsed by the Ministry of Manpower in order to employ expatriates. It is important to note that not all work positions are open to foreigners.

Permanent establishment

A permanent establishment is a business form that is used by:

- An individual who does not reside in Indonesia.
- An individual who lives in Indonesia for not more than 183 days over a period of 12 months.
- An entity that is not established and has no domicile in Indonesia to carry on business or conduct activities in Indonesia.

A permanent establishment will have the same tax obligation as a tax resident and is obliged to have a tax registration number. Therefore, any income generated by a permanent establishment in Indonesia will be taxable in Indonesia as if such income was generated by an Indonesian taxpayer. A permanent establishment can take the form of representative offices, branch offices, management base offices, plants, warehouses, etc.

Corporate Taxation



Corporate Taxation

Regulatory framework

Indonesia operates a self-assessment system, which obliges each resident taxpayer to self-assess, settle and report their income tax liabilities during a certain period of time upon completion of a taxable transaction, and on a regular basis (monthly and annually).

Indonesian Tax system is mainly ruled by the following laws:

- Income Tax Law or “ITL” (No.36/2008)
- General Tax Provisions Law or “GTPL” (No.16/2009)
- Value Added Tax on Goods and Services, and Sales Tax on Luxury Goods Law or “VATL” (No. 42/2009)
- Omnibus Law (No.11/2020) – Update regarding ITL in Article 111, VATL in Article 112, and GTPL in Article 113
- Law on Harmonization of Tax Regulations (No. 7/2021)

Summary of tax deadlines

Type of Tax	Monthly Payment Deadline	Monthly Filing Deadline	Annual Filing Deadline
Corporate Income Tax Installment (Article 25 Income Tax)	15th of the following month	N/A	End of the 4th month after the tax year ends
Employee Withholding Tax	10th of the following month	20th of the following month	N/A
Other Withholding Tax (PPH Pasal 23, PPH Pasal 26, PPH Pasal 22 and Final Income Tax)	10th of the following month	20th of the following month	N/A
VAT and LGST	Before the VAT return filing deadline	End of the following month	N/A

In case of late payment, taxpayers shall pay penalties based on the applicable monthly MoF Interest Rate plus surcharge for a maximum of 24 months. A single day of late payment is considered as a full month.

Penalties in case of late filing

Currently, all tax filings are performed through Tax Authority's website called Coretax. The penalties for late filing are as follows:

Type of Tax return	Penalties (IDR)
VAT return	500,000
Other monthly tax returns	100,000
Individual Income Tax return	100,000
Corporate Income Tax Return	1,000,000

Corporate income tax

Tax rates

General corporate tax rate is a flat rate of 22%. However, public companies with at least 40% of their shares on the Indonesian Stock Exchange and who satisfy other conditions are entitled to a tax cut of 3% from the standard rate.

Companies with a turnover of less than IDR 50 billion are entitled to 50% tax discount from the general corporate tax rate of 22% on a proportion up to IDR 4.8 billion of their taxable income (based on turnover).

Government Regulation No.55 Year 2022 (GR55/2022) provides that companies with annual turnover of up to IDR 4.8 billion are subject for final tax on turnover at 0.5%. This regime may only apply for a maximum period of 3 years. GR 55/2022 has recently been partially amended through Government Regulation No.20 Year 2026 (GR20/2026). The key amendment is that final tax on turnover is now limited to individual taxpayers, sole proprietorships, and cooperatives. This new regime applies without maximum period. Further, for other taxpayers such as joint ventures, partnerships, limited liability companies established prior to the issuance of GR20/2026, final tax regime can still be applied until the maximum period of 3 years ends or their annual turnover exceeds IDR 4.8 billion, whichever earlier.

Corporate Taxation

Tax rates

Corporate Income Tax	Tax Rate
Normal rate	22%
Listed companies with > 40% of shares traded on IDX	19%
Companies with a gross turnover below IDR 50 billion	11% on portion of taxable income (normal rate applicable on other portion of taxable income)
Companies with a gross turnover below IDR 4.8 billion	0.5% final tax on turnover

Tax period

The normal corporate tax period is following a calendar year, from January to December, however, if a company wants to use a different tax period, it shall obtain an approval from the Directorate General of Taxes and maintain the approved tax period. A financial year cannot exceed 12 months for tax purposes. Companies need to file their annual Corporate Income Tax return (CITR) by the end of the fourth month following the end of the tax year.

Resident status

Under the Income Tax Law, a company domiciled in Indonesia is considered as tax resident and subject to the tax obligations set by the Indonesian government. Similarly, a foreign company conducting activities in Indonesia through a permanent establishment (PE) will usually be treated as a tax resident and will have the same tax obligations. Tax obligations of an entity shall cease at the time the entity is dissolved or is no longer domiciled in Indonesia. Non-resident companies are those which are incorporated overseas but receive or accrue income from Indonesia.

Resident Taxpayers	Non-resident Taxpayers
Taxed on the income originating from sources in Indonesia and overseas (worldwide income) – Some exceptions to the worldwide income approach have been introduced by the Omnibus Law	Taxed only on the income originating from sources in Indonesia
Taxed based on the net income with a general rate	Taxed based on the gross income with an appropriate rate
Obligated to submit Annual Return as means for assessing the tax obligation in a taxable year	Tax obligations are fulfilled through withholding tax, which is final in nature.

Tax payment

Corporate tax liability of resident corporate taxpayers and Indonesian permanent establishments are settled by the way of self-payment, amounts withheld by third parties, or a combination of both.

Corporate Income Tax is payable by monthly instalments (PPh Pasal 25/ Art.25 of Income Tax) and through different other withholding taxes specified in the Income Tax Law. The tax withheld on certain kinds of income (PPh Pasal 23/ Art.23 of Income Tax) or paid in advance on certain types of transaction (PPh Pasal 22/ Art.22 of Income Tax) form a prepayment against the current year Corporate Income Tax (CIT) liability. If the total CIT liability is higher than the total amount of prepayment through the year, the resident company or PE will have to pay the deficit before filing the annual CIT Return.

