

# Indonesia

## Contacts

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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.

### 1.3 Real estate transfer tax

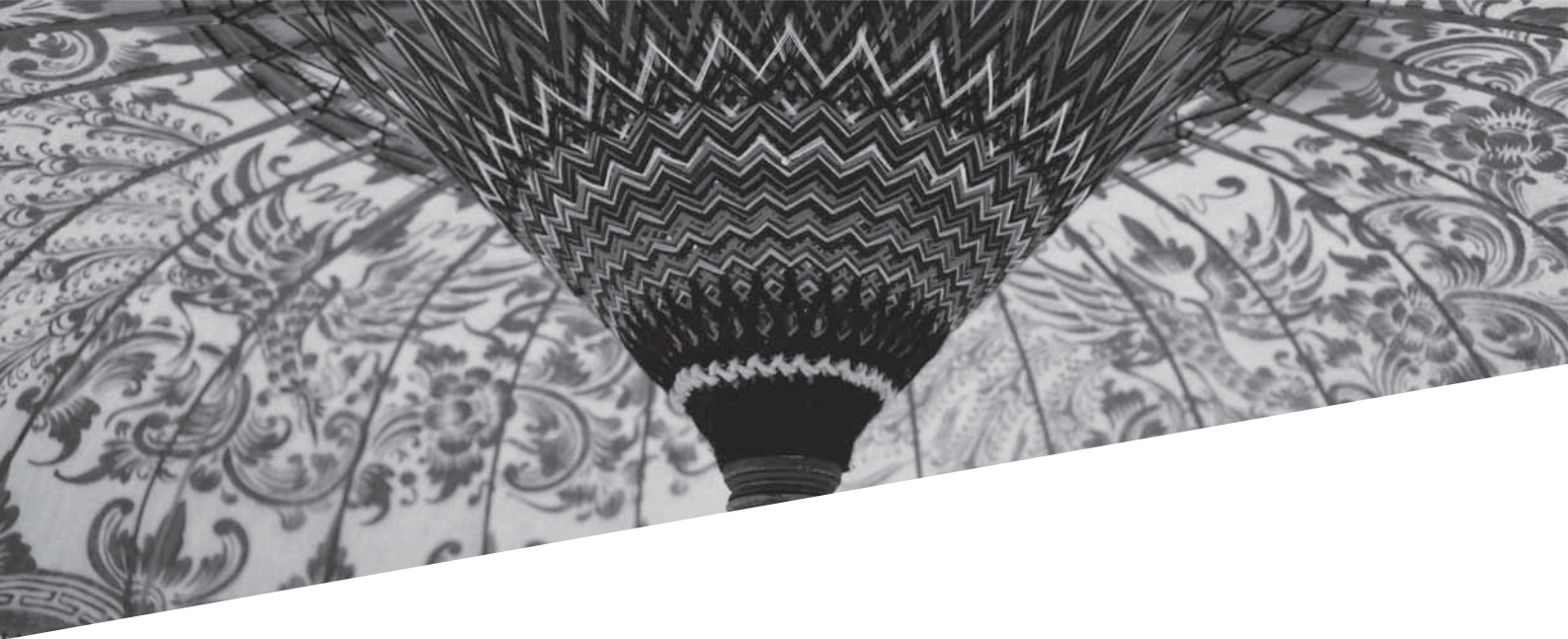
The transfer of the real estate (i.e., land and building) is subject to final tax of 5% of the gross proceeds. The transfer of a basic house (*rumah sederhana*) and basic flat (*rumah susun sederhana*) by a taxpayer whose main business is the transfer land and/or building, is subject to final tax of 1%.

### 1.4 Endowment tax

There is no endowment tax in Indonesia.

### 1.5 Transfer duty

A land and building acquisition duty of 5% is payable 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, the 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

Based on the 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 12-month period
- Or
- Is present in Indonesia during a calendar year with the intention to reside in Indonesia

The resident taxpayers are taxed on their worldwide income.

### Nonresident taxpayer

Nonresident taxpayers are only taxed 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 taxpayer is as follows:

- 1% for the transfer of basic house (*rumah sederhana*) and basic flat (*rumah susun sederhana*) by a taxpayer whose main business engages to transfer 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.

Taxable income bracket (IDR)	Tax rate (%)
Up to 50 million	5%
Over 50 million-250 million	15%
Over 250 million-500 million	25%
Over 500 million	30%



## 4. Exemptions and reliefs

- ▶ The transfer of land or building as part of the gift by parent directly to children (or vice versa).
- ▶ The transfer of land or building as part of inheritance.
- ▶ The transfer of land or building which 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., IDR24.3 million).
- ▶ The transfer of land or a building as part of a gift by an individual or corporate to a religious organization, education foundation and social organization.

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

## 6. Assessments and valuations

## 7. Trusts, foundations and private purpose funds

## 8. Grants

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## 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 in 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 really be applicable in Indonesia because there is no inheritance tax.

### 10.2 Succession

Based on the law, there are two ways to receive the 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 in distributing the inheritance, which can be based on the religion (Islamic inheritance rule), culture (many Indonesian tribes has their own rule in inheritance) or Indonesian inheritance law.

### 10.4 Matrimonial regimes and civil partnerships

The assets acquired during the 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

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

## 11. Estate tax treaties

Indonesia does not have any estate tax treaties.