



# ARTICLE 21 WITHHOLDING TAX RATES ON INCOME EARNED FROM EMPLOYMENT OR SERVICE ACTIVITIES

RSM INDONESIA CLIENT ALERT – 11 JANUARY 2024

On 27 December 2023, the Government issued Regulation No. 58 Year 2023 concerning Income Tax Rate on Income earned from Employment or Service Activities for Individual Taxpayers (“GR-58”). In general, GR-58 creates a simplified system for calculating the amount of Article 21 income tax to be withheld during the year from payments to employees. It does not amend the rates of income tax used to determine the income tax due by resident employees on their annual income.

It applies for any employee receiving income in connection with work or services include state officials, civil servants, members of the Indonesian national armed forces, Indonesian national police and retirees.

Although the title of GR-58 also refers to income tax on income earned by individuals from service activities, in practice the subject of GR-58 is limited to employees.

## When is GR-58 applicable?

GR-58 is applicable for income earned from 1 January 2024.

## General calculation mechanism

Prior to GR-58, monthly Article 21 withholding tax calculations for employees used a year-to-date annualized total that was then subject to the tax rates per Article 17(1)(a) of the Income Tax Law. This generated a year-to-date tax liability, from which the prior-period tax withholdings are deducted to determine the amount of withholding tax due for that month.

Under GR-58, the tax rates per Article 17(1)(a) are substituted with Effective Tax Rates (“TER” in Bahasa Indonesia) based on different income ranges<sup>1</sup>. These TER are then applied to the applicable income (monthly income in most cases, otherwise daily income for those paid using day rates). The result will be the tax to be withheld for that month.

This process continues for each month up to December, separately and without considering the accumulated income and/or tax withheld for the previous months.

In December, the income for the entire year is accumulated and applicable tax deductions subtracted. The usual Article 17(1)(a) tax rates are then applied to calculate the gross income tax payable. From this, the TER-based taxes withheld during January-November are deducted to determine the final Article 21 withholding tax to be deducted by the employer for December.

## Categories & TER tables

GR-58 provides four categories for determining the TER. Categories A, B & C are linked to an individual’s marital and dependent status as at the beginning of the tax year. That is, these apply if the individual would usually be entitled to a deduction for PTKP before calculating the amount of income tax to be withheld.

Category		PTKP (status and amount)	
A	Applied to monthly gross income earned by an employee with PTKP status:	Single/0	IDR 54,000,000
		Single/1 & Married/0	IDR 58,500,000
B	Applied to monthly gross income earned by an employee with PTKP status:	Single/2 & Married/1	IDR 63,000,000
		Single/3 & Married/2	IDR 67,500,000
C	Applied to monthly gross income earned by an employee with PTKP status:	Married/3	IDR 72,000,000

The TER for Categories A, B and C are attached to this Client Alert.

These state various gross income ranges and the applicable TER.

Since the TER already reflect the statutory deductions for occupation support (*biaya jabatan*), pension allowance/contributions (e.g. BPJS-TK) and PTKP (non-taxable income), therefore the “gross income” that is subject to the TER already includes these deductions (i.e. no tax deductions are to be made to determine the gross income subject to the TER).

Further, the gross income is all income received by the employee during one tax period (month) from that employer/payer.

<sup>1</sup> The elucidation to GR-58 explains the TER are created after considering the statutory deductions for occupation support (*biaya jabatan*), pension allowance/contributions (e.g. BPJS-TK) and PTKP (non-taxable income).

Category D applies to non-permanent employees, receiving income that is daily, weekly, unit/piece-based or based on a lump-sum (*borongan*). It applies for daily income that does not exceed IDR 2,500,000.

GR-58 does not stipulate the treatment if the daily income exceeds IDR 2,500,000. In such cases, the Minister of Finance's implementing regulation, PMK-168<sup>2</sup>, states that 50% of the gross income will be subject to the Article 17(1)(a) tax rates.

