



Dissecting Recent Adjustments of the Income Tax Calculation Scheme



Inside the Issue

Government Introduces New Calculation for Income Tax
Article 21 • MIB 2024 January Events • Monthly National and International Tax Highlights



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Insight Article



Government Introduces New Calculation for Income Tax Article 21

The new year is greeted by the Directorate General of Taxes' decision to implement a new calculation method for Income Tax Article 21 withholders.

How does this affect individuals and businesses?

Government Introduces New Calculation for Income Tax Article 21

How much does it affect companies?

The new year is commonly linked to the idea of a fresh start: new ideas, new plans, and prevalent within the tax industry, new regulations to follow through. One certain regulation that shook up the tax industry is the new calculation scheme that will be implemented for withholding Income Tax Article 21.

How does this affect employees and corporations? Will companies have to maintain higher costs? How would this affect year-end fiscal audits? Find out more in this issue of our monthly newsletter.

The Imposition of Income Tax Article 21 on Individuals and Corporations

Income tax is a tax imposed on the income received by a tax subject in each fiscal year. Income tax itself is divided into various kinds, depending on certain provisions, such as its tax subjects. In this case, the tax subject is divided into two umbrella terms: individual taxpayers and corporate taxpayers.

For both individuals and corporate taxpayers, there is a tax obligation that must be fulfilled each month and year. For individual taxpayers, it is the form of paying their taxes.

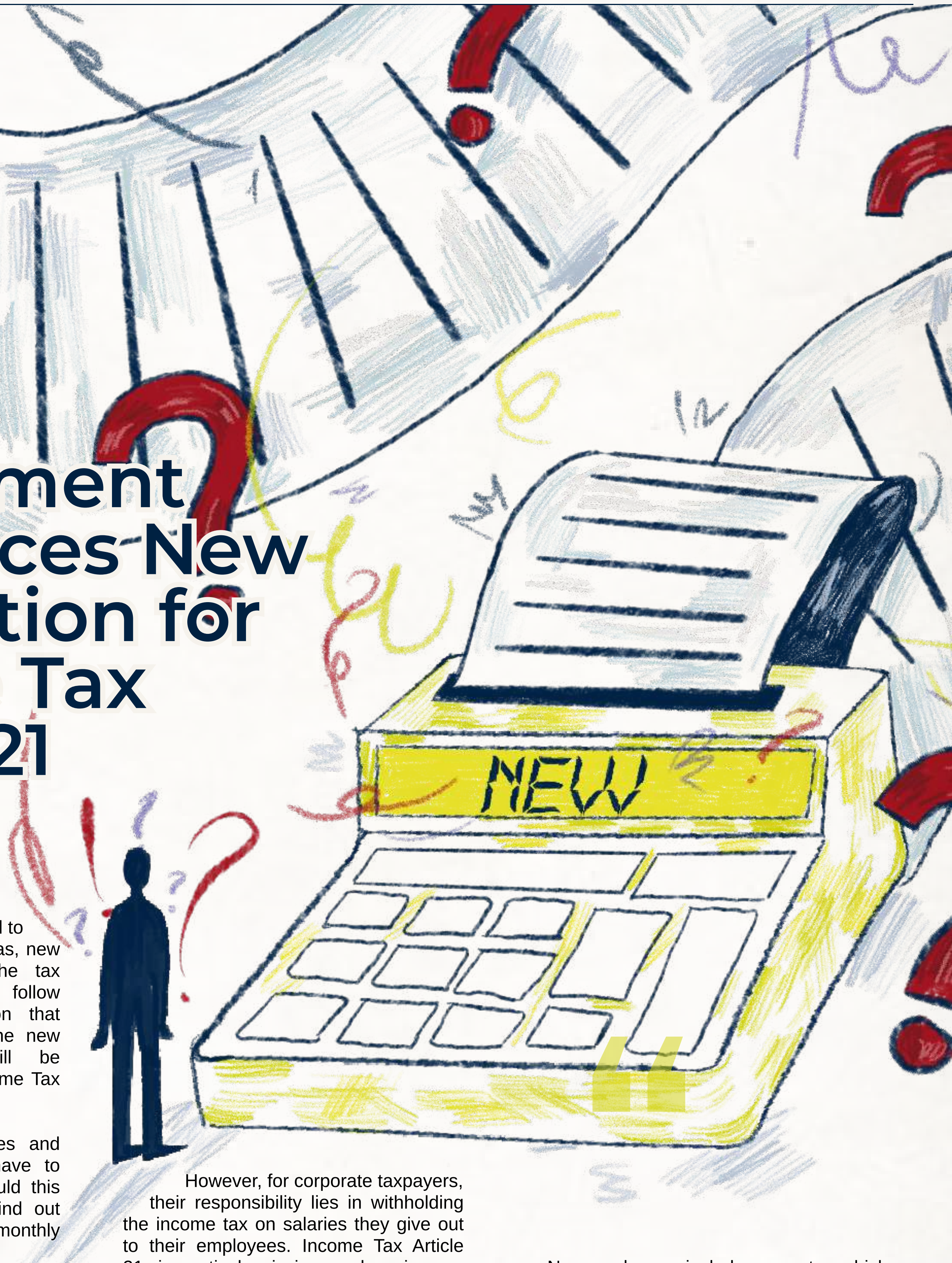
However, for corporate taxpayers, their responsibility lies in withholding the income tax on salaries they give out to their employees. Income Tax Article 21, in particular, is imposed on income received by employees, pensioners, and other types of tax subjects as long as their income is subjected to tax.

Referring to Article 3 Minister of Finance Regulation No. 168 Year 2023, individual taxpayers which become the subject of Article 21 and/or Article 26 includes as follows:

1. Permanent Employee;
2. Pensioner;
3. Board of Commissioner member or Board of Supervisor member which received irregular income;
4. Non-Permanent Employee;
5. Non-Employee;
6. Event Participant;
7. Pension program participant which is still an employee;
8. Former Employee.

