

**In the event that you provide income to a Foreign Tax Subject, all you have to do is:**

1. First determine whether your counterparty is a Foreign Tax Subject.
2. If it is a Foreign Tax Subject , first determine whether the Foreign Tax Subject has the right to be deducted from Article 26 of Income Tax by using a rate based on a Tax Treaty .
3. The Tax Treaty can be used in the event that the Foreign Tax Subject has a DGT (Designated Domicile Certificate of Non Resident for Indonesia Withholding Tax) form or supplemented by a Certificate of Domicile (CoD) in accordance with PER-25/PJ/2018.
4. Input the information in the DGT form by [logging in](#) to the pajak.go.id page of the [e- SKD menu](#) to get a receipt for the Foreign Taxpayer CoD.
5. Give the receipt of the Foreign Taxpayer CoD to the Foreign Tax Subject .
6. Withhold Article 26 of Income Tax using the tax treaty rate if it meets PER-25/PJ/2018 and make a proof of withholding Article 26 of Income Tax through the application of [e-bupot](#) Article 23/26 Income Tax.
7. If you do not meet the requirements to use the provisions of the tax treaty, then the Article 26 of Income Tax rate is 20%.
8. Make an Income Tax Deposit by first creating a billing code. Deposits are made no later than the 10th of the following month at the post office/perception bank.
9. Report Tax Article 4 (2) of Income Tax electronically through pajak.go.id, [e-bupot](#) menu or through application service provider (ASP) no later than the next 20 months, accompanied by a receipt of the Foreign Taxpayer CoD although there are no tax cuts under the provisions of tax treaties.
10. Starting August 1, 2020, those who carry out transactions related to Article 23/26 of Income Tax and are registered with the Tax Service Office (KPP) throughout Indonesia are required to make proof of withholding and submitting the 23/26 Income Tax Periodic Tax Return electronically via [e-Bupot](#).



## Article 26 Income Tax Rate Table

No	Description	Tariff x DPP	Legal basis
1	<p>The income paid to a Foreign Taxpayer is in the form of:</p> <ol style="list-style-type: none"> <li>1. Dividend;</li> <li>2. Interest includes Premium, Discount and Guaranteed Returns;</li> <li>3. Royalties;</li> <li>4. Rent;</li> <li>5. Income using property</li> <li>6. remuneration in connection with work services and activities;</li> <li>7. Prizes &amp; awards;</li> <li>8. Pension &amp; other periodic payments;</li> <li>9. swap premiums and other hedging transactions; and/or</li> <li>10. benefits from debt relief.</li> </ol>	<p>20% x gross income or Tax Treaty</p> <p>Deposit using SSP with:</p> <p>KAP: 411127</p> <p>KJS:</p> <ul style="list-style-type: none"> <li>• Dividend: 101</li> <li>• Flowers: 102</li> <li>• Royalty: 103</li> <li>• Service: 104</li> <li>• Other than Dividend, Interest, Royalty, Service: 100</li> </ul>	<p>Income Tax Law Article 26 paragraph (1)</p>
2	<p>Sales of income from the sale or transfer of assets in Indonesia, which are obtained by Foreign Taxpayers.</p> <p>The assets in question are in the form of:</p> <p>luxury jewellery, diamonds, gold, diamonds, luxury watches, antiques, paintings, cars, motorcycles, yachts and/or light aircraft.</p>	<p>20% x Net Estimate.</p> <p>Estimated net=25% x selling price</p> <p>So the effective rate:</p> <p>20% x 25% x selling price = 5% x selling price</p> <p>FINAL</p>	<p>Income Tax Law Article 26 paragraph (2)</p> <p>PMK 82/PMK.03/2009</p> <p>has been in effect since April 22, 2009</p>

