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# Indonesia's Tax Environment. An Assessment

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*This guide assesses Indonesia's tax system as part of the legal business environment and*

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# Key Finding

**Indonesia's tax environment fails investors**. Compared with five regional peers, Indonesia's tax system underperforms on revenue, places a high tax burden on investors, and imposes high compliance costs (chapter 6).

# 1. Introduction

## 1.1 Key question

This guide answers one question: **how good is Indonesia's tax environment for foreign investors?**

Indonesia attracts foreign investors: it is the largest economy in Southeast Asia and the 16th largest in the world. But beyond economic attractiveness, the tax environment plays an equally important role in the investment decision.

Taxes matter to the investor for three reasons: they are costly, pervasive, and dynamic

- **Costly.** Taxes reduce profits and the value of the investment, so the investor must control and plan for them. The total tax burden — corporate income tax (CIT), withholding taxes, irrecoverable value-added tax (VAT) , import duties, mandatory social security contributions, and subnational levies — determines whether the investment economics make sense. Without a treaty, the combined burden on a foreign investor is 37.6% against the 22% headline rate (15.6 points); with a treaty it is 29.8% (7.8 points), before social security, VAT and sub-national taxes. These direct tax costs do not yet include administrative and compliance costs.
- **Pervasive.** They arise whenever the business earns, hires, buys, imports, or owns assets at the national and subnational levels.
- **Dynamic.** The law changes often: Indonesia has made four major tax reforms since 2020. Law 11/2020 on Job Creation (now Law 6/2023); Law 7/2021 on Harmonization of Tax Regulations; PMK 81/2024 (Coretax); BEPS implementation (e.g.global minimum tax).

Several tax guides for Indonesia already exist (see Annex 2). These are authoritative references and summaries of what the law states.

What they do not provide is a country analysis: how the tax system performs in practice, and how Indonesia compares to regional peers. Rates show what the law says. The outcome shows what the investor pays.

## 1.2 Purpose

This guide answers the key question through a Legal Business Environment (LBE) country analysis, using a framework loosely based on the Harvard Business School country analysis methodology: identifying and assessing the tax system's context, strategy, and performance.

The guide is intended for foreign investors. It covers corporate income tax, withholding tax, VAT, social security contributions, subnational taxes, and compliance. It does not cover transfer pricing or the global minimum tax.

Chapter 2 sets out the method, chapter 3 describes the tax system, chapter 4 assesses Indonesia, chapter 5 compares it with five regional peers, chapter 6 gives the overall assessment, and chapter 7 states the takeaways for investors.


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# 2. Methodology

This guide applies my LBE framework to Indonesia's tax system. The LBE framework places the foreign investor or business at the center of three interrelated layers (the International, the Wider, and the Immediate Tax Environment). For details, see How to Identify and Evaluate the Legal Business Environment in Indonesia (Hauerstein Consulting, 2025). The guide is based on my essays (Annex 4) I publish on X.

## 2.1 Assessment Approach

The performance assessment is at the end of three steps in sequence. First, it explains the government's tax strategy, the goals and policies, then the context, the tax environment in which business operate, and finally the performance of this tax environment.

environment

- Strategy (3.4) — what the government intends: its revenue targets, policy instruments, and reform agenda
- Context (3.1–3.3) — the system the strategy seeks to influence: the players, formal rules, and informal rules that determine actual outcomes
- Performance (chapters 4–6) — what the system actually produces, measured against performance criteria and against regional peers (chapter 5).

The regional peers are Vietnam, the Philippines, Thailand, Singapore and Malaysia, the Southeast Asian economies that compete with Indonesia for foreign investment. Chapter 5 compares Indonesia with them on the latest data published for each criterion.

## 2.2 Assessment Criteria

The three criteria for assessing the performance of the tax environment are: revenue adequacy, investor tax burden, and operational efficiency. They reflect the outcomes for the government and the investor: what the state collects, what the investor pays, and what compliance costs.

| Criterion | What It Measures |
|---|---|
| Revenue adequacy | Does the tax system generate enough revenue to fund the state? Measured by tax-to-GDP ratio against government targets and regional peers.<br>Revenue adequacy only produces an indirect effect for investors. With a low tax-to-GDP ratio, investors should expect a higher tax burden in the future, as the government needs revenue to finance its ambitious development goals.<br>**Data:** OECD Revenue Statistics in Asia and the Pacific 2026 (data for 2024); World Bank, Indonesia Economic Prospects, June 2026. |
| Investor tax burden | What does it actually cost a foreign investor? Measured by the combined CIT and withholding tax (WHT) rate on dividends. VAT, social security and sub-national levies are described for Indonesia only and are not benchmarked.<br>Effect on investor: direct**.**<br>**Data**: statutory rates PWC, Worldwide Tax Summaries Online, https://taxsummaries.pwc.com/ |
| Operational efficiency | How much time and money does compliance consume? Measured by the World Bank Business Ready (B-READY) Pillar III, Operational Efficiency, and its indicators (hours, electronic filing, disputes, VAT refunds, tax rates), and by my practical experience as qualitative evidence.<br>Effect on investor: direct. Data: B-READY 2025 (101 economies), Pillar III scores and indicator values from the World Bank data files. |

*Each criterion is rated against the regional peers in chapter 5: Strong means among the best two economies, Average means in the middle, and Weak means among the worst two. Thailand is not covered by B-READY, so operational efficiency compares five economies.*


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### 2.3 Limits of the method

The assessment has five limits:

- The peers are a choice (section 2.1) and selected from ASEAN.
- There is no 2025 country report; the figures come from the World Bank data files. Thailand is not covered.
- Ratings are relative to the peers.
- The law is stated as of October 2026.

## 3. Government Strategy: Goals and Policy Instruments

Government strategy is the goals and the policies by which the government intends to influence/improve the tax system, mainly to generate more tax revenue or to encourage or discourage certain behaviors.