Non-employee include experts which carry freelance (lawyer, accountant, architect, doctor, consultant, notary, official certifier of title deeds, appraisers, and actuaries), musician, presenter, singer, comedian, entertainer, model, dancer, influencer, selebgram, other artist, athlete, author, researcher, translator, service provider, advertising agency, supervisor or project manager, sales, insurance agent, and distributor.

Whilst, Event participants include competition participants in all fields, meeting participants, conference participants, hearing participants, gathering participants, work visit participants, workshop participants, participants in a committee as organizer of certain activities, education participants, training participants, and intern participants.



In addition, Article 5 of Minister of Finance Regulation No. 168 Year 2023 stipulates the type of incomes which subjected to Income Tax Article 21 and/or Article 26 as follows:

1. Income received or earned by Permanent Employee include regular income and irregular income;
2. Income received or earned by Pensioner regularly in the form of pension income or similar income;
3. Irregular Honorarium received by Board of Commissioner member or Board of Supervisor;
4. Income received by Non-Permanent Employee include:
 - a. daily wages;
 - b. weekly wages;
 - c. piece wages;
 - d. piecework wages;
 - e. wages that received or earned on a monthly basis;
5. Honorarium received by Non-Employee related to the freelance work or services, in the form of:
 - a. honorarium;
 - b. commission;
 - c. fee; and
 - d. similar income;
6. Honorarium received by Event Participant, in the form of:
 - a. pocket money or allowance;
 - b. representation compensation;
 - c. conference compensation;
 - d. honorarium;
 - e. prizes or awards; and
 - f. similar income;
7. Pension benefits or similar income which is partially taken by pension program participants who still have status as employees;
8. Income or honorarium received or earned by Former Employee, in the form of:
 - a. production services;
 - b. tantiem;
 - c. gratification as regulated in Income Tax Law;
 - d. bonus; and
 - e. other irregular income.

In January 2024, the Indonesian government decided to introduce a new calculation scheme for Income Tax Article 21. The new scheme, regulated in the Ministry of Finance Regulation No. 168 Year 2023 and Government Regulation No. 58 Year 2023, is imposed in hopes of simplifying the calculation of tax withholding for withholders. In addition, the new calculation scheme is hoped to provide easiness for tax withholders to calculate payable Income Tax Article 21.

What's new for Income Tax Article 21 calculation?

It was previously mentioned that the new calculation scheme for Income Tax Article 21 is regulated in the Ministry of Finance Regulation No. 168 Year 2023 and Government Regulation No. 58 Year 2023

In this regulation, it is mentioned that the calculation for Income Tax Article 21 will now use a method called Average Effective Rate also known as "TER."

TER is divided into two types: daily and monthly rates. The differentiation between the two is to accommodate employees who are paid daily or non-permanent employees. Furthermore, the monthly TER is divided into three categories depending on taxpayers' marital status and dependants. In more detail, each category will contain different rates depending on taxpayers' income, as seen in the table below:

PTKP Status	Gross Income	Effective Rate
Monthly Effective Rate		
Category A	TK/0 TK/1 K/0 IDR5,400,000 – >IDR1,400,000,000	0%–34%
Category B	TK/2 TK/3 K/1 K/2 IDR6,200,000 – >IDR1,405,000,000	0%–34%
Category C	K/3 IDR6,600,000 – >IDR1,419,000,000	0%–34%

In addition to monthly TER, daily TER is also divided into two categories solely based on the amount received by taxpayers each day, as seen below:

Gross Income	Effective Rate
IDR0–IDR450,000	0%
IDR450,001–IDR2,500,000	0,5%

The Directorate General of Taxes added that the calculation of Income Tax Article 21 using TER will only be implemented to calculate monthly income imposed with the tax, except for the last tax period. To calculate Income Tax Article 21 for the last tax period, tax withholders must use the rate mentioned in Article 17(1) of the Income Tax Law.

However, different types of employees call for different tax calculation formulas. Based on the type of employee, the formula applied will either be one of these formula:

- **Gross Income x Monthly/Daily Effective Rate**
- **Gross Income x Income Tax Article 17 Rate**
- **Gross Income x 50% x Income Tax Article 17 Rate**
- **Gross Income x 20% or following Tax Treaty provisions.**

How does this change affect taxpayers?

There have been concerns regarding the use of TER to calculate Income Tax Article 21, especially considering the simplification of the original calculation scheme. Taxpayers have voiced concerns about how by the end of the year, taxpayers will be obligated to pay a higher tax amount in comparison to the other 11 months.

Previously, the Directorate General of Taxes explained that the development of TER as the new calculation scheme for Income Tax Article 21 considers all factors including non-taxable income, health expenses, and other deductible expenses. Therefore, the simplification of the scheme is made to ensure that taxpayers won't have to face tax underpayment or overpayment and will only have to pay as close to their payable tax as possible.

The taxpayers' concerns, however, are valid. Based on simulations of various income levels (following the categories mentioned in TER), different taxpayers are prone to a certain tax facade. One taxpayer might have a lower tax cut in the early months but have a higher tax cut by the end of the year, causing confusion as it seems that the government is withholding higher tax. However, this could also be applicable vice versa as it is also possible that taxpayers will receive a higher tax cut in the early months and a lower tax cut by the last month. Therefore, individual taxpayers are encouraged to keep an eye out for their taxes and ensure that they are informed regarding the difference in cuts in different months.

Does this mean that the new scheme will impact corporations' expenses and their bookkeeping?

Yes and no. Essentially, corporations as tax withholders are obligated to conduct bookkeeping as part of their annual income tax returns filing process. Failure to conduct and enclose bookkeeping documents will result in sanctions following the provisions in the Tax Law.