	<p>Excluded from withholding Income Tax Article 26 are:</p> <p>Any Foreign Individual Taxpayers who earns income not exceeding IDR 10 million for each type of transaction. (Article 3 paragraph (2) PMK 82/PMK.03/2009)</p>	<p>Tax Withholding is mandatory:</p> <ul style="list-style-type: none"> <li>provide proof of withholding Income Tax Article 26;</li> <li>deposit Article 26 income tax payable using the name of the Foreign Taxpayer selling the assets no later than the 10th of the following month after the month of the transaction;</li> <li>report Income Tax Article 26 withheld no later than the 20th of the following month.</li> </ul> <p>Deposit using SSP with:</p> <p>KAP: 411127</p> <p>KJS: 100</p>	
3	<p>Sale of shares by a Foreign Taxpayer.</p> <p>The shares traded are shares of a Limited Company (PT) in the country and are not listed as issuers or public companies. (Article 1 KMK 434/KMK.04/1999)</p> <p>In PMK 258/PMK.03/2008 it is stated that the <b>sale/transfer of shares of an intermediate company</b> ( <i>special purpose company or conduit company</i> ), which is established in the <i>Tax Haven</i></p>	<p>20% x net estimate</p> <p><b>Estimated net=25% x selling price</b></p> <p><u>So the effective rate:</u></p> <p>20% x 25% x selling price = 5% x selling price</p> <p><b>FINAL</b></p> <p>If the buyer is:</p> <ul style="list-style-type: none"> <li>a Foreign Taxpayer, the withholding tax is a</li> </ul>	<p>Income Tax Law Article 26 paragraph (2a)</p> <p>KMK 434/KMK.04/1999</p> <p>PMK 258/PMK.03/2008</p>

	<p><i>Country</i> and has a special relationship with the Indonesian Domestic Taxpayer or BUT in Indonesia, <b>can be designated as a sale/ transfer of shares of the Domestic Taxpayer Agency.</b></p>	<p><b>Company</b> (Domestic PT) whose shares are traded.</p> <ul style="list-style-type: none"> <li>A Domestic Taxpayer appointed as withholding, then the <b>withholding tax is the Domestic Taxpayer</b> as the buyer. And the Company only records the deed of transfer of rights to the shares sold if it is proven by the Foreign Taxpayer that the Article 26 Income Tax owed has been paid in full with proof of withholding Article 26 Income Tax by showing the original.</li> </ul> <p><b>Deposit using SSP with:</b>  <b>KAP: 411127</b>  <b>KJS: 100</b></p>	
4	<p>Insurance Premiums and Reinsurance  Premiums paid to foreign insurance companies</p>	<p>20% x net estimate.</p> <p><b>Net estimate:</b></p> <ol style="list-style-type: none"> <li>50% of the premium paid by the insured to the foreign insurance company. <b>So the effective rate: 20% x 50% = 10%.</b></li> </ol>	<p>Income Tax Law Article 26 paragraph (2)  KMK 624/KMK.04/1994</p>

		<p>The withholding tax is the insured.</p> <p>2. 10% of the premium paid by insurance companies in Indonesia to foreign insurance companies. So the effective rate: <math>20\% \times 10\% = 2\%</math>. Tax Cutters are insurance companies in Indonesia.</p> <p>3. 5% of the premium paid by reinsurance companies in Indonesia to insurance companies overseas. So the effective rate: <math>20\% \times 5\% = 1\%</math>. Withholding tax is a reinsurance company in Indonesia.</p> <p>Deposit using SSP with: KAP: 411127 KJS: 100</p>	
5	<p>BUT (Permanent Establishment)</p> <p>Exempted from the imposition of PPh Article 26 paragraph (4) if the income of BUT is reinvested in Indonesia with the following conditions:</p>	<p>On BUT Profit before tax: → subject to tariff Article 17 Deposits such as WP DN Agency.</p>	<p>Income Tax Law Article 26 paragraph (4) KMK 113/KMK.03/2002 Jo. PMK 257/PMK.03/2008</p>

	<ol style="list-style-type: none"> <li>1. reinvestment is carried out on all taxable income after deducting income tax in the form of equity participation in a company newly established and domiciled in Indonesia as founder or founding participant;</li> <li>2. The company which is newly established and domiciled in Indonesia must be active in carrying out business activities in accordance with its deed of establishment, no later than 1 year since its establishment;</li> <li>3. reinvestment is carried out in the current year or at the latest the following tax year from the tax year the income is received/acquired; and</li> <li>4. not transfer the replanting at least within 2 years after the new company has started commercial production.</li> </ol>	<p>On Profit of PE after tax which is not reinvested in Indonesia:</p> <p>→ subject to 20% x profit after tax</p> <p>Article 26 Income Tax deposit on BUT Profit after tax, using SSP with:</p> <p>KAP: 411127</p> <p>KJS: 105</p>	<p>Jo. PMK 14/PMK.03/2011 concerning reinvestment of BUT Profits. PER 16/PJ/2011 concerning Reinvestment of BUT's Profits</p>
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\* as provided on <https://www.pajak.go.id/id/pemotongan-pajak-penghasilan-pasal-26> (translated)