Indonesia's long-term fiscal objective is a tax-to-GDP ratio of 18–20% by 2045 (National Long-Term Development Plan (RPJPN) 2025–2045). The current ratio is in 4.1. The government deploys three policy instruments:

- Fiscal policy — higher rates (VAT raised to a statutory 12%, applied to 11/12 of the price for most goods, so the effective rate stays 11%), new taxes (digital services VAT since 2020, carbon tax enacted but not implemented), and better administration (Coretax).
- Investment policy — Law 6/2023 on Job Creation offers tax incentives such as holidays, super-deductions, and reduced rates for listed companies to attract investment.
- Social policy — mandatory contributions to the health and employment system for formal sector employers and employees: BPJS Kesehatan, BPJS Ketenagakerjaan.

All three instruments reflect a consistent strategic government approach: widen the formal tax base, increase rates and contributions, and strengthen administration. The base-broadening instruments fall on formal-sector taxpayers, including foreign investors.

The strategy affects the investor tax burden and revenue adequacy, as they translate political will into laws and regulations.


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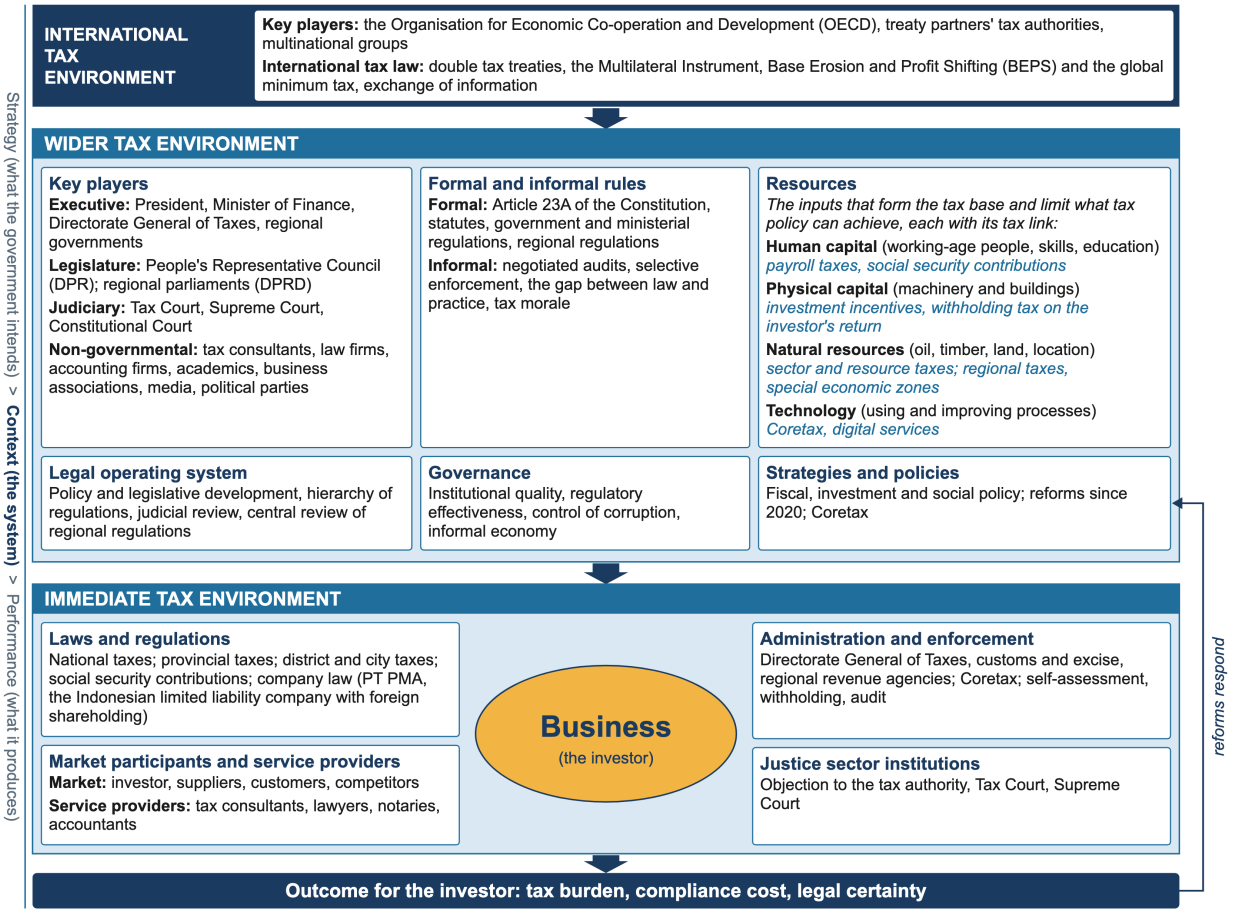
# 4. Indonesia's Tax Environment

Indonesia’s tax environment can be best viewed as a system of interconnected elements — key players, formal and informal rules, and resources — that together produce an outcome for investors: **the tax burden and the compliance cost**. The also produce an outcome for the government in terms of tax revenues.

Indonesia's tax system operates across three layers: International Tax Environment, Wider Tax Environment, and Immediate Tax Environment, as illustrated in the figure below.

**Figure 01. Indonesia’s tax system. Interrelated parts on three levels that produce an investor outcome**




*Source: Figure developed by the author*

## 4.1 The International Tax Environment: Key Players and International Tax Law

Key players are sovereign nations (Indonesia and its treaty partners), international organizations, and global businesses.

Double tax treaties with 71 jurisdictions [PWC, Indonesian Pocket Tax Book 2026] allocate taxing rights between Indonesia and its treaty partners. Indonesia’s Double Taxation Agreements (DTAs/tax treaties) provide for tax benefits, for example, reduced withholding tax rates on dividends, interest, royalties, and branch profits received by tax residents of its treaty partners.

For the investor, a treaty lowers the dividend withholding rate to 10% (see 4.2). The investor must hold a certificate of domicile (Form DGT) at the time of payment to claim it.

