

January 2024

Tax Alert

News from EY Indonesia Tax Services

Effective Tax Rates for Employee Withholding Tax under Article 21 of the Income Tax Law

In December 2023, the Indonesian Government issued regulation No 58/2023 (Government Regulation 58, “GR 58”) and the related implementing regulation, i.e. Minister of Finance regulation No 168/2023 (“MoF 168”) in relation to the Tax Rate for Withholding Income tax Art 21/26 (“WHT 21”). The regulations are effective from 1 January 2024.

The purpose of these regulations is to simplify the calculation of monthly WHT 21/26 by the employer/payer of income related to work, services, and activities. In essence, a simplified approach is used for salary/wages withholding for eleven months, with a ‘true-up’ in the December period, such that there is accurate withholding for the year.

Key aspects of GR 58 and MoF 168 are:

- ▶ The government introduced an effective tax rate (Tarif Efektif Rata-rata, “TER”) to calculate monthly WHT 21 for the period of January to November (or the month before the last working period). The TER is applied on the income for the respective month.
- ▶ The tax calculation for December (or the last working period of the employee) still uses the progressive tax rates on the total annual income after deducting the allowable deductions. Therefore, the use of TER does not change the total annual tax liability compared to previous WHT 21 calculation method.
- ▶ There are different TERs for employees who are paid on monthly basis and for individual workers paid on a daily basis.
- ▶ Monthly TERs are from 0% to 34%, calculated based on monthly gross income and categorized based on the marital status and dependent as of the beginning of tax year, detail as shown below:

TER Category	Marital status/number of dependent
TER A:	Single with no dependent (S/0)
	Single with 1 dependent (S/1)
	Married with no dependent (M/0)
TER B:	Single with 2 dependents (S/2)
	Single with 3 dependents (S/3)
	Married with 1 dependent (M/1)
	Married with 2 dependents (M/2)
TER C:	Married with 3 dependents (M/3)



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- ▶ Daily TER is applied for non-permanent employee and calculated based on daily gross income that refers to daily or weekly wages.
- ▶ The list of Monthly TER and Daily TER is attached.
- ▶ “Zakat” or religious donation which is mandatory by religions acknowledged by the Indonesian governments is considered as allowable deduction for the WHT 21 calculation as long as it is paid through the employer to the religious institution authorized by the government.
- ▶ Annualization of income is still required for an employee who starts their Indonesian tax residency after 1 January or ends their Indonesian tax residency before 31 December. The annualization is now only will be done in calculating in December or in the last working period.
- ▶ If the total monthly tax withheld prior to the last tax period is higher than the total annual tax liability, employers must return the over tax withheld to the employee, along with providing the form 1721 A1. As for the employers, the overpayment could be carried forward to the next periods of WHT 21 monthly tax return.
- ▶ The employee is required to report all income, including the non-tax object income on their individual income tax return. In relation to this, employers would need to provide information of non-tax object income i.e., exempted Benefit in Kind (“BIK”) to the employees.

Impact on employers and next steps

Employers will need to modify their payroll calculation processes and systems to accommodate the changes and it is suggested that the company to socialize this with employees. The changes to monthly tax calculation mechanisms using the estimated effective tax rates will impact the monthly take home pay of employees that are paid on gross basis, compared to what they use to receive prior to introduction of the TER. Companies may need to communicate the changes in advance to address this and to ensure seamless transition to the new method.

As mentioned above, there is no overall additional tax burden or increase of tax liability for the employee as the result of the changes on WHT21 calculation. However, it is most likely that the TER mechanism adopted on the monthly WHT21 will have impact on the final amount of WHT 21 calculated either at the year end or at the end of employment. There may be some potential scenarios leading to over-deduction of WHT21 resulting from the TER method.

For Zakat or mandatory religion donation, as the deductibility requires the payment to be made by employer, companies may need to set up a process to facilitate the payment of Zakat.

With regard to the implementation of tax on BIK under the Government Regulation Number 55 Year 2022 (“GR 55”) and Minister of Finance Regulation Number 66 Year 2023 (“MoF 66”), employers need to make sure that such BIK components are also included as part of the gross income in the monthly TER WHT21 calculation. In this regard, for employee’s tax reporting purposes companies may need to set up a process to compile the data of BIK provided to employees - both the taxable and non-taxable BIK. Note that as per MoF 66, for corporate income tax purposes, companies need to maintain a list of BIK provided to employees.

EY will continue to monitor the developments on employee withholding tax regulations. If you have any questions, we encourage you to contact one of our Tax Professionals.

TER for WHT 21 based on GR-58/2023

Monthly TER

TER A = S/0, S/1 and M/0

No	Gross Income Layer (Rp)		TER A
1	Up to	5.400.000	0.00%
2	5.400.001	5.650.000	0.25%
3	5.650.001	5.950.000	0.50%
4	5.950.001	6.300.000	0.75%
5	6.300.001	6.750.000	1.00%
6	6.750.001	7.500.000	1.25%
7	7.500.001	8.550.000	1.50%
8	8.550.001	9.650.000	1.75%
9	9.650.001	10.050.000	2.00%
10	10.050.001	10.350.000	2.25%
11	10.350.001	10.700.000	2.50%
12	10.700.001	11.050.000	3.00%
13	11.050.001	11.600.000	3.50%
14	11.600.001	12.500.000	4.00%
15	12.500.001	13.750.000	5.00%
16	13.750.001	15.100.000	6.00%
17	15.100.001	16.950.000	7.00%
18	16.950.001	19.750.000	8.00%
19	19.750.001	24.150.000	9.00%
20	24.150.001	26.450.000	10.00%
21	26.450.001	28.000.000	11.00%
22	28.000.001	30.050.000	12.00%

