

Indonesia

Contacts

Jakarta

EY

Indonesia Stock Exchange Building
Tower 1, 14th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Indonesia

Bambang Suprijanto

bambang.suprijanto@id.ey.com
+62 21 5289 5060

Kartina Indriyani

kartina.indriyani@id.ey.com
+62 21 5289 5240

1. Types of tax

1.1 Inheritance tax and tax on gifts

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 given directly to the children or vice versa may be taxable under the income tax law).



1.3 Real estate transfer tax

Starting 7 September 2016, the transfer of real estate (i.e., land and building) is subject to a final tax of 2.5% of the gross proceeds (i.e., 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%. The transfer of real estate for public interest by the government is subject to a final tax of 0%.

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 may apply to certain transactions or events. The acquisition duty is governed by regional tax regulation.

1.6 Net wealth tax

There is no net wealth tax. However, Indonesian income tax law states that an 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 increment of the assets, such as from income not yet reported on the tax return.





4. Exemptions and reliefs

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

- ▶ The transfer of land and/or building as part of the gift by parent directly to children (or vice versa)
- ▶ The transfer of land and/or building as part of inheritance
- ▶ The transfer of land and/or building when the transfer value is less than IDR60 million by an individual whose annual income is less than the threshold of non-taxable income (i.e., IDR54 million)
- ▶ The transfer of land and/or building as part of a gift by an individual or corporate to a religious organization, education foundation and social organization
- ▶ The transfer of land and/or building in the case of a tax-neutral merger or a tax-neutral spin-off granted by the Minister of Finance

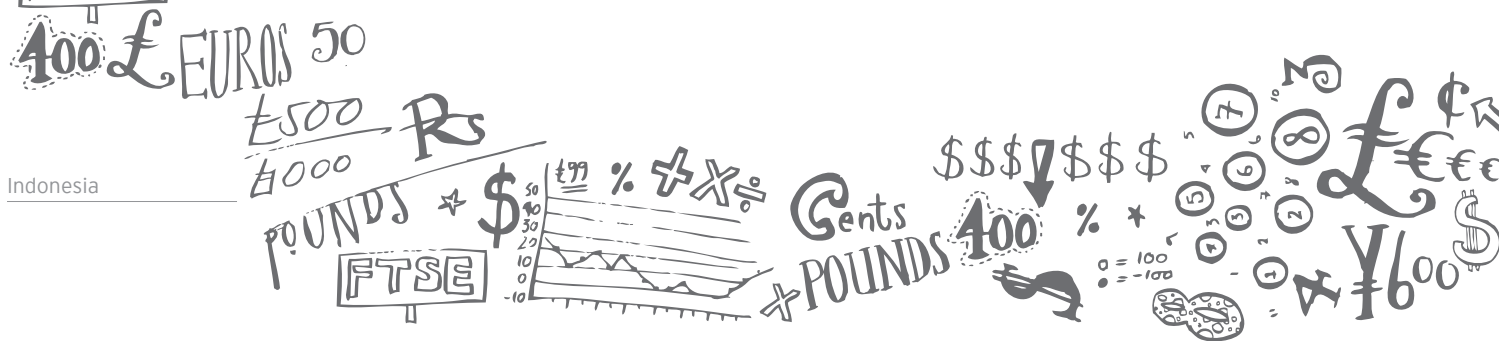
5. Filing procedures

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 is received.

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

The due date for filing is by the 20th of the following month after the transfer is incurred or the payment is received. Late filing of the monthly tax return is subject to a penalty of IDR100,000, payable upon issuance of a tax collection notice from the tax authority.

Furthermore, the individual is required to report the transactions 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 annual filing due date is 31 March of the following year. Late filing of the annual tax return is subject to a penalty of IDR100,000, payable upon issuance of a tax collection notice from the tax authority.



6. Assessments and valuations

See Section 1.3.

7. Trusts, foundations and private purpose funds

Not applicable. Indonesia does not recognize the trust concept, and there is no specific tax regulation concerning trusts, foundations and private purpose funds.

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 institution or educational institution, social charity institution, 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

An insurance premium paid by an Indonesian employer to an 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 there is a claim for a life insurance benefit, the amount received is not taxable to the beneficiary.

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.