Tax object

Taxable object is, commonly, defined as income which is, “any increase in economic capacity received by or accrued by a Taxpayer from Indonesia, as well as from offshore, which can be used for consumption or to increase the wealth of a tax payer in whatever form.”

Corporate Taxation

Taxable income consists among other of:

- Compensation or remuneration received or accrued in respect of employment of service rendered;
- Business profits;
- Gain from the sale or transfer of property;
- Interest including premium, discounts and compensation for loan repayment guarantees;
- Dividends;
- Royalties;
- Gain from revaluation of assets;
- Gain from foreign exchange;
- Insurance premium.

Based on the Omnibus Law, there are several incomes that are exempted of taxes if it those incomes are reinvested or used for business activities in Indonesia within a certain period and meet the requirements, as follows:

- Local source dividend;
- Foreign-source dividend and net profit after tax of PE;
- Foreign-source income from abroad (not from a PE or foreign subsidiary).

Deductible and non-deductible expenses

Under the Income Tax Law, some expenditures related to business activity (directly or indirectly earned, collected or maintained income) are deductible against taxable income such as material and travelling expenses, interest, rental and royalties, depreciation and amortization expenses.

However, some types of expenses, specified by the government, remain non-deductible from the taxable income, among others, private expenses, distribution of profits paid under any form, tax penalties, etc

Debt to equity ratio

In 2015, the Ministry of Finance issued regulation No.169/PMK.010/2015 (PMK-169) for the debt-to-equity ratio (DER) calculation, applicable starting from fiscal year 2016.

PMK-169 stipulates that a single ratio of 4:1 is applicable to obtain full deductibility of the financing costs, i.e. the amount of debt allowable should not exceed four times the equity amount. If the debt amount exceeds four times the equity, the deductible financing costs amount will be limited to the maximum amount of 4:1.

Further in 2017, the Ministry of Finance issued regulation No.PER-25/PJ/2017 (PER-25) for the implementation of PMK-169. Under PER-25, financing costs which fail to satisfy arm's length principle are deemed to be dividends. PER-25 defines some DER reporting requirements to attach to the annual corporate income tax return. Failure to report will result in non-deductibility of related financing costs. It applies from fiscal year 2017 onward.

Withholding taxes

Employers must withhold tax (PPh Pasal 21) from the remuneration of their employees, pay the tax as their representative to the State Treasury, and report to the Tax Office. The remuneration includes both cash and in-kind benefits.

Individual taxpayers with no Tax ID number (NPWP) are exposed to a surcharge of 20%.

Article 21 (*PPh Pasal 21*)

Employers must withhold tax (PPh Pasal 21) from the remuneration of their employees, pay the tax as their representative to the State Treasury, and report to the Tax Office. The remuneration includes both cash and in-kind benefits.

Individual taxpayers with no Tax ID number (NPWP) are exposed to a surcharge of taxes of 20%.

Article 22 (*PPh Pasal 22*)

Business activities in the importing sector or companies receiving payments for certain types of products (sales of goods to government, sale or purchase of very luxurious goods, sale of fuel, etc.) are obliged to withhold tax Art.22/PPh Pasal 22.

The collection base and amount collected is set by Decree of the Minister of Finance. Companies holding an import license should be taxed at a rate of 2,5%; those who don't hold import license are subject to a withholding tax rate of 7,5%.

Corporate Taxation

Final income tax (PPH Final)

Certain types of income are subject to final withholding tax (Art. 4.2) at a specific percentage noted as below:

Final income tax rates

Taxable Income	Final income tax rate (%)
Land and building rental fees	10
Land and building right transfer proceeds	5
Construction work (depending on business classifications and certificate hold)	1.75, 2.65 or 4
Construction consulting (depending on certificate hold)	3.5 or 6
Integrated construction works (depending on certificate hold)	2.65 or 4
Interest on time deposit, whose funds are from export proceeds in USD	10 (one month)7.5 (three months)2.5 (six months)0 (more than six month)
Interest on time deposit, whose funds are from export proceeds in IDR	7.5 (one month)5 (three months)0 (six months or more)
Interest on time/saving deposit/Bank of Indonesia Certificates (SBIs), other than that payable to banks operating in Indonesia and to government approved pension funds	20
Interest on bonds, other than that payable to banks operating in Indonesia and to government approved pension funds	15
Sale of traded shares on Indonesian Stock Exchange	0.1
Lottery prize	25

Article 23 & Article 26 (PPH Pasal 23/PPH Pasal 26)

Articles 23 and 26 specify that passive income such as interests, royalties and dividends shall be subject to the following withholding tax rates:

Withholding tax articles 23 and 26 rates

Withholding rate (%)			
Taxable Income	Resident Corporation	Resident Individual	Non-resident taxpayer
Interests	15	15	20
Royalties	15	15	20
Dividends	15, or nil if holding is more than 25%	10	20
Branch profits	N/A	N/A	20

For non-resident taxpayers, reduced rate or exemption of withholding tax can be obtained under prevailing tax treaty.

Transfer pricing

Transfer pricing is characterized as the pricing of goods, services and intangibles between parties having "special relations". Indonesia applies the arm's-length principle for transactions between related parties, principle under which related parties must set their prices as if they were unrelated. Taxpayers ought to prepare and preserve documentation to show that their related party transactions are carried out at arm's length.

Indonesian Transfer Pricing rules have been updated since 2016 to align with OECD / G20 BEPS Project, although Indonesia is not a member of OECD.

Definition of "special relation"

Pursuant to the Income Tax Law, a special relationship is defined as relations between parties of the following:

- Ownership of 25% or greater (direct, indirect or shared) of one taxpayer in another taxpayer;

Corporate Taxation

- Control through management or technology (either direct or indirect) of one taxpayer over another taxpayer; and
- Family relationship either blood or marriage between taxpayers.

