



Global Mobility Services Bulletin

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Stricter Taxation Benefits for Individuals Based on The Omnibus Law

To provide further instructions based on the Omnibus Law, the Minister of Finance issued Regulation No. 18/PMK.03/2021 (“PMK-18”) on 17 February 2021. This Regulation provides further details on taxation of non-resident Indonesian citizens and of “newly-arrived” expatriate tax residents of Indonesia.

A New Foreign Taxpayer Qualifications Application and Approval Required for Indonesian Citizens Working Overseas

Under PMK-18, Indonesian nationals working overseas for more than 183 days in a 12-month period must now submit an application to the Director General of Taxation (DGT) via their registered Tax Office to qualify as a foreign taxpayer.

Compared to PER-43, PMK-18 has stricter requirements on having a permanent home, a center of vital interest and a habitual abode, as well as the status of the taxpayer and other criteria outside Indonesia.

The 6-page application requires the taxpayer to attach supporting documents, including a Certificate of Domicile from the host country. The Head of the Tax Office (on behalf of DGT) will review the application and provide a response within 30 days.

If approved, the taxpayer receives a notification letter confirming that he/she qualifies as a foreign taxpayer, whose offshore income is not taxable in Indonesia until their tax status changes.

Although the Regulation was issued earlier this year, this requirement applies retroactively to November 2020.

Territorial-based Taxation of Expatriates with Certain Expertise Qualifications

Qualified expatriates are exempt from worldwide income taxation in Indonesia for their first 4 tax years. However, remuneration received by these expatriates for work performed in Indonesia must be reported as taxable in Indonesia, regardless of where it is paid.

In order to qualify for exemption from worldwide income taxation in Indonesia, certain expertise in the fields of science, technology and/or mathematics is required, which must be proven by having:

1. A certificate of expertise from a government-appointed institution;
2. A certificate of education; and/or
3. At least five years of work experience in one of the above fields of expertise.

In addition, they must hold certain positions related to their field of expertise which refers to the International Standard Classification of Occupations (ISCO) or KBJI.

In order to be exempt from worldwide income taxation, they must submit an application to the DGT via their registered Tax Office. The Head of Tax Office (on behalf of DGT) will review the application and provide a response within 10 days.

KPMG Note:

- The PMK-18 requirement for Indonesian citizens working overseas to obtain approval to be classified as Foreign Taxpayers came as a surprise. Previously, based on PER-43/PJ/2011, taxpayers were allowed to self-assess whether they qualified as Indonesian tax residents. Now, they have limited time to submit the application (within six months after the tax year end) and, if not approved, they must report their overseas income in Indonesia. However, once the application is approved, the non-resident individual does not need to re-apply in subsequent years.
- The four-year tax exemption for newly arrived taxpayers was one of the most anticipated regulations of the Omnibus Law. However, PMK-18 disappoints as it provides a much greater limitation than expected, as the exemption is only allowed for expatriates who are experts in the fields of science, technology and/or mathematics – as stated in their work permit application. Hence, only a very limited number of individuals qualify to apply for and receive this exemption.

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