This layer affects the investor’s tax burden.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## 4.2 The Wider Tax Environment

The wider tax environment is the system that produces the law and determines how it operates in practice; key players, rules, and resources indirectly affect business operations.

Key players in the system are:

- The executive — the President, the Minister of Finance, and the Directorate General of Taxes (DGT) — sets policy, issues regulations, and administers enforcement.
- The legislature, the People's Representative Council (DPR), enacts primary tax statutes.
- The judiciary — the Tax Court resolves disputes between taxpayers and the tax authority.
- Non-governmental players — lawyers, tax consultants, business associations, and political parties shape how rules are drafted, interpreted, and applied.

Formal rules are all tax laws and regulations in force at the national and subnational levels. There is no single consolidated tax code (Annex 3).

Informal rules differ from formal rules: legal experts and tax consultants commonly know that audits can be negotiated, enforcement can be bribed, and that the gap between written law and its application is where hidden costs and corruption reside. Governance, Corruption, and Rule of Law indices [see also my E-RoL Barometer] provide evidence for governance constraints, particularly pervasive corruption. These constraints explain the revenue gap and the real costs for investors. The wider tax environment affects revenue adequacy and operational efficiency.

## 4.3 The Immediate Tax Environment

The immediate tax environment governs business operations directly. These elements directly impact business operations through direct and administrative costs:

- Laws and regulations —to name a few: national income tax (22% corporate income tax), VAT (12% statutory, 11% effective on most goods), withholding and final taxes.
- Sub-national taxes — regional taxes under Law 1/2022 on Financial Relations between the Central Government and the Regional Governments, including entertainment taxes of 40–75% on specific services [services to name].
- Social security contributions — BPJS Kesehatan and BPJS Ketenagakerjaan (the health and employment programs of Indonesia’s social security authority, BPJS) .
- Administration and enforcement — Submitting tax returns, for example, through Coretax, live from January 2025, digitizes filing, payment, and audit selection.
- Justice sector institutions — a taxpayer disputing an assessment before the Tax Court may have to pay part of the disputed amount first. Dispute length is assessed in 4.3.
- Market participants and service providers — lawyers, tax consultants, notaries, and accountants mediate between the investor and the system. Their involvement is a structural cost of compliance, not an optional service.

This layer affects the investor’s tax burden and operational efficiency.


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## 4.5 Link to Performance

Each element of the tax environment drives one of the three criteria assessed in chapter 4:

- Double tax treaties (international layer) lower the dividend withholding rate and so affect the investor tax burden.
- Informal rules (negotiable audits, selective enforcement) affect operational efficiency: they raise compliance cost and dispute time.
- Governance and corruption affect revenue adequacy: low trust leads to higher evasion and lower revenue.
- Formal rules (rates, withholding taxes, sub-national taxes) determine the investor tax burden.
- Administration and the Tax Court (Coretax, appeals) affect operational efficiency: filing time and the length of disputes.
- Government strategy (widen the base, raise rates and contributions) affects the investor tax burden and revenue adequacy: investors should expect the burden to rise.


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# 5. Performance Assessment of Indonesia's Tax Environment

Indonesia's tax environment is assessed against three criteria: revenue adequacy, investor tax burden, and operational efficiency. This chapter describes Indonesia alone; chapter 5 compares it with the regional peers and chapter 6 rates it.

## 5.1 Revenue Adequacy is low and below the government's target

Note on measurement: Indonesia's tax-to-GDP ratio depends on who measures it. The Ministry of Finance and the World Bank count only central government taxes (income tax, VAT, customs and excise), yielding 10.1% in 2024 and about 9.3% in 2025 (World Bank, Indonesia Economic Prospects, June 2026, Table A.2). The OECD counts all levels of government plus compulsory social security contributions, yielding 11.8% for 2024. The two series differ by roughly the revenue of regional governments and social security agencies, and neither includes non-tax revenue such as natural-resource royalties.

Indonesia's tax-to-GDP ratio was 11.8% in 2024 (OECD measure) and has remained between 10.1% and 12.1% every year since 2015. The World Bank projects only a slow recovery in the central government ratio, from a record low of 9.3% in 2025 to 9.8% in 2027.

The government's own targets confirm the gap: President Prabowo has pledged 18% when he took office, but the central government ratio was about 9.3% in 2025, below the 2025 budget target of 10.24% (Ministry of Finance; World Bank, June 2026).

**Assessment:** Indonesia's tax-to-GDP ratio (11.8% in 2024) has not improved since 2015.

## 5.2 Investor Tax Burden is higher than the headline rate

The standard corporate income tax rate is 22%. However, this is not what a foreign investor pays on dividends. The income is taxed twice: first at the entity level and then at the investor level.

When taxable profit is distributed as a dividend to the investor, withholding tax (WHT) applies.

The withholding tax applies to the profit that remains after the 22% corporate income tax. Of every 100 in profit, 78 remain. A 10% withholding tax on 78 is 7.8, so the combined burden is 22 + 7.8 = 29.8%. A 20% withholding tax on 78 is 15.6, so the combined burden is 37.6%. A double taxation treaty lowers the withholding rate to 10%, for example, through holding structures in Singapore, the Netherlands, or Japan, and relieves additional taxation on the non-resident's worldwide income.

| Shareholder Type | WHT on Dividend | Combined Burden |
|---|---|---|
| Non-resident (treaty, 10% rate) | 10% | 29.8% |
| Non-resident (no treaty) | 20% | 37.6% |

The implication for the investor: A double taxation treaty reduces the combined burden from 37.6% to 29.8%, so the holding structure accounts for a difference of 7.8 percentage points.

What the table above does not show is the combined tax burden:

- Employer social security contributions — about 10–12% of gross salary as per 2026.
- Irrecoverable VAT — the effective rate is 11% on most goods and services.
- Sub-national taxes — they vary by location (see 3.3).