Prior to the use of TER, corporations as tax withholders should take into account several deductible expenses to calculate periodical tax to withhold. However, TER is a scheme that has already taken into account the possible expenses and non-taxable income, streamlining the calculation process. By using this, corporations can smoothly use the pre-determined formula and apply the correct rate for different income ranges.

This meant that there would be no additional expenses or tax borne by the corporations.

However, corporations should take note of the difference in withheld tax for different employees as there would potentially be differences in used TER.

The government through the Directorate General of Taxes stresses that there is no additional tax expense from using the TER scheme. The imposition of Income Tax Article 21 has been implemented for a long time and there are no changes, except by using TER, the government hopes that the withholding calculations will be simpler and easier for tax withholders to use.

How to apply the new calculation scheme for Income Tax Article 21?

Income Tax Article 21 Calculation for Permanent Employee

Mr. A works in PT ABC, Mr. A is married and has no dependents. During 2024, Mr. A receives income as follows:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Basic Salary (IDR)	10	10	10	10	10	10	10	10	10	10	10	10
Allowance (IDR)	20	20	20	20	20	20	20	20	20	20	20	20
Holiday Allowance (IDR)												60
Bonus (IDR)							20					
Overtime Pay (IDR)		5			5							
Working Accident Insurance (JKK) and Death Insurance (JKM) Premi (IDR)	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Gross Income (IDR)	30.08	35.08	30.08	30.08	35.08	30.08	50.08	30.08	30.08	30.08	30.08	90.08

**in million Rupiah*

Working Accident Insurance (JKK) Premi and Death Insurance (JKM) Premi per month is paid by PT ABC for Mr. A for each amounting 0,50% and 0,30% of Mr. A's salary component. Pension insurance paid by PT ABC for Mr. A amounting IDR 200.000 per month, while pension insurance paid by Mr. A through PT ABC amounting IDR 100.000 per month. During 2024, Mr. A paid Zakat amounting IDR 200.000 per month through PT ABC to Amil Zakat Foundation authorized by the government.

Based on the Mr. A's Personal Exemption status (K/0), the amount of Article 21 Income Tax deductions on income received by Mr. A is calculated by category A of TER.

Income Tax Article 21 Calculation for Mr. A during 2024 is as follows:

Income Tax Article 21 Calculation for January–November 2024			
Month	Gross Income	TER (Category A)	Income Tax Article 21 (IDR)
Jan	30,080,000	13%	3,910,400
Feb	35,080,000	14%	4,911,200
Mar	30,080,000	13%	3,910,400
Apr	30,080,000	13%	3,910,400
May	35,080,000	14%	4,911,200
Jun	30,080,000	13%	3,910,400
Jul	50,080,000	18%	9,014,400
Aug	30,080,000	13%	3,910,400
Sep	30,080,000	13%	3,910,400
Oct	30,080,000	13%	3,910,400
Nov	30,080,000	13%	3,910,400

Income Tax Article 21 Calculation for Last Tax Period (December 2024)		
Annual Gross Salary	IDR 450,960,000	
Deduction:		
Functional Cost (5% x IDR450.960.000)*	IDR 6,000,000	
Pension Insurance (12 x Rp100.000)	IDR 1,200,000	
Zakat (12 x Rp200.000)	IDR 2,400,000	
	(IDR 9,600,000)	
Annual Net Income		IDR 441,360,000
Personal Exemption (K/0)		(IDR 58,500,000)
Annual Taxable Income		IDR 382,860,000

**Functional cost for one fiscal year are a maximum of IDR 6,000,000*

How to calculate Income Tax Article 21 for Permanent Employees? >

Income Tax Article 21 Calculation		
5%	IDR 60,000,000	IDR 3,000,000
15%	IDR 190,000,000	IDR 28,500,000
25%	IDR 132,860,000	IDR 33.215.000
Total		IDR 64,715,000
Income Tax Article 21 which has been deducted until November 2024		(IDR 50,120,000)
Income Tax Article 21 which has been deducted until November 2024		IDR 14,595,000

Income Tax Article 21 Calculation for Non-Permanent Employee which received Daily Wages

Mr. D works in PT DEF, in January 2024 Mr. D assembled the machine for 20 days and received daily wages of IDR500.000 per day.

Income Tax Article 21 Calculation for Mr.D

- Based on daily gross income of IDR500.000, the amount of Income Tax Article 21 deductions on income received by Mr. D is calculated by daily effective rate for 0,5%.
- Income Tax Article 21 on income received by Mr. D per day is as follows:

Daily Effective Rate	Daily Gross Income (IDR)	Income Tax Article 21 (IDR)
0.5%	500,000	2,500

Income Tax Article 21 Calculation for Non-Permanent Employee which received Monthly Basis Income

Mrs. C is a fruit picker which works under PT Z. Mrs. C is not married and has no dependents. Mrs. C receives income from PT Z on a monthly basis based on the harvest amounts she obtained. During 2024, Mrs. C received income as follows:

Month	Gross Income (IDR)
Jan	4,000,000
Feb	7,000,000
Mar	1,000,000
Apr	7,000,000
May	8,000,000
Jun	6,000,000
Jul	7,000,000
Aug	8,000,000
Sep	6,000,000
Oct	9,000,000
Nov	2,000,000
Dec	8,000,000

Based on the Mrs. C's Personal Exemption status (K/0), the amount of Article 21 Income Tax deductions on income received by Mrs. C is calculated by category A of TER.