The Income Tax Law stipulates that the price on the purchase or sale of goods, services and intangibles which is influenced by a special relationship shall be the amount that should be paid or received in a transaction between independent parties (the arm's length value).

Transfer pricing methods

According to the Transfer Pricing Regulations, in line with the OECD guidelines, it states that the "most appropriate method" should be applied, as it is impossible to replicate exactly what would have happened if parties were not related.

Transfer pricing documentation regulation

End of 2023, the Indonesian government issued a new transfer pricing regulation Number 172 Year 2023 ("PMK 172") to intend minimizing the transfer pricing schemes conducted by multinational companies. In the context of BEPS (Base erosion profit shifting) project, the Ministry of Finance implemented documentation requirement for Indonesian taxpayers dealing with related parties.

PMK 172 outlines threshold of transfer pricing documentation, introduces three-tiered documentation approach and requires documentation to be submitted in Indonesian language. Transfer pricing documentation should be available no more than four months after the end of the fiscal year.



A taxpayer should provide the country-by-country report (CbCR), in addition to the Transfer pricing documentation (master file et local file) when the following conditions are fulfilled cumulatively:

- The taxpayer is a parent entity of a group company;

- The taxpayer is obliged to prepare consolidated financial statements in accordance with Indonesian Financial Accounting Standards/Indonesian Stock Exchange regulations; and
- The taxpayer has a consolidated gross revenue of IDR 11 trillion.
- Where 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:
- Does not require submission of CbCR;
- Does not have an agreement with the Government of Indonesia on exchange of information;
- Has an agreement but the CbCR cannot be obtained by the Government of Indonesia.

Regulation No.PER-29/PJ/2017 (PER-29) issued on December 29, 2017 has further specified obligations for Indonesian companies to submit CbCR, including notification requirement to the Indonesian Tax Authorities by companies regarding their obligation or not to submit CbCR. Notification and CbCR (when required) are due at the latest 12 months after the end of the fiscal year.

Lack of compliance and transfer pricing issues

Transfer pricing documentation is mandatory on an annual basis if criteria set by PMK 172 are met. Lack of compliance may result in potential tax risks and exposures. In case of transfer pricing issues with Indonesian Tax Authorities, avenues for resolution are the following:

- Filing for Mutual Agreement Procedure (MAP) if the dispute involves two or more countries;
- Lodging Advance Pricing Agreement (APA); or
- Undergoing formal tax dispute procedure.

Details on procedures to execute a MAP and an APA were elaborated in two regulations issued by the Ministry of Finance in 2014 and 2015, respectively.

Corporate Taxation

Value-added tax (VAT)

Under Value Added Tax on Goods and Services, and Sales Tax on Luxury Goods Law, VAT is imposed on the following:

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

Note: Certain types of services are not subject to VAT, for example, financial or medical services.

VAT is collected at an effective standard rate of 11% starting April 1, 2022 but for some services the VAT effective rate is 1.1%.

For export of goods, either tangibles or intangible, and export of taxable services (subject to some restrictions), the VAT rate is 0%.

Taxpayers are required to file monthly returns with information of all output and input VAT within following month. The month-to-month VAT report ought to be filed by the end of the subsequent month and net output VAT should be paid before submitting.

Under the Omnibus Law, there are some relaxations in Input-Output mechanism as follows:

- Prior to being VATable entrepreneur – input VAT including self-assessed VAT is creditable at 80% of output VAT. In the past, input VAT incurred prior to being VATable entrepreneur was not allowed to be credited against the output VAT.
- Pre-production stage – input VAT, to the extent relates to the main business activities and satisfies the formality requirements of VAT invoice, are creditable. Claim of VAT refund is at year end. In the past, only input VAT that related to capital goods was creditable and VAT overpayment was claimable on monthly basis.
- Input VAT not claimed in VAT return and/or assessed during tax audit – are creditable to the extent it relates to main business activities and satisfies the formality requirements of VAT invoice. In the past, such tax credits were not applicable.
- Input VAT collected under tax assessment letter – is creditable at the principal amount to the extent the tax assessment letter is paid and there are no legal efforts as well as satisfies the requirements for crediting the input VAT.

Taxpayers are required to settle VAT liability on monthly basis. Each business unit of a company (branch) is required to be registered with the relevant district tax service office (KPP) in the context of decentralization.

In some instances, VAT reporting can be centralized (KPP for large and medium-sized taxpayers, foreign investment companies, listed companies).

Since July 2020, Indonesian Government requires foreign e-commerce players providing certain intangible goods and services from overseas to customers in Indonesia to collect VAT on the transactions, if one of the following criteria are met:

- The transactions with customers in Indonesia exceed IDR 600 million yearly or IDR 50 million in a month;
- Access to the online platform exceeds 12,000 customers in one year or 1,000 customers in one month.

Tax on ecommerce and electronic transaction

Foreign e-commerce players with a significant economic presence in Indonesia (to be assessed based on consolidated turnover, revenue from Indonesia, number of users) can be deemed to have permanent establishment (PE) in Indonesia. If a PE cannot be deemed to exist, e-commerce players will be subject to an Electronic Transaction Tax which will be imposed on direct sales or sales through the marketplace.

Further implementing regulations are expected on that matter.

Luxury-good sales tax (LGST)

Besides VAT, some goods are subject to Luxury Goods Sales Tax (LGST) as well, for example, luxury cars, apartments, and houses. This tax must be considered every month together with VAT. Customs Book specifies which goods are subject to LGST. The tax may be either charged on importation or on delivery of the goods. The LGST rates are currently between 10% to 95% (the law allows for a maximum LGST rate of 200 %).