**Assessment:** The 22% rate applies to taxable profit before distribution. By the time profit reaches a non-treaty foreign shareholder, the combined burden could reach 37.6% — before the other taxes listed above.


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## 5.3. Operational Efficiency is low; the failed Coretax rollout in 2025 adds to the costs

Operational efficiency refers to the time and money it takes a business to meet its tax obligations. The World Bank B-Ready Report is the primary index that quantifies operational efficiency, defining it as the practical effectiveness of implemented tax regulations and public services. It subdivides operational efficiency into (i) the time and functionality of processes and (ii) the financial burden on the firm.

Overall, Indonesia's operational efficiency score is 38.63 out of 100 (Pillar III, Operational Efficiency, within the B-READY 2025 Taxation topic).

B-READY 2024 is not used because Pillar III scoring weights differ from those in 2025, so the two editions' scores cannot be compared. Its firm-survey values are the same as in 2025, indicating that they predate Coretax (January 2025).

### 5.3.1 Time and functionality of process

B-READY 2025 shows four findings directly relevant to a foreign investor:

- Time to file and pay, and audits: Indonesia scores full points (10 of 10) on both. Preparing, filing, and paying taxes takes 12 hours, and a generic tax audit takes 1 week.
- Dispute resolution: 365 days — the worst possible score. An investor disputing an assessment before the Tax Court may have to pay part of the disputed amount upfront. The Tax Court is seated in Jakarta and can hold hearings elsewhere [verify: hearing locations and whether any prepayment is required on appeal].
- VAT refunds: 70% of firms did not apply because the process was too burdensome (5.26 of 10 points). Failing to apply forfeits the refund, a direct cash cost for an export-oriented business with large VAT credit positions.
- Electronic filing: only 37.5% of firms file and 38.7% pay taxes electronically (2.86 of 10 points), despite Coretax's mandate.

**Coretax: a failed rollout.** Coretax went live on 1 January 2025 and failed to meet its implementation targets. Filing deadlines were extended twice. Senior officials publicly acknowledged system failures. Business associations and tax practitioners recorded significant delays throughout 2025.

### 5.3.2 Financial burden for the firm

B-READY measures the financial burden using the effective tax rate. For income-based taxes, the effective rate is 25.1% (0.8 of 40 points). For employment taxes and social contributions, it is 7.6% of labor costs (9.7 of 10 points). In 2025 scoring, income-based taxes are weighted four times as much as employment taxes.

**Assessment:** The Coretax rollout increased compliance time and cost for every registered business. Build four costs into every investment model: tax consultants; dispute resolution that can take a year or more; VAT credits that firms may not claim; and the ongoing cost of navigating a system where written rules and enforcement regularly diverge.


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# 6. Regional Benchmarking

Indonesia's tax environment is fully contextualized when compared with global and regional options. The five regional peers are those selected in section 2.1. The comparison covers the three assessment criteria and uses the latest published data for each; it excludes investment incentives, VAT, social security, and subnational taxes.

## 6.1 Revenue Adequacy

| Economy | Tax/GDP Ratio (2024) | Notes |
|---|---|---|
| Philippines | 18.1% | Highest in the set |
| Vietnam | 17.2% | |
| Thailand | 17.1% | |
| Singapore | 13.4% | |
| Malaysia | 13.0% | |
| Indonesia | 11.8% | Lowest in the set |
| Asia-Pacific average | 19.7% | Unweighted average of 38 economies |

*Source: OECD, Revenue Statistics in Asia and the Pacific 2026 (Paris: OECD Publishing, 2026), Table 3.1, data for 2024; general government taxes including social security contributions, net of refunds.*

Indonesia ranks last: 1.2 points behind fifth place (Malaysia), 6.3 points behind first (the Philippines), and 7.9 points below the Asia-Pacific average (19.7%). The structural gap signals ongoing fiscal pressure and a high likelihood of a growing burden on formal-sector taxpayers.

**Rating: Weak (last of six economies).**


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## 6.2 Investor Tax Burden

| Economy | CIT Rate | WHT (non-resident corporate shareholder) | Combined | Notes |
|---|---|---|---|---|
| Singapore | 17% | 0% | 17.0% | One-tier system |
| Vietnam | 20% | 0% [verify] | 20.0% | Exempt for corporates |
| Malaysia | 24% | 0% | 24.0% | Single-tier |
| Thailand | 20% | 10% | 28.0% | |
| Indonesia (treaty) | 22% | 10% | 29.8% | e.g Netherlands |
| Indonesia (non-treaty) | 22% | 20% | 37.6% | |
| Philippines | 25% | 25% | 43.8% | |

*Source: PwC, Worldwide Tax Summaries (accessed 24 October 2026). Peer figures are statutory rates; treaty relief is not shown.*

With a treaty, Indonesia's combined burden is 29.8%, the second-highest in the region; without one, it is 37.6%, also the second-highest. Against Vietnam's 20%, Indonesia's burden is 9.8 percentage points higher with a treaty and 17.6 points higher without one, across all distributions. The peer figures are statutory rates and do not reflect treaty relief. For the Philippines, the rate is 15% when the home country does not tax the dividend or provides a tax credit, and treaty rates range from 10% to 25%. Thailand's treaties generally maintain the 10% rate.