Because the TER is based on daily income, therefore any income that is not actually received daily (e.g. it is weekly) shall be converted to a daily amount. For example, if the non-permanent employee received IDR 5,000,000 for a 5-day week then the daily amount subject to the TER is IDR 5,000,000 / 5 or IDR 1,000,000 per day.

The TER for Category D is:

Gross Daily Income (IDR)	TER (on gross daily income)
Less than or equal to 450,000	0%
450,001 up to 2,500,000	0.5%

## RECOMMENDED ACTIONS/COMMENTS

1. The Minister of Finance's implementing regulation, PMK-168, has recently been released to the public (although it is dated 29 December 2023). We will provide further Client Alerts regarding this implementing regulation and any further guidance that is issued to, among others, explain what should occur if an employee resigns during the year or if a new employee joins from another employer.
2. The basic mechanism is expected to create an underpayment of income tax during the year. This underpayment must then be deducted from the employee's salary in December together with the routine withholding for December. To avoid surprises, it is recommended that a parallel tax calculation is made for each month so that employees are aware of the tax underpayment that is accumulating and that will need to be deducted from their salary in December. Alternately, employers should ensure that employees fully understand the implications of the TER mechanism.
3. It is possible that large non-recurring income items (e.g. bonuses or significant overtime) might create an overpayment. Although GR-58 does not expressly regulate how any overpayment should be resolved, the recently issued PMK-168 states the employer is responsible for refunding any over-withholding to the employee. In accordance with existing regulations, the employer can compensate the overpayment against Article 21 tax due for the next month.

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<sup>2</sup> PMK-168 was issued on 29 December 2023, however it has only just been shared to the public. We will provide an additional Client Alert regarding this implementing regulation.

**Table 1. TER Category A**

Gross Monthly Income (IDR)			Tax Effective Rates
-	up to	5,400,000	0%
5,400,000	up to	5,650,000	0.25%
5,650,000	up to	5,950,000	0.50%
5,950,000	up to	6,300,000	0.75%
6,300,000	up to	6,750,000	1%
6,750,000	up to	7,500,000	1.25%
7,500,000	up to	8,550,000	1.50%
8,550,000	up to	9,650,000	1.75%
9,650,000	up to	10,050,000	2%
10,050,000	up to	10,350,000	2.25%
10,350,000	up to	10,700,000	2.50%
10,700,000	up to	11,050,000	3%
11,050,000	up to	11,600,000	3.50%
11,600,000	up to	12,500,000	4%
12,500,000	up to	13,750,000	5%
13,750,000	up to	15,100,000	6%
15,100,000	up to	16,950,000	7%
16,950,000	up to	19,750,000	8%
19,750,000	up to	24,150,000	9%
24,150,000	up to	26,450,000	10%
26,450,000	up to	28,000,000	11%
28,000,000	up to	30,050,000	12%
30,050,000	up to	32,400,000	13%
32,400,000	up to	35,400,000	14%
35,400,000	up to	39,100,000	15%
39,100,000	up to	43,850,000	16%
43,850,000	up to	47,800,000	17%
47,800,000	up to	51,400,000	18%
51,400,000	up to	56,300,000	19%
56,300,000	up to	62,200,000	20%
62,200,000	up to	68,600,000	21%
68,600,000	up to	77,500,000	22%
77,500,000	up to	89,000,000	23%
89,000,000	up to	103,000,000	24%
103,000,000	up to	125,000,000	25%
125,000,000	up to	157,000,000	26%
157,000,000	up to	206,000,000	27%
206,000,000	up to	337,000,000	28%
337,000,000	up to	454,000,000	29%
454,000,000	up to	550,000,000	30%
550,000,000	up to	695,000,000	31%
695,000,000	up to	910,000,000	32%
910,000,000	up to	1,400,000,000	33%
Greater than IDR 1,400,000,000			34%