Corporate Taxation

Stamp duty

In order to be considered legal, many official documents and receipts in Indonesia must be affixed with a duty stamp, called “meterai”, signed by one of the concerned parties. Without the signature on stamp duty, those documents are deemed not legal. Stamp duty are available at the post office and starting January 1, 2021, it has nominal value of IDR 10,000. Documents requiring stamp duty include: bank transactions, financial contracts, land transactions, insurances contracts, documents such as receipt of money or acknowledgement of debt payment or stating a sum of money above IDR 5,000,000, documents to be used as evidence before a court, etc.

Import and export duty

Import duties are applied on various goods upon importation at rates from 0% to 150% on the customs value of imported goods. The customs value is usually calculated on cost, insurance and freight. The Indonesian government tends to lower import duty rates on most goods to intensify trade flows, but some rates remain high to protect certain industries and goods. For inter ASEAN trade, import duty is set at 0% on most of the goods (subject to conditions).

Free trade area agreements

Indonesia has signed and implemented several free trade agreements which aim to reduce/eliminate tariff rates:

- ASEAN – Australia and New Zealand Free Trade Agreement
- ASEAN – India Comprehensive Economic Cooperation Agreement
- ASEAN – People’s Republic of China Comprehensive Economic Cooperation Agreement
- ASEAN – Republic of Korea Comprehensive Economic Cooperation Agreement
- ASEAN – Hong Kong, China Free Trade Agreement
- ASEAN – Japan Comprehensive Economic Partnership
- Indonesia - Australia Comprehensive Economic Partnership Agreement
- Indonesia – Japan Economic Partnership Agreement
- Indonesia – Pakistan Free Trade Agreement
- Indonesia – Chile Free Trade Agreement
- ASEAN Free Trade Area

Indonesia is currently negotiating with the European Union (EU) for the establishment of the Indonesia – EU Comprehensive Economic Partnership Agreement (CEPA).

Indonesia is a member of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement signed in 2020 and gathering 15 countries (the 10 ASEAN countries, Australia, China, Japan, New Zealand and Republic of Korea). The agreement has taken effect on January 1, 2022 and covers the biggest free trade area in the world

International taxation agreements

Indonesia has signed tax treaties (Double Tax Avoidance Agreements/DTA) with 71 countries to avoid double taxation on certain types of income such as dividends, profits, fees, interests and royalties. The withholding tax rate may be lessened for the resident of countries signing double taxation agreements with Indonesia if a certificate of domicile (CoD) is provided to the Indonesian Tax Office. The CoD must be certified by the home country tax authority, proving that the recipient is a tax resident of that country. Without a CoD, the rate applicable to non-resident (non-treaty) of 20% will be applied. (Appendix I)

Tax audits

Certain conditions may trigger tax audits in Indonesia:

- There is an overpayment of tax, leading to a tax refund request lodged by a taxpayer;
- A tax ID deregistration application has been submitted;
- Having fiscal loss for several years in a row;
- The Tax Office wants to test the compliance of the taxpayer randomly.

In the event of tax audit, all documents requested by the tax authorities must be submitted within a month following the request. Documents not provided on time will not be considered by the tax authorities. Per law, documents to evidence tax must be kept for 10 years.

Currently, instead of directly issuing tax audit instruction letter, Indonesian Tax Authorities issue Letter of Request for Explanation of Data and/or Information (Surat Permintaan Penjelasan atas Data dan/atau Keterangan or SP2DK). If the response to the SP2DK cannot meet tax authorities’ requirements and/or expectations, a formal tax audit instruction letter will be issued.

Individual taxation



Individual taxation

Resident status

According to the Income Tax Law, an individual is regarded as a tax resident if one of the following conditions is fulfilled:

- to reside in Indonesia; or
- to stay in Indonesia for more than 183 days in any 12-month period; or
- to be present in Indonesia during a fiscal year and intend to reside in Indonesia.

An Indonesian national is considered as tax resident from birth unless he/she leaves Indonesia permanently or temporarily for more than 6 months. Above 6 months, he/she will be considered as a non-resident based on: permanent home, center of vital interest, habitual abode, tax resident status and/or other criteria which will be further determined by the Minister of Finance and will be taxed on the Indonesian sourced income only.

Taxation on personal income

Individual Income tax is applied to resident individuals on worldwide sources of increase in economic wealth. However, foreigners who are Indonesian tax residents will be taxed on Indonesia-source income including the income received outside Indonesia with regards to the activities conducted in Indonesia, to the extent one possesses certain skills, for the first 4 (four) years upon being Indonesian tax resident. There are some incomes that exempted from income tax if it is reinvested or used for business activities in Indonesia within a certain requirement:

- Local source dividend;
- Foreign-source dividend and net profit after tax of PE;
- Foreign-source income from abroad (not from a PE or foreign subsidiary).

Employers (tax resident companies and permanent establishments) are required to withhold tax (PPh 21) from salaries payable to their employees, pay the tax on their behalf to the State Treasury, and report to the tax office. In addition to the basic income, bonuses, commissions, overseas allowances, and other benefits are also subject to tax.

As for the benefits-in-kind (BIKs), starting January 1, 2022, they are considered as taxable income for employees and can be treated as deductible expense by employer.

Tax rates

Non-resident individuals are subject to withholding tax at a rate of 20% on Indonesia sourced income. Most income earned by individual tax residents is subjected to progressive income tax at the following rates:

Taxable Income	Rate	Tax
Up to IDR 60,000,000	5%	IDR 3,000,000
Above IDR 60,000,000 up to IDR 250,000,000	15%	IDR 28,500,000
Above IDR 250,000,000 up to IDR 500,000,000	25%	IDR 62,500,000
Above IDR 500,000,000 up to IDR 5,000,000,000	30%	IDR 1,350,000,000
Above IDR 5,000,000,000	35%	35% of the relevant amount

Effective January 1, 2024, employers must use effective tax rates in accordance with Government Regulation No. 58 Year 2023 to withhold tax on salaries during the year from January to November and recompute tax due in December on the salaries of the whole year based on progressive tax rate.