Income Tax Article 21 Calculation for Mrs. C during 2024 is as follows:

Month	Gross Income	TER (Category A)	Income Tax Article 21 (IDR)
Jan	4,000,000	0%	0
Feb	7,000,000	1,25%	87,500
Mar	1,000,000	0%	0
Apr	7,000,000	1,25%	87,500
May	8,000,000	1,5%	120,000
Jun	6,000,000	0,75%	45,000
Jul	7,000,000	1,25%	87,500
Aug	8,000,000	1,5%	120,000
Sep	6,000,000	0,75%	45,000
Oct	9,000,000	1,75%	157,500
Nov	2,000,000	0%	0
Dec	8,000,000	1,5%	120,000

Income Tax Article 21 Calculation for Non-Employee

Ms. X is a freelancer who works as a content creator primarily in the beauty field. During her career as a beauty influencer, Ms. X receives various endorsements from PT BDZ to promote their skin care products. During 2024, Ms. X received income as follows:

Month	Gross Income (IDR)
Jan	45,000,000
Feb	49,000,000
Mar	47,000,000
Apr	40,000,000
May	44,000,000
Jun	52,000,000
Jul	40,000,000
Aug	35,000,000
Sep	45,000,000
Oct	44,000,000
Nov	43,000,000
Dec	40,000,000

How does Income Tax Article 21 for Non-Employees get calculated? >



Income Tax Article 21 deduction for income received by Non-Employee is calculated with tax rate in Article 17 of Income Tax Law. Referring to Article 12 of Minister of Finance Regulation No. 168 Year 2023, the tax based on Income Tax Article 21 for Non-Employee is 50% of total gross income.

Income Tax Article 21 Calculation for Ms. X as Non-Employee during 2024 is as follows:

Month	Gross Income	Tax Based (IDR)	Tax Rate based on Article 17 of Income Tax Law	Income Tax Article 21 (IDR)
(1)	(2)	3 = 50% x (2)	(4)	(5) = (3) x (4)
Jan	45,000,000	22,500,000	5%	1,125,000
Feb	49,000,000	24,500,000	5%	1,225,000
Mar	47,000,000	23,500,000	5%	1,175,000
Apr	40,000,000	20,000,000	5%	1,000,000
May	44,000,000	22,000,000	5%	1,100,000
Jun	52,000,000	26,000,000	5%	1,300,000
Jul	40,000,000	20,000,000	5%	1,000,000
Aug	35,000,000	17,500,000	5%	875,000
Sep	45,000,000	22,500,000	5%	1,125,000
Oct	44,000,000	22,000,000	5%	1,100,000
Nov	43,000,000	21,500,000	5%	1,075,000
Dec	40,000,000	20,000,000	5%	1,000,000



Additional Insights

Unavailability of Form 1721-A1 Feature in e-Bupot 21/26

Following the issuance of Directorate of General Tax Regulation Number PER-2/PJ/2024, e-Bupot 21/26 officially serves as the replacement of e-SPT Income Tax 21/26 starting from January 2024. On the other hand, the implementation of e-Bupot 21/26 raises technical issues related to the Form 1721-A1 feature. This issue arises since the e-Bupot 21/26 application does not accommodate the preparation of the Employee Income Tax Slip for permanent employees or pensioners who received the periodic pension income (1721-A1 Form). The latest information from Kring Pajak states that taxpayers need to check the 1721-A1 feature periodically since the feature is not yet available.

What is Form 1721-A1?

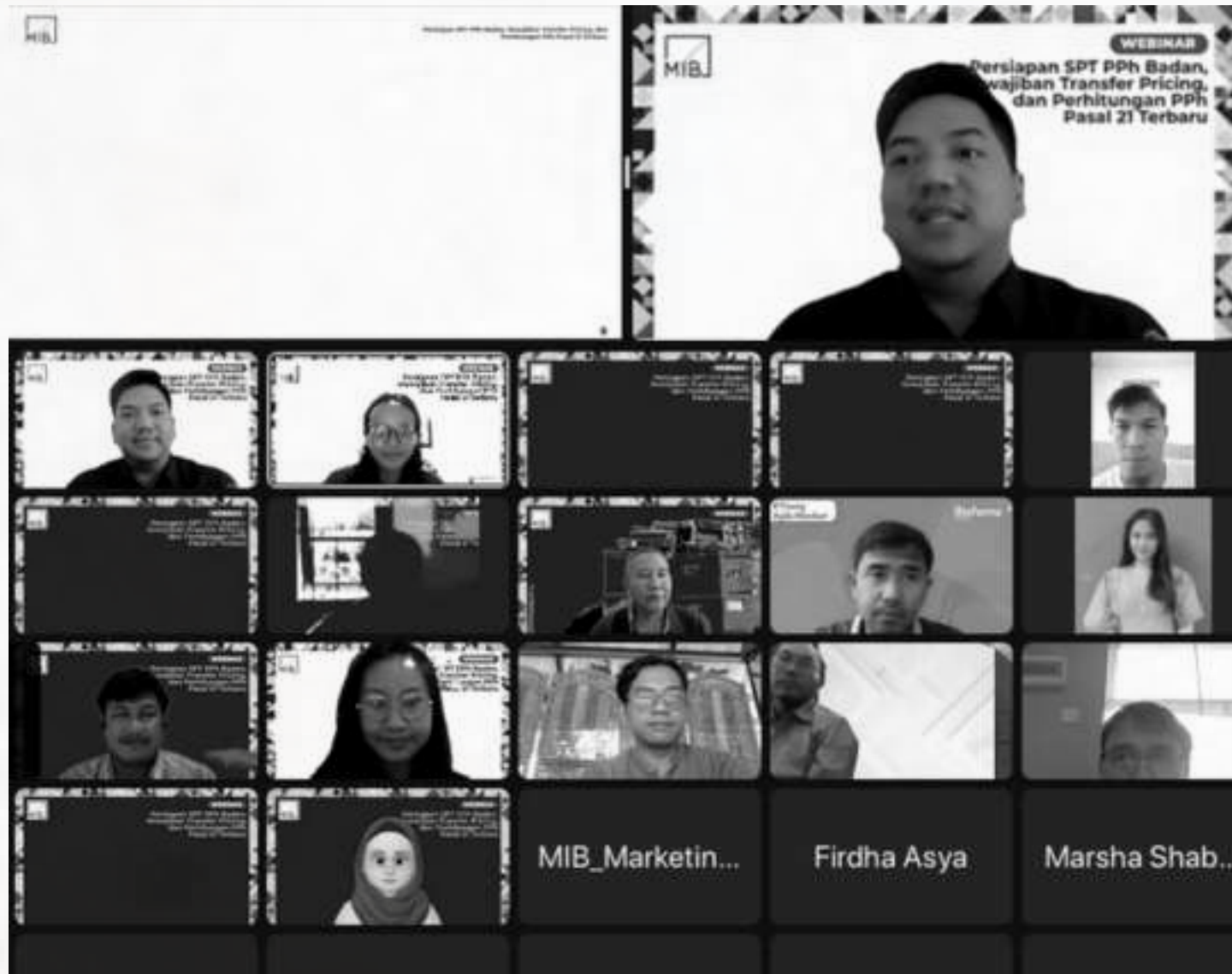
Generally, Form 1721-A1 is generated in the last tax period, which is in December. However, Form 1721-A1 must be created in the event a permanent employee quits in the mid-year. Referring to Article 2 of Directorate of General Tax Regulation Number PER-2/PJ/2024, the 1721-A1 must be given to employees no longer than one month after the last tax period.

