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EXTENSION OF TAX INCENTIVE FOR GOVERNMENT-BORNE ARTICLE 21 INCOME TAX

RSM INDONESIA CLIENT ALERT – 21 January 2026

During 2025, Minister of Finance Regulation No. PMK-10 dated 4 February 2025 as amended by Minister of Finance Regulation No. PMK-72 dated 20 October 2025 (together PMK-10/PMK-72) provided that the Government would bear the Article 21 income tax otherwise due on salary and other compensation paid to “certain employees” working for “certain employers”.

Minister of Finance Regulation No.105 Year 2025 dated 29 December 2025 (PMK-105) concerning Article 21 Income Tax on Certain Income Borne by the Government in the Context of Economic Stimulus for Fiscal Year 2026, effectively extends the Article 21 income tax borne by government (PPh 21 DTP) facility to the 2026 tax year.

WHEN DOES IT APPLY AND FOR HOW LONG?

It is applicable on 31 December 2025. The DTP facility applies from January 2026 up to and including the December 2026 tax period.

KEY PROVISIONS

The main provisions of PMK-105 are generally the same as regulated by PMK-10/PMK-72, that is:

1. Certain employers are employers conducting business activities in the following industries based on the main business field classification code/KLU (*Klasifikasi Lapangan Usaha*) recorded in the Indonesian Tax Authority's system (Coretax):
 - a. footwear
 - b. textile and apparel
 - c. furniture
 - d. leather and other items made of leather
 - e. tourism

The eligible KLU are listed in the appendix to PMK-105. These refer to the main business activity recorded in the Coretax system as at:

- a. 1 January 2026, for taxpayers that are registered before 1 January 2026; or
- b. The date the employer is registered, for taxpayers that newly registered after 1 January 2026.

2. Permanent and non-permanent employees that work for employers in any of these KLU are eligible to receive the PPh 21 DTP facility if they:

- a. Have a Tax Identification Number (NPWP) and/or NIK that is integrated into Coretax, and
- b. Receive no more than a specified amount of income.

The income includes both regular and irregular income (including benefits in kind) with the following maximum amounts:

- a. For permanent employees:
 - I. Earning fixed and regular gross income, such as salary and allowances, and other fixed/regular compensation, that does not exceed IDR 10 million in January 2026 (if already employed prior to January 2026); or the 1st month of work (if the employee is newly employed in 2026); and
 - II. The employee does not receive other PPh 21 DTP.
- b. For non-permanent employees:
 - I. Earning wages that, on average, do not exceed IDR 500,000 per day if the wage is earned on a daily, weekly, unit, or piece basis; or the amount does not exceed IDR 10 million per month if the wage is received on a monthly basis ; and
 - II. Does not receive other PPh 21 DTP.

Do note PMK-10/PMK-72 did not state that the income for non-permanent employees included benefits in kind, however, PMK-105 now states that the earnings for both types of employees includes benefits in kind.

If the income has been subject to Final Income Tax in accordance with the tax regulations, then that income is not eligible for PPh 21 DTP.

3. If the employee is eligible then:
 - a. The amount of PPh 21 DTP must be paid in cash by the employer to the employee at the time of salary payment. This also applies if the employer provides an Article 21 tax benefit or has agreed to bear the Article 21 income tax (e.g., under a "net salary arrangement").
 - b. The PPh 21 DTP paid to the employee is not taxable income for the employee.
 - c. The employer is required to provide a withholding slip (*bukti potong*) for the PPh 21 DTP in accordance with tax regulations.
 - d. If the amount of PPh 21 DTP paid to a permanent employee in a year exceeds the Article 21 tax payable for the year, the difference cannot be refunded to that employee.
4. If there is an overpayment of PPh 21 DTP during the year, then the overpayment cannot be refunded or compensated.
5. The utilization of the PPh 21 DTP facility is reported as part of submission of the Monthly Article 21/26 Income Tax Return.
6. Any amendment of the utilization of the PPh 21 DTP facility can be submitted through an Amendment of the Monthly Article 21/26 Income Tax Return. The final date for any amendment is 31 January 2027.
7. The PPh 21 DTP facility is not granted if any return (or amendment of that return) is reported after 31 January 2027.



RSM COMMENTS

- PMK-105 is not substantively different to PMK-10/PMK-72 except that the income of non-permanent employees must also include any benefits in kind (previously this only applied for income of permanent employees).
- Although a *bukti potong* must be provided to employees, it is recommended that employers ensure that employees understand the PPh 21 DTP facility is temporary and, unless extended, tax withholding will resume in January 2027.
- Ensure that calculations are accurate and the monthly returns are correctly prepared and reported on time.
- Review all components of wages (cash and benefits in kind) and ensure the maximum amounts are not exceeded (per January for existing employees, or the first month of employment for new employees), otherwise normal Article 21 income tax applies.

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