Individual taxation

Personal income tax reliefs

Allowable deductions, depending on the taxpayers' personal circumstances, are available, for resident taxpayers only, as follows:

Basis of deduction	Deductible Amount (per year, in IDR)
Taxpayer	54,000,000
Spouse	4,500,000
Each dependent (max of 3)	4,500,000
Occupational expenses (5% of gross income, max Rp500,000/month)	6,000,000
Employee contribution to BPJS Social Security for old age security savings (2% of gross Income)	Full amount
Pension Maintenance expenses (5% of gross Income, max. IDR 200,000/month)	2,400,000

Non-resident taxpayers are not required to obtain a tax identification number or to file an individual tax return. They are only taxed on Indonesian sourced income and the tax needs to be paid via the Indonesian taxpayer providing the income.

Under the Tax Administration Law, tax authorities are empowered to issue tax assessment letters if the taxpayer has not fully fulfilled tax obligations (tax liabilities not fully paid or tax return not filed).

Charitable contributions such as religious contributions or donations may be deductible if the requirements are fulfilled.

Tax obligations

Resident individual taxpayers who earn more than the annual non-taxable income (IDR 54 million) must register with the Indonesian Tax Office and obtain a tax Identification number (Nomor Pokok Wajib Pajak/NPWP). Effective June 30, 2024, the individual identification number (Nomor Induk Kependudukan/NIK) is used as NPWP.

Individual taxpayers are required to file annual income tax returns disclosing all individuals' income, assets, liabilities, and their dependents. Individual taxpayers need to file their tax returns through the Tax Authority's website (Coretax).

Property ownership in Indonesia



Property ownership in Indonesia

Property ownership is regulated in Indonesia based on different types of ownership rights:

- Right to full ownership (“Hak Milik” or HM)
- Right to use (“Hak Pakai” or HP)
- Right to build (“Hak Guna Bangunan” or HGB)
- Right to operate (“Hak Guna Usaha” or HGU)
- Right to manage (“Hak Pengelolaan” or HPL)

Indonesian citizens can acquire property through the 5 types of rights above, while companies (both local-owned or foreign-owned) can acquire property generally through right to use or right to build.

Right to use & right to build have defined period of expiry (from 25 to 30 years most commonly) and can be renewed.

Right to manage can be granted only for Government institution/official body.

Traditionally, foreigners (individuals) were not entitled by law to directly own property in Indonesia.

Since 2016 and recently updated in 2021, those rules have been eased and loosened by the Ministry of Agrarian Affairs and Spatial Planning and foreigners residing legally in Indonesia (i.e. having valid residence permit) can now own both landed houses and apartments, subject to some conditions/requirements:

- By referring to the property price requirement depending on the type of property (i.e. house or apartment) and depending on the province/regional area as regulated by the Ministry of Agrarian Affairs and Spatial Planning;
- Own maximum 2,000 m² (two thousand square meter) of land area, categorized as luxury housing for landed house;
- For certain circumstances that are deemed as economically and socially impactful, Indonesian authority may consider approval for ownership exceeding 2,000 m² (two thousand square meter) land area as above;
- For property above certain market value only (based on location);
- For apartments, it should be categorized as commercial apartments;
- Upon departure from Indonesia to reside in another country, foreigners will need to sell their property within one year.



Accounting and audit



Accounting and audit

Financial reporting framework

Indonesian Financial Accounting Standards (PSAK) are set by the Indonesian Financial Accounting Standard Board (Dewan Standar Akuntansi Keuangan or DSAK) under the Indonesian Institute of Accountants (IAI).

Under the Company Law, businesses (private and public) are required to maintain accounting records and prepare financial statements complying with the accounting standards issued by the DSAK-IAI. Indonesia's stated policy is to maintain its national accounting standards (PSAK) but these standards have effectively already converged to IFRS, with only limited/minor differences

Accounting basis and financial statements

Bookkeeping must be maintained on an accrual basis. Under the accrual basis of accounting, revenues are reported when they are earned (not when the cash is received) and expenses are recorded when they occur.

A complete set of financial statements includes:

- Balance sheet (statement of financial position);
- Profit & Loss statement (statement of comprehensive income)
- Statement of changes in shareholders' equity;
- Statement of cash flows; and
- Notes to the financial statements.

Financial statements are required to include the previous year's figures for comparison purposes.

By law, all accounting books and records must be kept for at least ten years after the end of the company's reporting period.

Accounting basis and financial statements

Generally, bookkeeping systems in Indonesia must be maintained in the Indonesian language, using the company's functional currency. International Accounting Standard 21 (IAS 21) / PSAK 10 defines functional currency as "the currency of the primary economic environment in which the entity operates". For most companies in Indonesia, the functional currency is the Indonesian Rupiah.

Accounting period

The accounting period is the calendar year, from the first of January to the end of December. Any change of financial year needs to be notified to the Ministry of Law and Human Rights and approved by the Indonesian Tax Authority.

Audit requirements

Under the Company Law, all public listed firms, state owned companies, firms handling public funds (banks, insurance companies) and companies having a turnover or total assets above IDR 50 billion must have their accounts audited by a registered Indonesian Certified Public Accountant.

Conducted audits are based on standards implemented by the Indonesian Institute of Certified Public Accountants (IAPI) which are aligned with International Auditing Standards issued by IFAC.

Auditors are required to avoid potential conflict of interests with their clients and to comply with the independence rules issued by the Ministry of Finance and IAPI.

Labor and employment



Labor and employment

Legal framework

The regulatory framework of employment in Indonesia is defined by the Law No.13/2003 on Labor, the Omnibus Law ("Labour Law") along with its implementing Regulations. These regulations serve as the main guidelines for both employers and their employees provided by the regulating authority in Indonesia which is the Ministry of Manpower.