Corporations should take note of the difference in withheld tax for different employees as there would potentially be differences in used TER.



MIB Events Highlights

MIB held a series of webinar events focusing on different topics such as Transfer Pricing and Annual Tax Returns in January 2024.



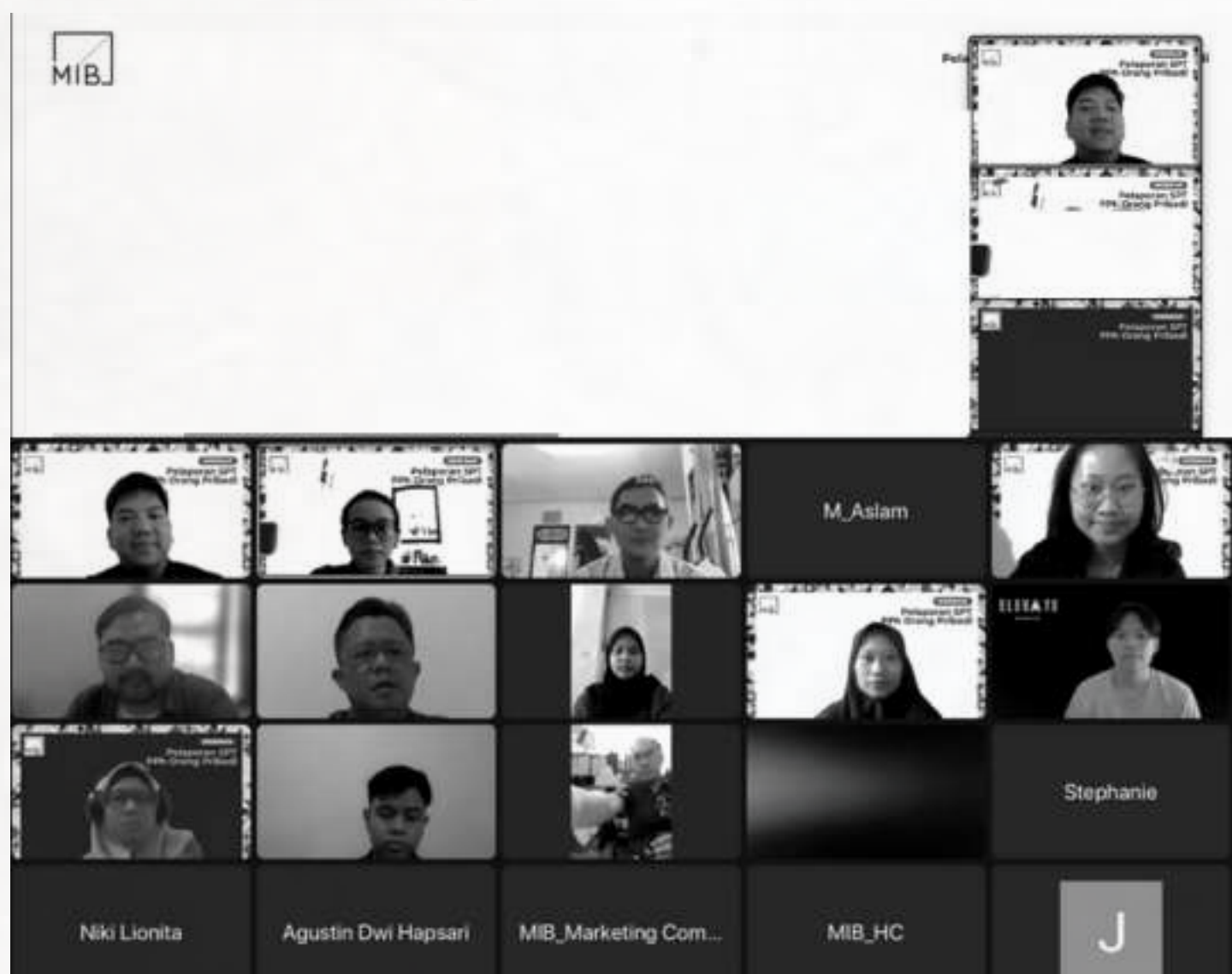
17.01.2024

Wednesday

Providing Assistance in Corporate Tax, Transfer Pricing, and Income Tax Art. 21

MIB held its first event in 2024, a webinar to discuss the topics of annual corporate tax filing, transfer pricing duties, and the new calculation scheme for Income Tax Article 21.

[> Read more here](#)



24.01.2024

Wednesday

Individual Taxpayers Ecstatic To Learn Annual Tax Returns

MIB aims to provide education to all kinds of taxpayers, including individual taxpayers that have yet to understand the process and the responsibilities of filing their annual income tax returns.

In this event, MIB assists individual taxpayers in learning income tax returns.