**Rating: Weak (second-highest combined burden of the six economies).**

## 6.3 Operational Efficiency

Operational efficiency is Pillar III of the B-READY Taxation topic. It measures the practical effectiveness of implemented tax regulations and public services across two categories: process time and functionality (time to file and pay, electronic filing and payment, audit duration, tax dispute duration, and VAT refunds) and the financial burden on firms (the effective tax rate on profits and on employment taxes and social contributions). The comparison uses B-READY 2025, which covers 101 economies; Thailand is not included.

| Economy | B-READY 2025 Pillar III |
|---|---|
| Vietnam | 85.12 |
| Singapore | 81.27 |
| Malaysia | 69.95 |
| Philippines | 61.44 |
| **Indonesia** | **38.63** |
| Thailand | Not covered |

*The raw indicators show where the 2025 scores come from. The dispute duration is an expert answer; the other values are firm-survey answers.*


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| Indicator | Indonesia | Vietnam | Philippines | Singapore | Malaysia |
|---|---|---|---|---|---|
| Hours to prepare, file and pay (median) [verify] | 12 | 96 | 200 | 100 | 36 |
| Firms filing taxes electronically | 37.5% | 99.6% | 63.3% | 99.9% | 86.2% |
| Firms paying taxes electronically | 38.7% | 99.0% | 58.4% | 99.9% | 90.5% |
| Days to review a tax dispute | 365 | 60 | 730 | 175 | 365 |
| Eligible firms not applying for a VAT refund | 69.6% | 17.3% | 56.2% | 15.8% | 30.3% |
| Tax rate on income-based taxes | 25.1% | 13.2% | 14.1% | 14.4% | 16.0% |
| Employment taxes and social contributions, share of labor cost [verify] | 7.6% | 13.6% | 10.5% | 13.2% | 15.7% |

*Source: World Bank, Business Ready 2025 data file, Taxation topic (sheet 07_Taxation): Pillar III scores and indicator values; Business Ready 2025 Methodology Handbook, Second Edition. There is no 2025 country report.*

Indonesia ranks last among five on Pillar III in 2025. The raw indicators show why. Indonesia is the fastest to prepare, file, and pay (12 hours, compared with 36 to 200). Only 37.5% of its firms file electronically, compared with 63.3% to 99.9%. 69.6% of eligible firms do not apply for a VAT refund, compared with 15.8% to 56.2%. A tax dispute takes 365 days: longer than in Vietnam (60) and Singapore (175), the same as in Malaysia, and shorter than in the Philippines (730). Its income tax rate is the highest (25.1%, compared with 13.2% to 16.0%), and employment taxes make up the smallest share of labor costs (7.6%, compared with 10.5% to 15.7%).

**Rating: Weak (last of five economies on Pillar III in 2025).**


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# 7. Summary, Conclusion, Key Takeaways

## 7.1 Summary

Indonesia is rated Weak on all three criteria (section 2.2).

| Criterion | Finding | Rating |
|---|---|---|
| **Revenue adequacy** | Tax/GDP 11.8% in 2024 (OECD), last of six economies and 1.2 points below fifth place; narrow tax base, corruption and low buoyancy (4.1) | **Weak: underperforms** |
| **Investor tax burden** | 29.8% combined burden with a treaty and 37.6% without: second-highest of six in both cases; employer social security, irrecoverable VAT and sub-national taxes come on top (4.2) | **Weak: high burden** |
| **Operational efficiency** | B-READY 2025 Pillar III score 38.63/100; 365-day disputes; 70% of firms did not apply for VAT refunds because the process is too burdensome; Coretax problems in 2025; last of five economies. Strengths: full points for time to file and pay and for audit duration (4.3) | **Weak: slow disputes and VAT refunds** |

## 7.2 Conclusion: Indonesia's tax system fails investors.

“Fails” is a comparison with the regional peers (see limits in section 2.3).

The tax-to-GDP ratio has not improved since 2015, and the 2045 target is 18–20% (3.4). At least four major tax reforms since 2020 have pulled in different directions (see 1.1). In my experience, the gap between the written law and its application is the rule, not the exception.

This does not mean investors should not invest in Indonesia. Market size, natural resources, and domestic consumption are outside the scope of this guide.

## 7.3 Key Takeaways for Investors

**Indonesia’s tax environment** ranks “weak” among its regional peers across all three assessment criteria: it is last among six economies in tax-to-GDP, second-highest among six in combined burden, and last among five in B-READY operational efficiency (Pillar III, 2025).

**Expect the tax burden to rise**. Indonesia's tax-to-GDP ratio is 11.8% (OECD), compared with 13.0% to 18.1% for the five peers, and it has not improved since 2015. The 2045 target is 18–20%. The formal sector, about 40% of the workforce, bears the increases (4.1).

**Calculate the combined tax burden, the holding structure and double tax agreements matter**. The combined burden is 29.8% with a treaty and 37.6% without, a difference of 7.8 percentage points. Employer social security contributions of about 10–12% of gross salary, irrecoverable VAT, and subnational taxes add to the total (4.2).

**Operational efficiency: the weakness is in practice**: Disputes take 365 days. 70% of firms did not apply for a VAT refund because the process is too burdensome. Only 38% of firms file, and 39% pay taxes electronically. Time to file and pay (12 hours) and audit duration (1 week) score full points.

**Weak is relative, not a verdict on not investing**: “Fails” compares Indonesia’s tax environment with five regional peers (section 2.3). Market size and natural resources are outside the scope of this guide.

**The gap between theory and practice**: Overall the legal and institutional set up is not the problem. The problem is application.


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# Annex 1 — Glossary

| Term | Definition |
|---|---|
| ASEAN | Association of Southeast Asian Nations. |
| BPJS | Badan Penyelenggara Jaminan Sosial. Indonesia's social security authority administering mandatory health (Kesehatan) and employment (Ketenagakerjaan) contributions. |
| BPS | Badan Pusat Statistik. Statistics Indonesia, the national statistics agency. |
| B-READY | Business Ready. World Bank annual report assessing regulatory framework, public services, and operational efficiency across 10 business topics. |
| CIT | Corporate Income Tax (Pajak Penghasilan Badan). Standard rate: 22%. |
| Coretax | Indonesia's integrated tax administration system, live from 1 January 2025. |
| DGT / DJP | Directorate General of Taxes (Direktorat Jenderal Pajak). Indonesia's primary national tax authority. |
| DPR | Dewan Perwakilan Rakyat. People's Representative Council, the legislature that enacts primary tax statutes. |
| EU | European Union. |
| EUR | Euro. EUR amounts for rupiah figures use EUR 1 = IDR 20,227 (2026 average). |
| Form DGT | Certificate of domicile required to claim reduced WHT rate under a double tax treaty. Must be held at time of payment. |
| GDP | Gross domestic product. |
| HKPD | Hubungan Keuangan antara Pemerintah Pusat dan Pemerintahan Daerah. Financial relations between the central government and the regional governments; Law 1/2022. |
| IDR | Indonesian rupiah. |
| LBE | Legal Business Environment. Framework for analyzing the legal context in which a foreign investor operates across three layers: the International, the Wider and the Immediate Tax Environment. |
| MK | Mahkamah Konstitusi. Constitutional Court. |
| OECD | Organization for Economic Co-operation and Development. |
| Opsen | Regional surcharge of up to 66% on provincial motor vehicle taxes under Law 1/2022. |
| PMK | Peraturan Menteri Keuangan. Minister of Finance Regulation. |
| PP | Peraturan Pemerintah. Government Regulation. |