The enactment of the Omnibus Law and its implementing regulations aims to create more flexible and attractive Indonesian labour environment for investors while still protecting Indonesian workers' rights at the same time.

Working agreement

The Labour Law stipulates that a working agreement can be made either in writing or agreed verbally, such will depend on the type of working relation that will be entered between the employer and the employee. A permanent working agreement (Perjanjian Kerja Waktu Tidak Tertentu or "PKWTT") can be agreed verbally or through a written agreement depending on the company's policy and considerations while a non-permanent working agreement (Perjanjian Kerja Waktu Tertentu or "PKWT") must be made in written form.

Working agreement shall contain, at least:

- details of the company including the name and address;
- details of the employee such as the name, age and address of the employee;
- details of the job including the position, the job requirements, the job location & placement, the start of employment date or employment period;
- the details of the benefit and allowances complete with the payment period;
- rights and obligations of both parties;
- date and place where the agreement is made; and
- affirmations of the parties in the form of signature.

Agreements that are made in written, must be made in either Indonesian language or in bilingual with the Indonesian version prevailing to the other language

Employers can assign new permanent workers on probation for no longer than three months. Non-permanent workers cannot be subject to probationary period.

Government Regulation No. 35 of 2021 ("PP 35/2021") replaces some labour law provisions as follows:

- Fixed-Term Employment (FTE) agreement now can be entered into for a maximum period of 5 years, including extension to the initial terms of FTE agreement.
- FTE agreement now must be registered online by employer at the Ministry of Manpower system at the latest 3 days after signing off the agreement;
- Fixed-Term employees are now eligible for compensation pay with the following calculation: employment period in months/12 x 1-month salary;
- Restrictions on the activities that could be outsourced are removed and protection of rights for outsourced employee, especially in case of changes of employer for employees under FTE, is specified;
- Long rest after 6 years of working period must be stated in the working agreement.

Following PP 35/2021, working agreements must end if:

- the worker passes away,
- the period expires (only for non-permanent worker/FTE worker),
- the worker enters pension age based on company terms,
- the company goes bankrupt, is closing due to continuous losses for 2 years,
- the company carries out a merger-consolidation, acquisition, or divestment,
- the employee has been absent for more than 5 working days without any explanation after the company appropriately invited employee to come to the office 3 (three) times,
- three warning letters in a row are issued in a row to one employee for violation of company regulations.

Labor and employment

Wages

Minimum wages

Employers directly employ and agree salary with their employees. However, the salary cannot be lower than the minimum wage. In Indonesia, according to the Labor Law, the minimum wage is set out by the Governor for each province and revised every year. Governors are allowed to set a district/city minimum wage based on the following conditions:

- The average of economic growth for the last 3 years at the district/city level is higher than the economic growth at provincial level
- The economic growth value after inflation in the city/district level for the last 3 years is always positive and higher than the economic growth value at province level

For 2026, the minimum wage of DKI Jakarta has been set at IDR 5,729,876 gross per month.

Non-wages income

Under Government Regulation No. 36 of 2021 (PP 36/2021), incentive is included as one of non-wages income for employee to be regulated in the employment agreement, the company regulation or collective agreement. There are 5 types of non-wages income which are as follows:

- Festive allowance
- Incentive
- Bonus
- Work facility allowance

Service allowance for certain type of industry (regulated further by each Ministry)

Determination of wage

Wages are determined by law based on work duration (hourly, daily, monthly) or work result:

1. Hourly wage = monthly wage / 126
2. Daily wage calculation:
 - or 6 working days / week = monthly wage / 25 or,
 - for 5 working days/ week = monthly wage/ 21

The wage must be determined and agreed by employee and employers in the agreement before the work starts.

Working time, overtime and annual leave

Working hours

Per law, the maximum working hours in Indonesia is 40 hours per week:

- 7 hours a day if the working period is 6 days a week
- 8 hours a day if the working period is 5 days a week

For every four hours of work, the employee is entitled to, at least, half an hour's break

Overtime

Overtime requires employee's consent and must not exceed 4 hours per day and 18 hours a week. Employers need to pay overtime work according to prevailing regulations.

Annual leave

Employers must provide employees with 12 days of annual leave per year which is exercisable from the second year of employment. In addition, employees are enjoying more than 10 days of public holiday every year, reminding Indonesian cultural diversity. Employees shall not work on official holidays except if the job must be executed continuously or in other condition based on mutual agreement between employers and employees.

Discontinuation of working relations

Employers have the obligation to pay termination compensation such as severance pay, long service pay and other compensations to permanent employees, in case of dismissal. The entitlements of compensation on reason of termination are regulated by PP 35/2021. In accordance with PP 35/2021, employers can terminate employment agreement by giving at least 14-day notice. If the termination occurs during a probation period, employers must give at least 7-day notice to employees.

Severance pay

The severance pay is the compensation employers provide to employees who have been laid off. The minimum amount of severance pay shall be calculated as follows:

Labor and employment

Severance pay

Working Period	Entitlement (Nb. of months of salary)
Less than 1 year	One month
1 year or more, but less than 2 years	Two months
2 years or more, but less than 3 years	Three months
3 years or more, but less than 4 years	Four months
4 years or more, but less than 5 years	Five months
5 years or more, but less than six years	Six months
Six years or more, but less than seven years	Seven months
Seven years or more, but less than eight years	Eight months
More than eight years	Nine months

Long-service pay

The long service pay is a reward to employees based on years of service. The minimum amount of long service pay shall be calculated as follows:

Working Period	Entitlement (Nb. of months of salary)
3 years or more, but less than 6 years	Two months
6 years or more, but less than 9 years	Three months
9 years or more, but less than 12 years	Four months
12 years or more, but less than 15 years	Five months
15 years or more, but less than 18 years	Six months
18 years or more, but less than 21 years	Seven months
21 years or more, but less than 24 years	Eight months

Social security

All employees, including expatriates who have been working in Indonesia for more than 6 months must be enrolled in the social security program. From 1 January 2014, the new social security system is administrated by the Health Agency for health insurance (BPJS Kesehatan) and the Social Security Agency for worker's social security (BPJS Ketenagakerjaan). Employees' contributions are collected monthly by employers through payroll deductions. PP 37/2021 establishes a new social net for employees losing their jobs known as Job Loss Security Program (JKP). The premium is equal to 0,46% of the employee's monthly wage. It is funded by the central government (0,22%) and by recomposing contribution of other BPJS Ketenagakerjaan programs.