[> Read more here](#)



31.01.2024

Wednesday

Taxpayers Learn the Importance of Tax Audit & Tax Objections

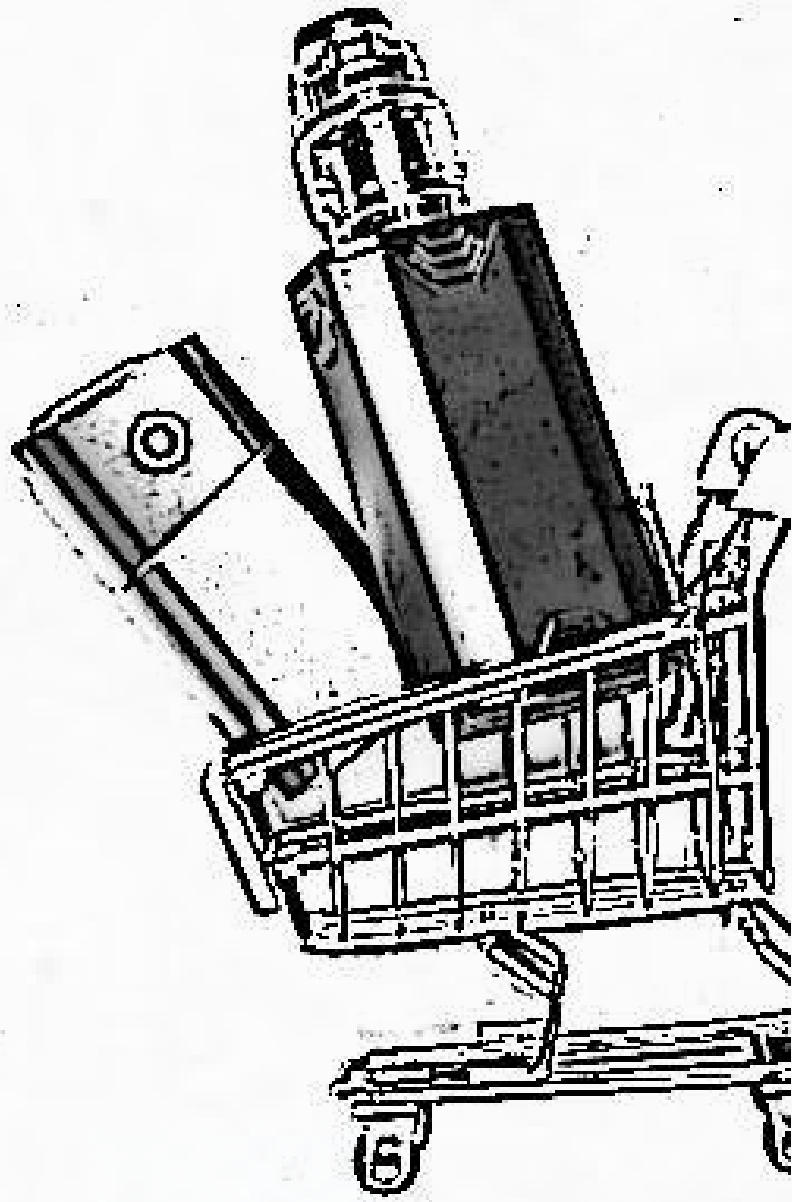
MIB closes off the series of events for January 2024 webinars with the event that discusses the process of tax audit and how to respond to it, which can be done by filing a tax objection.

In this webinar, MIB focuses on the technical side of tax audit and tax objection process, ensuring that taxpayers

January 2024

Monthly Highlights

The new year calls for new regulations and previous regulations to be implemented fully for both central and local tax government. They influence each other, and kicked off the start to a new and hopefully improved tax environment in Indonesia. Here are several highlights for January 2024.



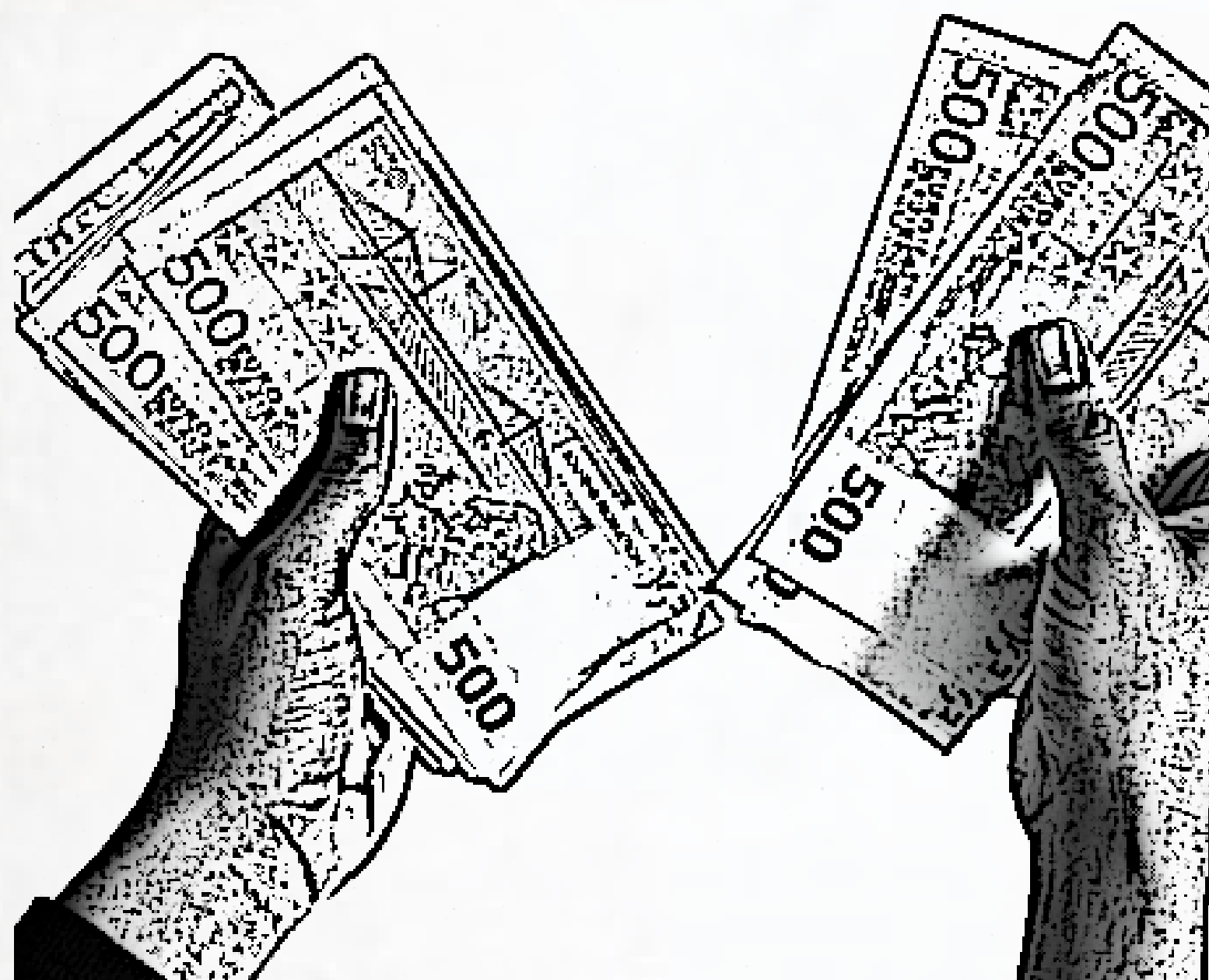
Electric Cigarettes Tax In Effect From January 2024

