

HOW TO NAVIGATE TAX COMPLIANCE IN INDONESIA

A COMPREHENSIVE GUIDE FOR BUSINESS
OWNERS AND DECISION-MAKERS



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→ EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Indonesia's evolving tax compliance landscape imposes a rigorous set of obligations on businesses of every scale. Companies must understand and adhere to a self-assessment regime governed by the Directorate General of Taxes (DGT), encompassing corporate and individual income tax, value-added tax (VAT), and withholding obligations.

The digitalization of tax administration, frequent regulatory updates, and the increasing scrutiny from authorities make robust internal systems and proactive compliance strategies essential for operational stability and risk mitigation. This guide presents a clear, authoritative reference to support business owners, executives, and compliance professionals in effectively managing Indonesia's core tax obligations.

→ OVERVIEW OF THE REGULATORY FRAMEWORK

OVERVIEW OF THE REGULATORY FRAMEWORK

Self-Assessment System:

Indonesia enforces a self-assessment tax regime. Taxpayers, both individuals and entities, must self-calculate, report, and pay their tax obligations according to prevailing regulations, under oversight of the Directorate General of Taxes (Direktorat Jenderal Pajak/DGT) of the Ministry of Finance.

Role of DGT:

DGT administers central government taxes including Income Tax (Pajak Penghasilan/PPh), Value Added Tax (Pajak Pertambahan Nilai/PPN), and Stamp Duty (Bea Materai). Regional/local taxes are managed separately by provincial/district governments.

Payroll Taxes:

Payroll-related obligations are primarily handled through a Withholding Tax (WHT) mechanism, with the employer acting as the statutory withholder for employee Income Tax (PPh 21) and Social Security contributions (BPJS).

CORPORATE INCOME TAX (PPH BADAN)

Taxpayers:

All legal entities deriving income from Indonesia—including PT (Perseroan Terbatas), PMA (foreign investment companies), branches, and representative offices.

Rate:

The standard corporate income tax rate is 22% (2025), with certain incentives or reductions for qualifying public companies and SMEs (Small and Medium-sized Enterprises).

Tax Base:

Calculated as gross income minus allowable deductions such as business expenses, depreciation, and statutory contributions. Some expenses are non-deductible (e.g., undocumented or private expenses).

Reporting:

- **Monthly:** Advance income tax payments (PPH 25).
- **Annually:** Annual tax return (SPT Tahunan PPh Badan) due within four months of fiscal year-end.
- **Documentation:** Minimum five-year retention of all supporting records for audit purposes.

PERSONAL INCOME TAX (PPH 21)

Definition and Coverage:

- Personal Income Tax (PPh 21) is governed by Law No. 7 of 1983 as amended by Job Creation Law No. 6 of 2023.
- It applies to all income earned by employees—including salaries, wages, bonuses, allowances, overtime, honoraria, and most other forms of compensation.
- The employer must withhold and remit PPh 21 monthly on behalf of the employee.

Progressive Tax Rates for Tax Resident

Income (IDR)	Tax Rate
Up to IDR 60.000.000	5%
60.000.001 – 250.000.000	15%
250.000.001 – 500.000.000	25%
500.000.001 – 5.000.000.000	30%
Over 5.000.000.000	35%

VALUE ADDED TAX (VAT)

Registration:

Enterprises with an annual turnover exceeding IDR 4.8 billion are required to register as VAT-able entrepreneurs (Pengusaha Kena Pajak/PKP).

VAT Rate:

The standard VAT rate is 11%. Certain transactions, such as exports, are zero-rated, while specific goods and services may be exempt.

Reporting and Payment:

- Monthly: VAT must be calculated, paid, and reported via the VAT return (SPT Masa PPN) by the end of the following month. Input VAT (paid on purchases) may be credited against output VAT (collected on sales).

Documentation:

Proper tax invoices (faktur pajak) are mandatory for claiming input VAT credits and substantiating output VAT liability.

WITHHOLDING TAXES (WHT)

Scope:

A range of withholding taxes apply to payments for services, rent, dividends, interest, royalties, and payments to non-residents.

Key Types and Rates:

PPh 21	Withholding on individual salaries (covered separately in employment compliance).
PPh 23	Withholding on domestic service fees, rent, and certain other income (generally 2% or 15% depending on the nature of payment).
PPh 26	Withholding on payments to non-residents, typically 20%, but may be reduced under Double Tax Agreements (DTA).

Reporting:

Withholding agents must report and remit withheld taxes monthly. Non-compliance leads to penalties and potential criminal sanctions.

→ THE CORETAX SYSTEM

THE CORETAX SYSTEM

CoreTax, officially known as the Core Tax Administration System (CTAS), is the Indonesian government's new, integrated digital platform for all core tax processes. Developed by the Directorate General of Taxes, CoreTax is central to Indonesia's tax reform and modernization agenda.

Key Features

- **Unified Portal:** CoreTax provides a single access point for all major taxpayer interactions—registration, filing, payment, account management, and audit communications.
- **Digital End-to-End Process:** All main tax procedures—including NPWP registration, VAT and WHT reporting, return filing (SPT), payments, and even refund requests—are processed through CoreTax, streamlining compliance and reducing manual paperwork.
- **Automated Monitoring:** The platform utilizes built-in analytics and cross-checks to detect inconsistencies, automatically flagging risks or discrepancies for both taxpayers and the authorities.
- **Real-Time Updates:** Taxpayer profiles, transaction records, and status updates are available instantly. Digital tax certificates, receipts, and confirmations are generated in real time.

NEXT STEP

With a multidisciplinary team of legal experts, tax consultants, and notarial professionals, **we provide tailored solutions** that align with each client's specific needs and objectives. Whether managing company incorporation, securing permits, or ensuring regulatory compliance, our services are structured to minimize risk, streamline execution, and support long-term success.

Explore how we can assist you:

→ [Tax and Accounting Service](#)

→ [Tax Advisory Service](#)

→ [Tax Planning](#)

→ [Bookkeeping Service](#)

For more information or assistance, please [contact us](#) directly or visit our [official website](#).

SOURCES

- Directorate General of Taxes, Ministry of Finance, Republic of Indonesia
- Law No. 7 of 1983, as amended by Law No. 6 of 2023 (Income Tax Law)
- Law No. 8 of 1983, as amended Law No. 6 of 2023 (VAT Law)
- Law No. 6 of 1983, as amended Law No. 6 of 2023 (General Tax Procedures)
- Government Regulation No. 58 of 2023
- Official Circulars and User Guides on CoreTax Implementation
- Official Gazette of the Republic of Indonesia

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