Social security contribution

Social Security Scheme	Areas covered	As a percentage of regular salaries/wages	
		Borne by employers	Borne by employees
BPJS Ketenagakerjaan (Social Security)	Job Loss Security Working accident protection	0,24 - 1,74%	0,10% - 1,60%
	Death insurance	0,3%	-
	Old age saving	3,7%	2%
	Pension plan*	2%	1%
BPJS Kesehatan (Health Insurance) **		4%	1%
*Maximum calculation base is IDR 11,086,300/ month			
**Maximum calculation base is IDR 12,000,000/ month			

Employment of expatriates

The employment of expatriates in Indonesia is regulated by the Decree No. 228/2019 of the Ministry of Manpower and Transmigration and the Government Regulation No. 34 of 2021 ("PP 34/2021") regarding the Utilization of Foreign Worker.

Labor and employment

The employment of foreign workers is restricted; only certain positions can be occupied by expatriates for a limited period of time. For example, expatriates cannot assume positions in the field of human resources. In order to develop local Indonesian expertise, there are strict guidelines and requirements to fulfill by companies which want to employ foreign nationals.

The decree No.228/2019 stipulates also that the positions of Commissioners or Directors who are not managing personnel are open for Expatriates, so long as it does not contradict with any laws or regulations

Organizing a work permit in Indonesia can be a complicated and lengthy process. Company sponsorship is required for any foreigner who wants to work in Indonesia.

National, multinational or joint venture firms must, first, submit an Expatriate placement plan (RPTKA) to the Ministry of Manpower detailing their annual foreign labor requirements if they want to hire foreigners. According to the Indonesian Labor law number 13 of 2003, the expatriate assignment plan shall, at least, contain information about the reason for employing expatriates, the position and period of assignment. Once the RPTKA is approved, a work permit (IMTA) and limited stay permit (KITAS) can be issued.

During their employment period, the Government may require employers that Expatriates transfer their “expertise” to Indonesian counterparts and/or to organize education and training for the Indonesian manpower until they have the qualifications required to hold the positions occupied by foreign workers.

To ease the process of application for work and stay permits, on March 29, 2018, Presidential Regulation No.20 of 2018 was issued, followed by implementing regulation No. 10 of 2018 from Ministry of Manpower on July 11, 2018. Under the new regulation, process to apply for work and stay permit is fully online. The RPTKA is now the permit for employers to employ foreign workers and IMTA application is no longer be required. Instead, the Ministry of Manpower is issuing Notification of Foreign Worker.



Practical information



Practical information

Transportation

Indonesia is one of the largest countries in the world without a well-functioning public transportation system. Despite rapid infrastructure development in urban area, traffic congestion remains a plague in most of the large cities of the archipelago. Buses and taxis are, generally, the most common way to travel in urban areas.

But some significant improvements have been made in Jakarta/Greater Jakarta in the last few years:

- Jakarta has implemented a Bus Rapid Transit system, called TransJakarta, running in dedicated lanes to help reduce rush hour traffic.
- A train connecting Jakarta's Soekarno-Hatta International Airport, the main gateway of the country, and the city center started operating since January 2018.
- The Jakarta Mass Rapid Transit (MRT) system started operations in March 2019, with the MRT North-South Line (Phase 1) connecting Bundaran HI (Jakarta Center) to Lebak Bulus (South Jakarta). Phase 2A, extending the North-South line from Bundaran HI to Kota, is currently under construction, with trial operations expected in 2027 and full completion of the corridor by 2029. When completed, The Jakarta MRT is expected to stretch across over 108 kilometers, including 26.9 kilometers for the North-South line (from Lebak Bulus to Kota) and 87 kilometers for the East-West line (from Cikarang to Balaraja). The first segment of the East-West Line, funded through Japanese cooperation (JICA), is targeted to begin operations from 2030.
- The Jakarta Light Rail Transit (LRT) system started operations in 2019 in North Jakarta. In August 2023 the Greater Jakarta LRT system, connecting Jakarta city center with suburbs in Bekasi and Depok was inaugurated by President Joko Widodo.
- A high-speed train named "Whoosh" connecting Jakarta to Bandung started commercial operations in October 2023. This is the first high-speed railway in South East Asia with a track length of 142.3km and an operating speed of 350km/h.

GMT

There are three different time zones In Indonesia:

- Sumatra, Java and West & Central Kalimantan are 7 hours ahead of GMT (GMT+7).
- Bali, Nusa Tenggara, South & East Kalimantan and Sulawesi are 8 hours ahead of GMT (GMT+8).
- Papua and Maluku are 9 hours ahead of GMT (GMT+9).

Business hours

Government office hours are variable but are generally from 8 am to 4 pm, Monday to Friday (with a break for Friday prayers from 11.30 a.m. to 1.30 p.m.). Most central government offices follow a five-day working week and are closed on Saturday, although some regional offices may still open in the morning.

Banks are, usually, open from 8 a.m. to 3:30 p.m. Monday to Friday.