The imposition of tax on electric cigarettes is officially in effect with the issuance of the Ministry of Finance Regulation No. 143 Year 2023. The regulation is hoped to provide an additional IDR175 billion a year based on simulations.

The tax rate that is imposed by the government resides at 10% of the excise rate of cigarettes, which is rated at 15%. The government plan to impose tax on electric cigarettes is also based on the need to control the consumption of cigarettes in society.

Electric cigarettes, as researched by the government, has the potential to decrease the health of the people.

[> Read more here](#)



The 2023 Collected Tax Revenue Exceeds Target, Amounts To IDR1,869.23 Trillion

The government reports that the collected amount of tax revenue for the 2023 period exceeded the targets in both the 2023 State Budget and Presidential Decree No. 75 Year 2023. The collected tax revenue exceeds the target by collecting 108.8% and 102.8% respectively.

The highest contributor of the tax revenue is Non-oil and gas income tax, which collected IDR993 trillion and increased 7.9% from previous year's revenue.

For 3 consecutive years, Indonesian tax revenue has exceeded 100%.

[> Read more here](#)

Next read

11 New Calculation Scheme for Income Tax Art. 21 Applicable From 2024

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Local Government Changes Several Tax Rates for DKI Jakarta

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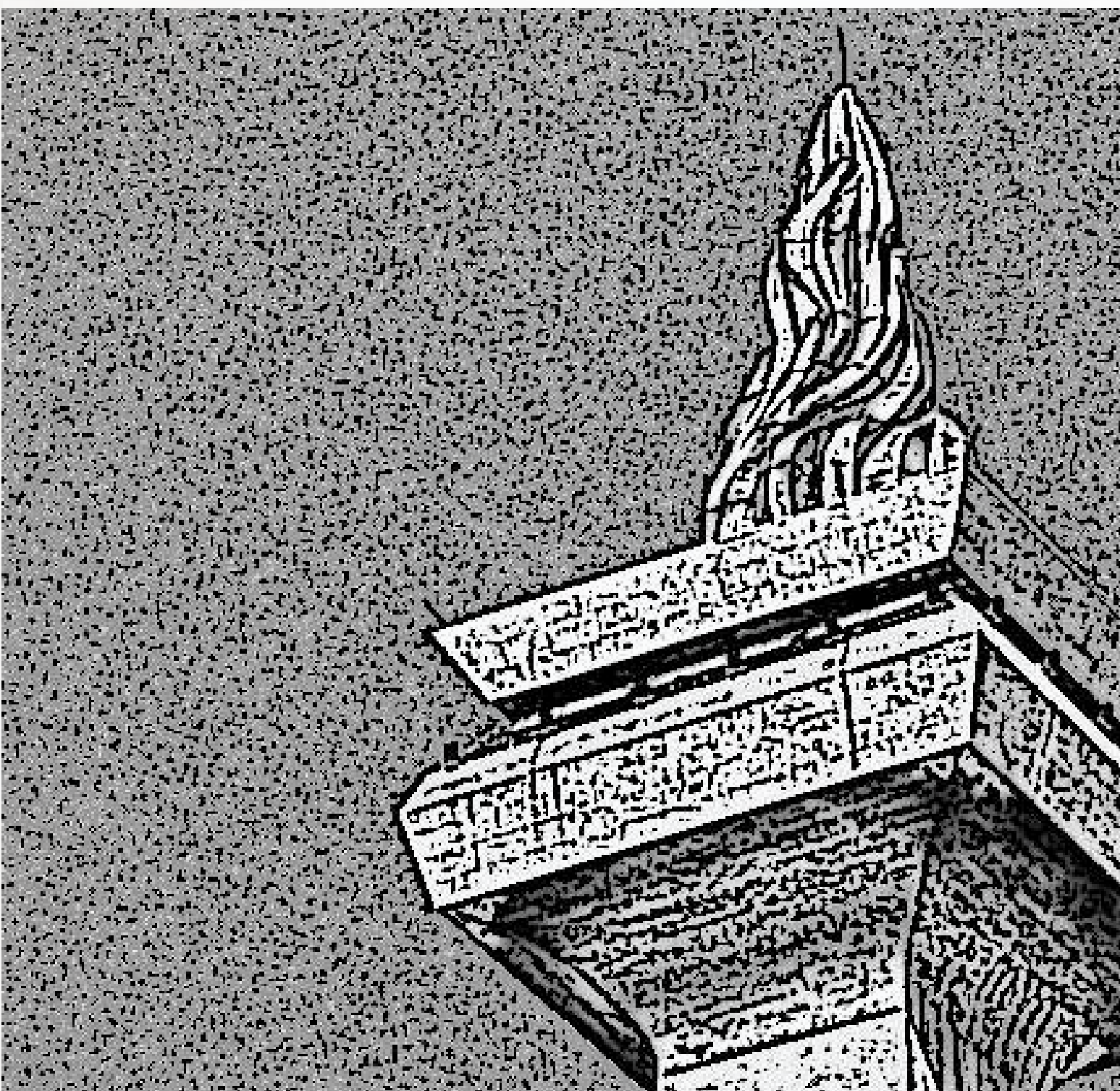
New Calculation Scheme for Income Tax Art. 21 Applicable From 2024