No	Gross Income Layer (Rp)		TER A
23	30.050.001	32.400.000	13.00%
24	32.400.001	35.400.000	14.00%
25	35.400.001	38.100.000	15.00%
26	38.100.001	43.850.000	16.00%
27	43.850.001	47.800.000	17.00%
28	47.800.001	51.400.000	18.00%
29	51.400.001	56.300.000	19.00%
30	56.300.001	62.200.000	20.00%
31	62.200.001	68.600.000	21.00%
32	68.600.001	77.500.000	22.00%
33	77.500.001	89.000.000	23.00%
34	89.000.001	103.000.000	24.00%
35	103.000.001	125.000.000	25.00%
36	125.000.001	157.000.000	26.00%
37	157.000.001	206.000.000	27.00%
38	206.000.001	337.000.000	28.00%
39	337.000.001	454.000.000	29.00%
40	454.000.001	550.000.000	30.00%
41	550.000.001	695.000.000	31.00%
42	695.000.001	980.000.000	32.00%
43	980.000.001	1.400.000.000	33.00%
44	more than	1.400.000.000	34.00%

TER B = S/2 & M/1; S/3 & M/2

No	Gross Income Layer (Rp)		TER B
1	Up to	6.200.000	0.00%
2	6.200.001	6.500.000	0.25%
3	6.500.001	6.850.000	0.50%
4	6.850.001	7.300.000	0.75%
5	7.300.001	9.200.000	1.00%
6	9.200.001	10.750.000	1.50%
7	10.750.001	11.250.000	2.00%
8	11.250.001	11.600.000	2.50%
9	11.600.001	12.600.000	3.00%
10	12.600.001	13.600.000	4.00%
11	13.600.001	14.950.000	5.00%
12	14.950.001	16.400.000	6.00%
13	16.400.001	18.450.000	7.00%
14	18.450.001	21.850.000	8.00%
15	21.850.001	26.000.000	9.00%
16	26.000.001	27.700.000	10.00%
17	27.700.001	29.350.000	11.00%
18	29.350.001	31.450.000	12.00%
19	31.450.001	33.950.000	13.00%
20	33.950.001	37.100.000	14.00%

No	Gross Income Layer (Rp)		TER B
21	37.100.001	41.100.000	15.00%
22	41.100.001	45.800.000	16.00%
23	45.800.001	49.500.000	17.00%
24	49.500.001	53.800.000	18.00%
25	53.800.001	58.500.000	19.00%
26	58.500.001	64.000.000	20.00%
27	64.000.001	71.000.000	21.00%
28	71.000.001	80.000.000	22.00%
29	80.000.001	93.000.000	23.00%
30	93.000.001	109.000.000	24.00%
31	109.000.001	129.000.000	25.00%
32	129.000.001	163.000.000	26.00%
33	163.000.001	211.000.000	27.00%
34	211.000.001	374.000.000	28.00%
35	374.000.001	459.000.000	29.00%
36	459.000.001	555.000.000	30.00%
37	555.000.001	704.000.000	31.00%
38	704.000.001	957.000.000	32.00%
39	957.000.001	1.405.000.000	33.00%
40	more than	1.405.000.000	34.00%

$$\text{TER C} = M/3$$

No	Gross Income Layer (Rp)		TER C
1	Up to	6.600.000	0,00%
2	6.600.001	6.950.000	0,25%
3	6.950.001	7.350.000	0,50%
4	7.350.001	7.800.000	0,75%
5	7.800.001	8.850.000	1,00%
6	8.850.001	9.800.000	1,25%
7	9.800.001	10.950.000	1,50%
8	10.950.001	11.200.000	1,75%
9	11.200.001	12.050.000	2,00%
10	12.050.001	12.950.000	3,00%
11	12.950.001	14.150.000	4,00%
12	14.150.001	15.550.000	5,00%
13	15.550.001	17.050.000	6,00%
14	17.050.001	19.500.000	7,00%
15	19.500.001	22.700.000	8,00%
16	22.700.001	26.600.000	9,00%
17	26.600.001	28.100.000	10,00%
18	28.100.001	30.100.000	11,00%
19	30.100.001	32.600.000	12,00%
20	32.600.001	35.400.000	13,00%
21	35.400.001	38.900.000	14,00%

No	Gross Income Layer (Rp)		TER C
22	38.900.001	43.000.000	15,00%
23	43.000.001	47.400.000	16,00%
24	47.400.001	51.200.000	17,00%
25	51.200.001	55.800.000	18,00%
26	55.800.001	60.400.000	19,00%
27	60.400.001	66.700.000	20,00%
28	66.700.001	74.500.000	21,00%
29	74.500.001	83.200.000	22,00%
30	83.200.001	95.600.000	23,00%
31	95.600.001	110.000.000	24,00%
32	110.000.001	134.000.000	25,00%
33	134.000.001	169.000.000	26,00%
34	169.000.001	221.000.000	27,00%
35	221.000.001	390.000.000	28,00%
36	390.000.001	463.000.000	29,00%
37	463.000.001	561.000.000	30,00%
38	561.000.001	709.000.000	31,00%
39	709.000.001	965.000.000	32,00%
40	965.000.001	1.419.000.000	33,00%
41	more than	1.419.000.000	34,00%

Daily TER

Daily Effective Rate

Daily Gross Income	Daily TER
<= Rp450,000	0% x daily gross income
> Rp450,000 – Rp2,5 Million	0,5% x daily gross income

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