**Table 2. TER Category B**

Gross Monthly Income (IDR)			Tax Effective Rates
-	up to	6,200,000	0%
6,200,000	up to	6,500,000	0.25%
6,500,000	up to	6,850,000	0.50%
6,850,000	up to	7,300,000	0.75%
7,300,000	up to	9,200,000	1%
9,200,000	up to	10,750,000	1.50%
10,750,000	up to	11,250,000	2%
11,250,000	up to	11,600,000	2.50%
11,600,000	up to	12,600,000	3%
12,600,000	up to	13,600,000	4%
13,600,000	up to	14,950,000	5%
14,950,000	up to	16,400,000	6%
16,400,000	up to	18,450,000	7%
18,450,000	up to	21,850,000	8%
21,850,000	up to	26,000,000	9%
26,000,000	up to	27,700,000	10%
27,700,000	up to	29,350,000	11%
29,350,000	up to	31,450,000	12%
31,450,000	up to	33,950,000	13%
33,950,000	up to	37,100,000	14%
37,100,000	up to	41,100,000	15%
41,100,000	up to	45,800,000	16%
45,800,000	up to	49,500,000	17%
49,500,000	up to	53,800,000	18%
53,800,000	up to	58,500,000	19%
58,500,000	up to	64,000,000	20%
64,000,000	up to	71,000,000	21%
71,000,000	up to	80,000,000	22%
80,000,000	up to	93,000,000	23%
93,000,000	up to	109,000,000	24%
109,000,000	up to	129,000,000	25%
129,000,000	up to	163,000,000	26%
163,000,000	up to	211,000,000	27%
211,000,000	up to	374,000,000	28%
374,000,000	up to	459,000,000	29%
459,000,000	up to	555,000,000	30%
555,000,000	up to	704,000,000	31%
704,000,000	up to	957,000,000	32%
957,000,000	up to	1,405,000,000	33%
Exceeding IDR 1,405,000,000			34%

**Table 3. TER Category C**

Gross Monthly Income (IDR)			Tax Effective Rates
-	up to	6,600,000	0%
6,600,000	up to	6,950,000	0.25%
6,950,000	up to	7,350,000	0.50%
7,350,000	up to	7,800,000	0.75%
7,800,000	up to	8,850,000	1%
8,850,000	up to	9,800,000	1.25%
9,800,000	up to	10,950,000	1.50%
10,950,000	up to	11,200,000	1.75%
11,200,000	up to	12,050,000	2%
12,050,000	up to	12,950,000	3%
12,950,000	up to	14,150,000	4%
14,150,000	up to	15,550,000	5%
15,550,000	up to	17,050,000	6%
17,050,000	up to	19,500,000	7%
19,500,000	up to	22,700,000	8%
22,700,000	up to	26,600,000	9%
26,600,000	up to	28,100,000	10%
28,100,000	up to	30,100,000	11%
30,100,000	up to	32,600,000	12%
32,600,000	up to	35,400,000	13%
35,400,000	up to	38,900,000	14%
38,900,000	up to	43,000,000	15%
43,000,000	up to	47,400,000	16%
47,400,000	up to	51,200,000	17%
51,200,000	up to	55,800,000	18%
55,800,000	up to	60,400,000	19%
60,400,000	up to	66,700,000	20%
66,700,000	up to	74,500,000	21%
74,500,000	up to	83,200,000	22%
83,200,000	up to	95,600,000	23%
95,600,000	up to	110,000,000	24%
110,000,000	up to	134,000,000	25%
134,000,000	up to	169,000,000	26%
169,000,000	up to	221,000,000	27%
221,000,000	up to	390,000,000	28%
390,000,000	up to	463,000,000	29%
463,000,000	up to	561,000,000	30%
561,000,000	up to	709,000,000	31%
709,000,000	up to	965,000,000	32%
965,000,000	up to	1,419,000,000	33%
Exceeding IDR 1,419,000,000			34%



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