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| Term | Definition |
|---|---|
| PPN / VAT | Pajak Pertambahan Nilai. Value Added Tax. Statutory rate 12%; effective rate 11% on most goods and services. |
| PT PMA | Perseroan Terbatas Penanaman Modal Asing. Foreign-owned limited liability company; the form through which a foreign investor does business in Indonesia. |
| RPJPN | Rencana Pembangunan Jangka Panjang Nasional. National Long-Term Development Plan 2025–2045. Target: tax/GDP ratio of 18–20% by 2045. |
| SEMA | Surat Edaran Mahkamah Agung. Supreme Court Circular Letter. |
| USD | United States dollar. |
| UU | Undang-Undang. Law passed by the People's Representative Council and signed by the President. |
| UU HPP | Undang-Undang Harmonisasi Peraturan Perpajakan. Law 7/2021 on Harmonization of Tax Regulations. |
| WHT | Withholding Tax (Pajak Penghasilan Pasal 23/26). Applied to dividends, interest, royalties, and service fees paid to domestic (Art. 23) and non-resident (Art. 26) recipients. |


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# Annex 2 — Tax Guides

The following publications provide detailed information on Indonesia's tax system and the regional benchmarking data used in this guide.

| Publication | Publisher | Notes |
|---|---|---|
| Indonesian Pocket Tax Book 2026 | PwC Indonesia | Annual guide: rates, rules, statutory framework. Primary rate reference. Law as of 31 December 2025. https://www.pwc.com/id/en/pocket-tax-book/english/pocket-tax-book-2026.pdf |
| Worldwide Tax Summaries, Indonesia | PwC | Cross-country CIT and WHT rate comparison; web guide, updated continuously; Indonesia reviewed 11 June 2026. https://taxsummaries.pwc.com/indonesia |
| Worldwide Tax Summaries, Quick Charts: Corporate income tax (CIT) rates | PwC | Compares up to five countries; date not shown on the page. https://taxsummaries.pwc.com/quick-charts/corporate-income-tax-cit-rates |
| TaxFlash (alerts) | PwC Indonesia | News alerts, not a guide; Vol. 13/2026, 8 July 2026. https://www.pwc.com/id/en/services/tax-services.html |
| Indonesia Tax Guide 2025-2026 | Deloitte | Country tax guide. Law as of 30 June 2025. https://www.deloitte.com/southeast-asia/en/services/tax/perspectives/indonesian-tax-guide.html |
| Investing in Indonesia 2025 | KPMG Indonesia | Investor guide with a tax chapter; September 2025; law-as-of date not confirmed. https://assets.kpmg.com/content/dam/kpmg/id/pdf/2025/09/id-investing-in-indonesia-2025.pdf |
| Worldwide Corporate Tax Guide 2025 | EY | Covers about 150 countries; the Indonesia chapter is in the 2025 edition. Law as of 1 April 2025. https://www.ey.com/en_gl/technical/tax-guides/worldwide-corporate-tax-guide |
| Indonesian Tax Manual 2025 | DDTC | September 2025 edition; detailed English manual. Law as of August 2025. https://ddtc.co.id/en/publication/ddtc-indonesian-tax-manual-2025-bahasa-inggris_781 |
| 2026 ASEAN 6 Tax Guide | Grant Thornton | Covers six ASEAN countries including Indonesia; 2026; law-as-of date not stated. https://www.grantthornton.sg/insights/2026-insights/asean-6-tax-guide-2026/ |


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| Publication | Publisher | Notes |
|---|---|---|
| Doing Business in Indonesia 2026 | Forvis Mazars Indonesia | 21 July 2026; free after a form; law-as-of date not stated. https://www.forvismazars.com/id/en/insights/our-publications/doing-business-in-indonesia-2026 |
| Indonesia Tax FAQ 2026 | Forvis Mazars Indonesia | Web page; 2026; rules to 1 January 2026. https://www.forvismazars.com/id/en/services/tax/indonesia-tax-faq-2026 |
| Doing Business In 2026, Indonesia | Chambers (ABNR) | Indonesia chapter; law as of May 2026. https://gpg-pdf.chambers.com/Doing-Business-In-2026/477/ |
| Revenue Statistics in Asia and the Pacific 2026 | OECD | Tax-to-GDP ratios and revenue composition across Asia-Pacific; data for 2024 (general government, including social security contributions). https://www.oecd.org/en/publications/revenue-statistics-in-asia-and-the-pacific-2026_065aa566-en/full-report.html |
| Indonesia Economic Prospects, June 2026 | World Bank | Central government tax revenue as a share of GDP, 2023 to 2028 (Table A.2): 10.3%, 10.1%, 9.3%, then projected 9.7%, 9.8% and 10.1%. https://www.worldbank.org/en/country/indonesia/publication/indonesia-economic-prospect |
| Business Ready (B-READY) 2025 | World Bank | Scores and indicator values in the World Bank data files (Taxation topic, sheet 07_Taxation); no country report. https://www.worldbank.org/en/businessready |
| How to Identify and Evaluate the Legal Business Environment in Indonesia | Hauerstein Consulting | LBE framework methodology. https://www.hauersteinconsulting.com/books-articles-guides |


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# Annex 3 — Legal Framework

This annex lists the core Indonesian tax laws and regulations for this assessment, in the order a reader should use them. Each entry shows what it covers, the laws that amend it, and where to download the text; the Indonesian title is on the linked page. Status as of 16 October 2026.