The government officially imposed and decided to run a new calculation scheme concerning Income Tax Article 21. Provisioned under the Ministry of Finance Regulation No. 168 Year 2023, the usage of effective rate or "TER" on income tax calculation will be employed starting from 2024.

The new scheme uses several factors as calculation basis, including the marital status of taxpayers, their monthly income, and their fundraising obligations.

The new scheme is hoped to simplify calculation for tax withholders.

[> Read more here](#)



Local Government Changes Several Tax Rates for DKI Jakarta

Through the issuance of Local Government Regulation No. 1 Year 2024, the government of DKI Jakarta, changes several tax rates to follow the stipulation within the HKPD Law.

Changes in the tax rates include new vehicle tax rates ranging from 2% to 6%, which will be in effect starting from 2025, and entertainment tax rates, which both increased and decreased depending on the types of entertainment.

[> Read more here](#)

Next read

12

Brand New e-Bupot Application for Income Tax Art. 21/26 Launched

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International Tax Highlights

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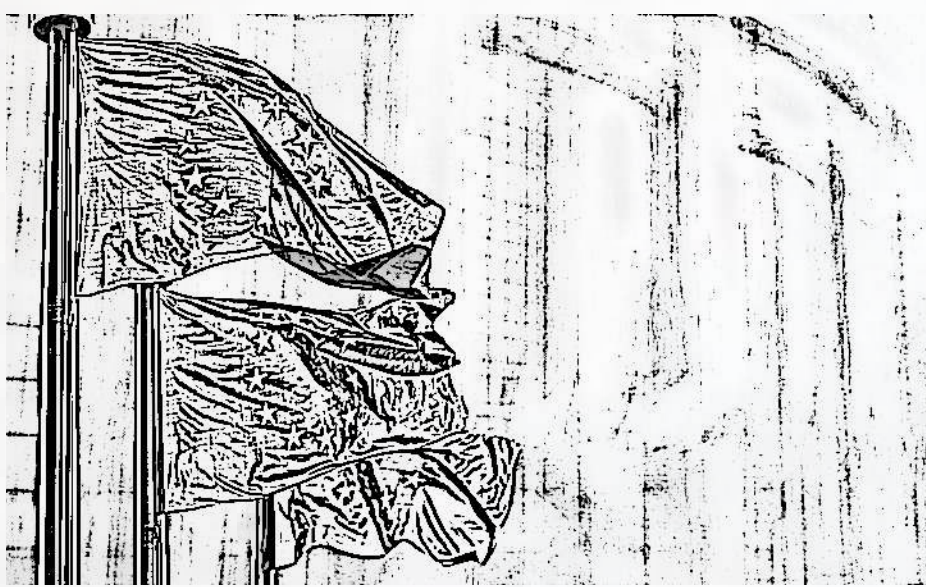


Brand New e-Bupot Application for Income Tax Art. 21/26 Launched

The Directorate General of Taxes released a new application for tax withholders to produce withholding tax slip and report monthly tax returns for Income Tax Article 21/26.

The launch of the new application is coincidental with the issuance of the Directorate General of Tax Regulation No. PER-2/PJ/2024. Tax withholders are obligated to use the application following certain conditions, including bulk-producing tax withholding slips.

[> Read more here](#)



The EU Became the First State Union to Implement Pillar 2

The countries and jurisdictions within the European Union ("EU") became the first to implement Pillar 2 of Global Taxation. Pillar 2 mentions the implementation of minimum effective tax rate imposed on multinational companies.

[> Read more here](#)



Malaysia Deals Out Tax Incentives for Capital Gains

The Malaysian government is exempting the tax imposition on capital gains and incomes in the form of trust from foreign countries starting from January 2024.

[> Read more here](#)



South Korea to Continue Tax Incentives for OLED Companies

The South Korean government plans to continue the tax incentives given out to companies within the chips, hidrogens, and screens industry.

[> Read more here](#)

Tax Calendar

February 2024



Tax Calendar

February 2024

MON	TUE	WED	THU	FRI	SAT	SUN
29	30	31	1	2	3	4
5	6	7	8 <small>Isra Mi'raj 1445 H</small>	9	10 <small>Lunar New Year</small>	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	1	2	3
4	5	6	7	8	9	10

Reminders

- 8 February 2024** Isra Mi'raj Prophet Muhammad PBUH
- 10 February 2024** Lunar New Year
- 12 February 2024** Payment Deadline : January 2024 Art. 4(2), 15, 21/26, 22, & 23/26 Income Tax
- 15 February 2024** Payment Deadline : January 2024 Art. 25 Income Tax, SME Final Income Tax, & Self-Assessed VAT
- 20 February 2024** Filing Deadline : January 2024 Art. 4(2), 15, 21/26, 22, 23/26, & 25 Income Tax
- 29 February 2024** Payment and Filing Deadline : January 2024 VAT

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