

Indonesia

1. Government requirements

Registration requirements

Tax registration and payroll tax withholding: Companies with employees will have payroll tax withholding obligation on the taxable remuneration provided to the employee. For the remittance and the reporting of the tax withheld, the company would need to have a tax identification (ID) number. Obtaining this tax ID number is one of the requirements for setting up a company. There is no specific tax ID number for payroll tax withholding purposes only.

Company registration for social security: Any company which employs people is required to enroll employees in Indonesia's social security program called BPJS. To be able to enroll the employee, the company must register first with the Badan Penyelenggara Jaminan Sosial (BPJS). There are two BPJS, i.e., BPJS Kesehatan (BPJS-Health Care) and BPJS Ketenagakerjaan (BPJS-Worker). The company must register with these two BPJS offices. Certain forms need to be completed and signed by the company's officer for the registration. The documents that need to be attached to the registration form are the company's notarial deed, company's tax ID card, statement of company's domicile.

Ongoing compliance requirements

Monthly payroll tax (Income Tax Article 21 withholding): A company, as employer, has payroll tax obligation on monthly basis. The company is required by law to calculate the tax payable on taxable remuneration provided to its employees and other taxable individuals, withhold the tax payable, remit the tax withheld to the State Treasury and then report the tax withheld on the monthly payroll tax return to the tax office. The form of tax return is Form 1721. The remittance is due by the 10th of the following month and the filing is due by the 20th. The tax rates for tax resident are at progressive rates of 5% - 30% and for nonresident is a flat rate of 20%. There is no different tax treatment for local national and expatriate employees. The key is whether the individual is considered as resident or nonresident. There is no annual payroll tax reporting. The December monthly reporting served as annual calculation as the reporting would include the total income during the respective calendar year.

Social security (BPJS obligation): After the company has registered and enrolled its employees in the BPJS program, the company would need to remit and report the total contribution (of employer and employee contributions), to the nominated bank for BPJS contribution payment purposes. The payment of BPJS health care is due by the 10th of the month, the payment of BPJS-Worker is due by the 15th of the following month.

2. Pension requirements

Registration requirements

There is no separate pension registration required. The BPJS-Worker program covers the pension program. Nonetheless, there are companies which also set up other pension programs for their employees, in addition to the mandatory BPJS-Worker program.

Ongoing compliance requirements

Indonesia social security

The social security program in Indonesia is called BPJS. On the basis of the current regulation, it is mandatory for expatriate employees to participate in this program if they work in Indonesia for more than six months.

There are two types: health care or "BPJS Kesehatan" and Worker social security or "BPJS Ketenagakerjaan." The regulation states that BPJS contributions are made and calculated based on certain percentage of the employee's wages. Currently the employee's wages are interpreted as "regular income i.e., salary payments and other fixed monthly allowances" so that irregular income such as bonus or stock option income are not commonly included as the basis for BPJS contribution.

The following table illustrates the percentage of contribution amount.

Program	Contribution amount (%)			
	Employer		Employee	
Social worker benefits (BPJS Ketenagakerjaan)				
Occupational Accident Benefit (JKK)	0.24 to 1.74	(Depending on type of industry of the company)	-	
Death Benefits (JKM)	0,3		-	
Old-Age Pension (JHT)	3,7		2.0	
Pension Contribution (JP) (expatriates not mandatory for this program)	2.0	Up to a maximum of IDR175,092 per month	1.0	Up to a maximum of IDR87,546 per month
Health care benefits (BPJS Kesehatan)				
From January 2020 onward	4.0	Up to a maximum of IDR480,000 per month	1.0	Up to a maximum of IDR120,000 per month

3. Employment obligations

There is no mandatory employee insurance program other than the BPJS health care and BPJS worker as mentioned above.

Leave days: An employee under the manpower regulation is entitled to annual leave, minimum 12 working days per year, after the employee continuously worked with the company for 12 months.

Rest hour: The company must give rest hours, a minimum of half hour after working for four hours. The rest time is not considered work hour. The working hours is maximum 40 hours per week (7 hours per day if there are 6 working days per week or 8 hours per day if there are 5 working days per week).

Minimum wages: There is a minimum wage requirement which varies on the basis of the local government regulations.

Differential treatment for permanent staff/contracted staff: Contract employment is only allowed for certain type of work for maximum period of three years. There is no probation period for contract employee. If the contract is terminated before the contract period ends, the employer must pay compensation up to the end of the contract.

4. Payroll requirements

Payroll requirement: There is no specific regulation related to the payment frequency. It would depend on the company policy or as per employment contract.

Payslip: There is no requirement for the company to issue payslip to each employee. However, it is a general and good practice that the company issue payslip, or make it available whenever the employee requests for such slip.

Payment from parent company: It is possible for payroll to remain with the parent company, but it should be properly arranged and certain document should be in place to avoid unnecessary tax exposure.

5. Banking requirements related to payroll

Payment in Indonesian rupiah (IDR): Salary payment made by the company to its employees, including to expatriate employees must be in IDR.

Foreign currency: Foreign exchange from IDR to USD is maximum USD25,000/month/customer if there are no underlying transactions. However, if there is underlying transaction such as repayment of loan, paying school or medical fee outside Indonesia, such limitation does not apply.