Private companies generally observe an eight-hour day – from 8 a.m. to 5 p.m. A one-hour lunch period is usually taken between noon and 1 p.m. It is important to consider Friday's prayer before setting a meeting

Practical information

Public holiday

Calendar

2026	Holiday
01-Jan-26	New Year 2026
16-Jan-26	Isra Mi'raj
16-Feb-26	Chinese New Year (Mass Leave)
17-Feb-26	Chinese New Year
18-Mar-26	Bali Hindu New Year (Mass Leave)
19-Mar-26	Bali Hindu New Year (Silence Day)
20-Mar-26	Eid Al-Fitr (Mass Leave)
21-Mar-26	Eid Al-Fitr
22-Mar-26	Eid Al-Fitr
23-Mar-26	Eid Al-Fitr (Mass Leave)
24-Mar-26	Eid Al-Fitr (Mass Leave)
03-Apr-26	Good Friday
05-Apr-26	Good Friday
01-May-26	Labour Day
14-May-26	Ascension of Jesus Christ
15-May-26	Ascension of Jesus Christ (Mass Leave)
27-May-26	Eid Al-Adha
28-May-26	Eid Al-Adha (Mass Leave)
31-May-26	Vesak Day
01-Jun-26	Pancasila Day
16-Jun-26	Islamic New Year
17-Aug-26	Independence Day
25-Aug-26	Maulid of the Prophet
24-Dec-26	Christmas (Mass Leave)
25-Dec-26	Christmas

Public Holiday 2026: these dates may be subject to changes by Indonesian authorities.

Appendix I



Appendix I

List of countries which Indonesia has signed tax treaty agreement with Indonesia and applicable withholding tax rates per January 1, 2026

WHT (%)					
Recipient	Dividends				Branch profits (8)
	Portfolio	Substantial holdings	Interest	Royalties	
Algeria	15	15	0/15	15	10
Armenia	15	10	0/10	10	10
Australia	15	15	0/10	10/15	15
Austria	15	10	0/10	10	12
Bangladesh	15	10	0/10	10	10
Belarus	10	10	0/10	10	10
Belgium	15	10	0/10	10	10
Brunei	15	15	0/15	15	10
Bulgaria	15	15	0/10	10	15
Cambodia*	10	10	0/10	10	10
Canada	15	10	0/10	10	15
China	10	10	0/10	10	10
Croatia	10	10	0/10	10	10
Czech Republic	15	10	0/12.5	0/12.5	12.5
Denmark	20	10	0/10	15	15
Egypt	15	15	0/15	15	15
Finland	15	10	0/10	10/15	15
France	15	10	0/10/15	10	10
Germany	15	10	0/10	10/15	10
Hong Kong	10	5	0/10	5	5
Hungary	15	15	0/15	15	20
India	10	10	0/10	10	15
Iran	7	7	0/10	12	7
Italy	15	10	0/10	10/15	12
Japan	15	10	0/10	10	10
Jordan	10	10	0/10	10	20
Korea (North)	10	10	0/10	10	10
Korea (South)	15	10	0/10	15	10
Kuwait	10	10	0/5	20	0/10
Laos	15	10	0/10	10	10
Luxembourg	15	10	0/10	12.5	10

WHT (%)					
Recipient	Dividends				Branch profits (8)
	Portfolio	Substantial holdings	Interest	Royalties	
Malaysia*	10	10	0/10	10	12.05
Mexico	10	10	0/10	10	10
Mongolia	10	10	0/10	10	10
Morocco	10	10	0/10	10	10
Netherlands	Oct-15	5	0/5/10	10	10
New Zealand	15	15	0/10	15	20
Norway	15	15	0/10	10/15	15
Pakistan	15	10	0/15	15	10
Papua New Guinea	15	15	0/10	10	15
Philippines	20	15	0/10/15	15	20
Poland	15	10	0/10	15	10
Portugal	10	10	0/10	10	10
Qatar	10	10	0/10	5	10
Romania	15	12.05	0/12.5	12.5/15	12.5
Russia	15	15	0/15	15	12.5
Serbia	15	15	0/10	15	15
Seychelles	10	10	0/10	10	20
Singapore	15	10	0/10	8/10	10
Slovakia	10	10	0/10	10/15	10
South Africa	15	10	0/10	10	10
Spain	15	10	0/10	10	10
Sri Lanka	15	15	0/15	15	20
Sudan	10	10	0/15	10	10
Suriname	15	15	0/15	15	15
Sweden	15	10	0/10	10/15	15
Switzerland	15	10	0/10	10	10
Syria	10	10	0/10	15/20	10
Taiwan	10	10	0/10	10	5
Tajikistan	10	10	0/10	10	10
Thailand	15/20	15/20	0/15	15	20
Tunisia	12	12	0/12	15	12
Turkey	15	10	0/10	10	10
Ukraine	15	10	0/10	10	10
United Arab Emirates	10	10	0/7	5	5
United Kingdom	15	10	0/10	10/15	10
United States of America	15	10	0/10	10	10
Uzbekistan	10	10	0/10	10	10
Venezuela	15	10	0/10	20	10
Vietnam	15	15	0/15	15	10
Zimbabwe*	20	10	0/10	15	10

Contacts

Sebastien Gautier

Managing Partner, Forvis Mazars
sebastien.gautier@forvismazars.com

Leahlyn Tapaoan Afan

Partner, Forvis Mazars
leahlyn.tapaoan@forvismazars.com

Julia Yang

Partner, Forvis Mazars
julia.yang@forvismazars.com

Forvis Mazars

Sona Topas Tower, 9th floor
Jl. Jend. Sudirman Kav.26
12920 Jakarta Selatan

Tel: +62 21 2902 6677

Forvis Mazars Global Limited is a leading global professional services network. The network operates under a single brand worldwide, with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC, an internationally integrated partnership operating in over 100 countries and territories. Both member firms share a commitment to providing an unmatched client experience, delivering audit & assurance, tax, advisory and consulting services around the world. Together, our strategic vision strives to move our clients, people, industry and communities forward.

www.forvismazars.com/id

© Forvis Mazars 2026

forv/s
mazars