### There is no single tax code

Indonesia has no officially consolidated and updated tax code, and no legal tradition of consolidating and updating its laws. Each law and each amendment is published separately, so the tax law is fragmented. Germany, France, the United Kingdom, Canada, Australia and the United States publish their tax codes in updated, consolidated form; in Indonesia only private providers, such as DDTC, offer consolidated texts.

### How to read the law

1. **Start with the base law.** For example, Law 8/1983 on Value Added Tax.
2. **Go through its amendments in date order** and note what each changed.
3. **Read the framework laws** — Law 7/2021 (harmonization) and Law 6/2023 (omnibus) — and note what they changed.
4. **Check what came after:** later amendments, government regulations, ministerial regulations and court decisions.

A later law of the same rank overrides an earlier one (lex posterior derogat legi priori); a law of higher rank prevails over a lower one. Always read the text with its amendments.

## 1. Meta-Laws and Structural Framework (Omnibus Statutes)

These legal instruments have crosscutting functions and define the overall legal framework. They have amended every primary tax statute since 2020. Any investor reading Indonesian tax law must start here.

| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Law 6/2023 on Job Creation (omnibus law)** (UU 6/2023) | Enacts the 2022 emergency regulation on Job Creation, replaces Law 11/2020 and amends 87 laws, including the tax laws. | — | PDF |
| **Law 7/2021 on Harmonization of Tax Regulations** (UU 7/2021) | Second omnibus law, for tax. Amends the General Provisions, Income Tax, VAT and excise laws; sets the VAT rate path, the carbon tax and a voluntary disclosure program. | Law 6/2023 | PDF |
| **Law 6/1983 on General Provisions and Tax Procedures** (UU 6/1983) | Procedural backbone: registration, returns, audit, objection and sanctions. | Law 28/2007; Law 16/2009; Law 7/2021; Law 6/2023 | PDF |

## 2. Primary Tax Statutes (Undang-Undang / UU Level)

Substantive tax obligations. All key statutes have been amended by Law 6/2023 (Cipta Kerja) and/or Law 7/2021 (UU HPP). Always read the text with its amendments.

| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Law 7/1983 on Income Tax** (UU 7/1983) | Corporate rate 22% (19% for listed companies meeting the 40% public-float test); individual brackets 5% to 35%. | Law 10/1994; Law 17/2000; Law 36/2008; Law 7/2021; Law 6/2023 | PDF |
| **Law 8/1983 on Value Added Tax and Luxury Goods Sales Tax** (UU 8/1983) | Statutory VAT rate 12% from 1 January 2025; effective 11% on most goods and services through Minister of Finance Regulation 131/2024. | Law 11/1994; Law 18/2000; Law 42/2009; Law 7/2021; Law 6/2023 | PDF |
| **Law 14/2002 on the Tax Court** (UU 14/2002) | Tax Court procedure. Constitutional Court Decision 26/PUU-XXI/2023 moved supervision of the court from the Ministry of Finance to the Supreme Court. | — | PDF |
| **Law 1/2022 on Financial Relations between the Central and Regional Governments** (UU 1/2022) | One statute for regional taxes, charges and revenue sharing; sets rate ceilings for regional taxes. | — | PDF |


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| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Law 1/2026 on Criminal Adjustment** (UU 1/2026) | Aligns criminal penalties in laws outside the Criminal Code; reported to change the penalty provisions of the General Provisions Law. | — | PDF |

## 3. Government Regulations (Peraturan Pemerintah / PP) and Presidential Regulations (Perpres)

Issued by the President to implement parent statutes. These regulations carry the substantive implementing detail most relevant to PT PMA investors.

| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Government Regulation 9/2021 on Tax Treatment to Support Ease of Doing Business** (PP 9/2021) | Dividend exemption, reinvestment of foreign-source income, reduced withholding on bond interest, foreign expert facility. | — | PDF |
| **Government Regulation 49/2022 on VAT Exemptions and Non-Collection** (PP 49/2022) | Lists VAT-exempt strategic goods and services: basic foodstuffs, health, education, public transport, financial services. | — | PDF |
| **Government Regulation 55/2022 on Adjustments to Income Tax Regulation** (PP 55/2022) | Implements the income tax parts of Law 7/2021: anti-avoidance scope, final tax of 0.5% for small turnover, depreciation options. | Government Regulation 20/2026 | PDF |
| **Government Regulation 20/2026 amending Government Regulation 55/2022** (PP 20/2026) | Reported to limit the final 0.5% regime to individuals, sole proprietorships and cooperatives and to bar deducting bribes. | — | PDF |

## 4. Ministry of Finance Regulations (Peraturan Menteri Keuangan / PMK)

The most operationally active layer. Binding on taxpayers within the scope of their delegated authority. Where a PMK conflicts with a higher instrument, the higher instrument prevails.

| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Minister of Finance Regulation 169/2015 on the Debt-to-Equity Ratio** (PMK 169/2015) | 4:1 limit on deductible interest; banks, finance companies and insurers excluded. Status to be confirmed. | — | PDF |
| **Minister of Finance Regulation 81/2024 on Tax Provisions for Coretax** (PMK 81/2024) | Registration, payment, returns, e-invoice and e-withholding slips in the Core Tax Administration System (Coretax); consolidates 42 earlier regulations. | Minister of Finance Regulation 54/2025; Minister of Finance Regulation 1/2026 | PDF |
| **Minister of Finance Regulation 118/2024 on Correction and Objection Procedures** (PMK 118/2024) | Corrections, objections, reductions, removals and cancellations through Coretax; first stage of a tax dispute. | Minister of Finance Regulation 71/2026 | PDF |
| **Minister of Finance Regulation 131/2024 on VAT Treatment (adjusted tax base)** (PMK 131/2024) | Sets the VAT tax base at 11/12 of the price for non-luxury goods and services, so the effective rate is 11%; luxury goods bear 12%. | — | PDF |
| **Minister of Finance Regulation 11/2025 on Other Value as VAT Tax Base** (PMK 11/2025) | Fixes the 11/12 tax base arrangement for the 12% VAT rate. | Minister of Finance Regulation 53/2025 | PDF |
| **Minister of Finance Regulation 111/2025 on Supervision of Taxpayer Compliance** (PMK 111/2025) | Risk-based supervision of taxpayer compliance. | — | PDF |
| **Minister of Finance Regulation 112/2025 on Applying Tax Treaties** (PMK 112/2025) | Procedures for applying tax treaties. | — | PDF |


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## 5. DGT Regulations

Operational regulations of the Direktorat Jenderal Pajak (DGT / Directorate General of Taxes).

| Instrument | What it covers | Amended or replaced by | Download |
|---|---|---|---|
| **Director General of Taxes Regulation 11/2025 on Return Reporting in Coretax** (PER-DJP 11/2025) | How income tax, VAT, luxury goods sales tax and stamp duty returns are filed in Coretax. | Director General of Taxes Regulation 3/2026; Director General of Taxes Regulation 12/2026 | PDF |
| **Director General of Taxes Regulation 23/2025 on Domestic and Foreign Tax Subjects** (PER-DJP 23/2025) | Determines whether an individual is a domestic or a foreign tax subject. | — | Page |

### Where to find the law

| Source | What it offers | Cost | Link |
|---|---|---|---|
| National Legal Documentation Network (JDIH Nasional) | Laws and regulations in PDF; shows which law amends which, and the status; some English translations; no consolidated text | Free | peraturan.go.id |
| BPK legal database | Laws and regulations in PDF; search by type, year, issuer | Free | peraturan.bpk.go.id |
| Ministry of Finance (JDIH Kemenkeu) | Ministerial regulations in PDF [verify] | Free | jdih.kemenkeu.go.id |
| Directorate General of Taxes | Tax regulations, circulars, news; partly in English [verify] | Free | pajak.go.id/en |
| Supreme Court decision directory | Court decisions, including a tax-case category [verify] | Free | putusan3.mahkamahagung.go.id |
| Tax Court Secretariat | Tax Court decisions: download, search by decision number [verify] | Free | setpp.kemenkeu.go.id |
| Constitutional Court | Constitutional Court decisions [verify] | Free | mkri.id |
| Hukumonline Pro | Regulations, translations, case law, legal analysis; Pro tiers about IDR 5.0m to 12.5m (EUR 247 to EUR 618) a month (undated) | Free in parts Paid after wall | pro.hukumonline.com |
| DDTC Perpajakan | Private consolidated texts of the General Provisions, Income Tax and VAT laws, with the changes of Law 11/2020, Law 7/2021 and Law 6/2023; some English versions | Not stated [verify] | perpajakan.ddtc.co.id/sumber-hukum/peraturan-pusat/undang-undang-konsolidasi-pph-setelah-uu-hpp |

Indonesian is the authoritative language. Always check the PDF of the instrument itself.


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# Annex 4 — Essay Index

This annex lists all published essays in the Tax Environment in Indonesia guide series, organized by subject. Each title links to the original publication.

## Part A — Introduction

**A1** Tax in Indonesia. A Guide for Investors

**A2** Taxation and the Legal Business Environment

**A3** Key Principles and Definitions

## Part B — Legal Framework and Reforms

**B1** Indonesian Tax Laws. The Legal Framework

**B2** Enacted, Reversed, Abandoned — Indonesia's Tax Reform

## Part C — National Taxes: Income Tax

**C1** National Taxes. Introduction and Overview

### Corporate Income Tax

**C2** Corporate Income Tax

**C3** Double Taxation and Aggregate Burden

### Personal Income Tax

**C4** Personal Income Tax

**C5** Withholding and Final Taxes

**C6** Process Flow. From Income to Tax Liability

## Part D — National Taxes: Consumption/Transaction

**D1** Consumption Taxes. Overview

**D2** Consumption Taxes. The Investor's Real Exposure

**D3** Final Income Tax on Transfer of Land and Building Rights

## Part E — National Taxes: Labor and Social Security

**E1** Taxes on Labor

**E2** The Hidden Cost of Hiring Formally in Indonesia


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## Part F — Sub-National Taxes: Consumption/Transfer

**F1** Sub-National Taxes. Overview

**F2** The New Entertainment Tax

**F3** Bali Hospitality Taxes Before and After the HKPD Law

## Part G — Sub-National Taxes: Property

**G1** Property-Related Taxes. A Guide for Investors

**G2** Rental Income Tax for Foreign Investors — 10% or 20%?

**G3** Regional Taxes. Simplified Structure, Higher Burden

## Part H— Tax Administration

**H1** The Revenue Gap

**H2** The Legal and Institutional Framework

**H3** The Coretax Reform

## Part J— Country Analysis

**J1** Framework and Approach

**J2** Performance Assessment (Tax/GDP · Tax Burden · Operational Efficiency)

**J3** Overall Assessment. Indonesia's Tax System Fails Investors

## Part K — Key Takeaways

**K1** *10 Things Every Investor Needs to Know (link pending)*


**General Disclaimer:** This guide is for informational purposes only and does not constitute legal or tax advice. The information reflects the author's analysis as at October 2026. Laws and regulations change frequently. Consult a qualified Indonesian tax advisor before making any investment or tax decision. Hauerstein Consulting accepts no liability for any action taken in reliance on this guide.

**The guide is free. A longer paid version will include a guide to Indonesian taxes.**

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