

Indonesia

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1. Types of tax

1.1 Inheritance tax and tax on gifts during lifetime

Indonesia does not levy inheritance or gift tax.

Regarding tax on gifts, Indonesian income tax law stipulates that grants or gifts from the parent directly to the children (or vice versa) or gifts received are not taxable as long as there is no business or employment relationship.

1.2 Gift tax

There is no gift tax in Indonesia (but see Section 1.1 regarding when gifts from the parent directly to the children or vice versa may be taxable under the income tax law).

1.3 Real estate transfer tax

The transfer of real estate (i.e., land and building) is subject to a final tax of 5% of the gross proceeds (being the higher of the actual transfer price or the tax object sale value for land and building tax assessment purpose (NJOP)). The transfer of a basic house (*rumah sederhana*) and basic flat (*rumah susun sederhana*) by a taxpayer whose main business is the transfer of land and/or building, is subject to a final tax of 1%.

1.4 Endowment tax

There is no endowment tax in Indonesia.



1.5 Acquisition duty

A land and building acquisition duty of 5% is payable on the gross proceeds when a person obtains rights to land or a building with a value greater than IDR60 million. A number of exemptions apply, including on transfers in connection with transfers to relatives.

1.6 Net wealth tax

There is no net wealth tax. However, Indonesian income tax law states that net increment in wealth originating in income not yet subject to tax is taxable. In the Indonesian individual income tax return, the individual taxpayer is required to declare assets and liabilities. The tax office may assess additional income tax should there be any net increment of the assets, such as from income not yet reported on the tax return.

2. Who is liable?

2.1 Residency/domicile

Resident taxpayer

Under Indonesian tax law, an individual is qualified as an Indonesian tax resident if the individual:

- Domiciles in Indonesia
- Is present in Indonesia for more than 183 days within a 12-month period
- or
- Is present in Indonesia during a calendar year with the intention to reside in Indonesia

Resident taxpayers are taxed on their worldwide income.

Nonresident taxpayer

Nonresident taxpayers are taxed only on Indonesia-sourced income only.

3. Rates

As Indonesia does not have any inheritance, gift, endowment and net wealth tax, this is not applicable.

For real estate transfer tax, the final tax rate for resident taxpayers is as follows:

- 1% for the transfer of a basic house (*rumah sederhana*) and basic flat (*rumah susun sederhana*) by a taxpayer whose main business engages in the transfer of land or building
- 5% for the transfer of land or building other than above

In addition, the table below shows the income tax rate for a resident taxpayer who receives other taxable income.



The tax rate for a nonresident taxpayer who receives Indonesian-sourced income is a final tax of 20%.

For real estate transfer tax, an exemption is available under the following conditions:

- The due date of the payment for the land and building transfer tax is before the deed of transfer is signed by the authorized official. If the transfer of the land and building is done by a taxpayer engaged in the business of sale and purchase of land and building, the tax payment is due before the deed of transfer is signed by the authorized official or by the 15th of the following month after payment received.

The due date of filing is by the 20th of the following month after the transfer is incurred or the payment is received.

Furthermore, the individual is required to report the above in his or her individual income tax return. Please note that it is for reporting purposes only; there will be no additional tax on the transfer of real estate. The filing due date is on 31 March of the following year.

Late payment of tax will be subject to a penalty of 2% per month on tax due, which is calculated from the due date until the date when the tax is paid for a maximum of 24 months, which is payable upon issuance of a tax collection notice from the tax authority. Late filing of the annual tax return is subject to a penalty of IDR100,000 per annual tax return, payable upon issuance of a tax collection notice from the tax authority.

See Section 1.3.

Not applicable, as there is no tax on inheritance and gifts.



8. Grants

The granting of assets received by immediate descendants and blood relatives (e.g., parents to children or children to parents), or by any religious body or educational body, social charity body, including a foundation, cooperative, or individual running a micro or small-scale business, as stipulated by the Minister of Finance, to the extent that there is no linkage of business, employment, ownership and control between the parties, is not taxable.

9. Life insurance

Insurance premium paid by Indonesian employer to the insurance company is taxable income (i.e., subject to employee income tax withholding: the progressive tax rate is applied, i.e., 5% to 30%). If it is paid by the individual, the premium paid is not deductible when calculating the tax. Further, when the individual receives the benefit directly from the insurance company, the amount received is not taxable to the individual.

10. Civil law on succession

10.1 Estate planning

This may not be applicable in Indonesia because there is no inheritance tax.

10.2 Succession

Under Indonesian law, there are two ways to receive an inheritance: as heirs based on the laws or appointed in a testament.

10.3 Forced heirship

This would depend on the rules that are followed when distributing the inheritance, which can be based on religion (Islamic inheritance rule), culture (many Indonesian tribes have their own rule in inheritance) or Indonesian inheritance law.

10.4 Matrimonial regimes and civil partnerships

The assets acquired during marriage become the property of the spouses equally. For assets owned before the marriage, the right is fully with the spouse who brought the assets. For assets granted to a spouse during marriage, the right is also fully with the spouse who received the grant (gift), unless he or she agreed otherwise.

A prenuptial agreement to separate the ownership of the assets acquired during the marriage is possible.

10.5 Intestacy

Under Indonesian law, there are two ways to receive an inheritance: as heirs based on the laws or appointed in a testament.

11. Estate tax treaties

Indonesia does not have any estate tax treaties.