



Tax Newsletter

January 2024 / No.01

New tax rule on Article 21 Income Tax Withholding Rates on Individual Taxpayers

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What is new?

As the new year unfolds, it's time to turn our attention to the ever-evolving landscape of personal income tax regulations. In this Newsletter edition, we delve into the latest amendments to the personal income tax laws, the Government Regulation No. 58 Year 2023 ("PP 58/2023") concerning the Article 21 Income Tax Withholding Rates on income in connection with employment, services, or activities of the individual taxpayers. The regulation was issued on 27 December 2023 with enactment on 1 January 2024.

Individual income tax rates have changed based on Article 17 paragraph (1) letter a of Law Number 7/1983, as amended by Law Number 7/2021 concerning Harmonization Law. In PP 58/2023, "tax rates" are adjusted to "effective tax rates" for Article 21 Income Tax Withholding on income from employment, services, or activities of individual taxpayers.

According to the new regulation, in order to provide convenience and simplicity in fulfilling tax obligations for Taxpayers regarding Article 21 Income Tax withholding, including for state officials, civil servants, members of the Indonesian national army, members of the Republic of Indonesia's state police, and their retirees, it is necessary to make adjustments to the withholding mechanism and the imposition of Article 21 Income Tax.

Key highlights of new tax rule on withholding Article 21 Income Tax

There will be two (2) withholding tax rates to be used in calculating Article 21 Income Tax Withholding during the year. The Article 21 Income Tax withholding rates consist of:

- a. rates based on Article 17 paragraph (1) letter a of the Income Tax Law Number 7/1983; and
- b. effective rate of withholding of Income Tax Article 21 based on PP 58/2023.

Effective withholding tax rates consist of monthly and daily rates. Effective monthly tax rates are categorized based on non-taxable income according to marital status and dependents at the beginning of the tax year.

Effective Monthly Tax Rates per Category

The effective monthly tax rates under Category A, B and C range from 0% to 34%.

- a. Category A is applied to gross monthly income received or earned by income recipients with Non-Taxable Income status as follows:
 1. single without dependents;
 2. single with one (1) dependent; or
 3. married without dependents.

The following table shows the monthly gross income bracket with the corresponding effective tax rates for Category A.

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
Up to 5,400,000		0.00%
5,400,001	5,650,000	0.25%
5,650,001	5,950,000	0.50%
5,950,001	6,300,000	0.75%
6,300,001	6,750,000	1.00%
6,750,001	7,500,000	1.25%
7,500,001	8,550,000	1.50%
8,550,001	9,650,000	1.75%
9,650,001	10,050,000	2.00%
10,050,001	10,350,000	2.25%
10,350,001	10,700,000	2.50%
10,700,001	11,050,000	3.00%
11,050,001	11,600,000	3.50%
11,600,001	12,500,000	4.00%
12,500,001	13,750,000	5.00%
13,750,001	15,100,000	6.00%
15,100,001	16,950,000	7.00%
16,950,001	19,750,000	8.00%
19,750,001	24,150,000	9.00%
24,150,001	26,450,000	10.00%
26,450,001	28,000,000	11.00%
28,000,001	30,050,000	12.00%
30,050,001	32,400,000	13.00%
32,400,001	35,400,000	14.00%
35,400,001	39,100,000	15.00%
39,100,001	43,850,000	16.00%
43,850,001	47,800,000	17.00%
47,800,001	51,400,000	18.00%
51,400,001	56,300,000	19.00%
56,300,001	62,200,000	20.00%

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
62,200,001	68,600,000	21.00%
68,600,001	77,500,000	22.00%
77,500,001	89,000,000	23.00%
89,000,001	103,000,000	24.00%
103,000,001	125,000,000	25.00%
125,000,001	157,000,000	26.00%
157,000,001	206,000,000	27.00%
206,000,001	337,000,000	28.00%
337,000,001	454,000,000	29.00%
454,000,001	550,000,000	30.00%
550,000,001	695,000,000	31.00%
695,000,001	910,000,000	32.00%
910,000,001	1,400,000,000	33.00%
>1,400,000,000		34.00%

b. Category B is applied to gross monthly income received or earned by income recipients with Non-Taxable Income status as follows:

1. single with two (2) dependents;
2. single with three (3) dependents;
3. married with one (1) dependent; or
4. married with two (2) dependents.

The following table shows the monthly gross income bracket with the corresponding effective tax rates for Category B.

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
Up to 6,200,000		0.00%
6,200,001	6,500,000	0.25%
6,500,001	6,850,000	0.50%
6,850,001	7,300,000	0.75%
7,300,001	9,200,000	1.00%
9,200,001	10,750,000	1.50%
10,750,001	11,250,000	2.00%

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
11,250,001	11,600,000	2.50%
11,600,001	12,600,000	3.00%
12,600,001	13,600,000	4.00%
13,600,001	14,950,000	5.00%
14,950,001	16,400,000	6.00%
16,400,001	18,450,000	7.00%
18,450,001	21,850,000	8.00%
21,850,001	26,000,000	9.00%
26,000,001	27,700,000	10.00%
27,700,001	29,350,000	11.00%
29,350,001	31,450,000	12.00%
31,450,001	33,950,000	13.00%
33,950,001	37,100,000	14.00%
37,100,001	41,100,000	15.00%
41,100,001	45,800,000	16.00%
45,800,001	49,500,000	17.00%
49,500,001	53,800,000	18.00%
53,800,001	58,500,000	19.00%
58,500,001	64,000,000	20.00%
64,000,001	71,000,000	21.00%
71,000,001	80,000,000	22.00%
80,000,001	93,000,000	23.00%
93,000,001	109,000,000	24.00%
109,000,001	129,000,000	25.00%
129,000,001	163,000,000	26.00%
163,000,001	211,000,000	27.00%
211,000,001	374,000,000	28.00%
374,000,001	459,000,000	29.00%
459,000,001	555,000,000	30.00%
555,000,001	704,000,000	31.00%
704,000,001	957,000,000	32.00%

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
957,000,001	1,405,000,000	33.00%
>1,405,000,000		34.00%

- c. Category C is applied to gross monthly income received or obtained by income recipients who are married and have three (3) dependents.

The following table shows the monthly gross income bracket with the corresponding effective tax rates for Category C.

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
Up to 6,600,000		0.00%
6,600,001	6,950,000	0.25%
6,950,001	7,350,000	0.50%
7,350,001	7,800,000	0.75%
7,800,001	8,850,000	1.00%
8,850,001	9,800,000	1.25%
9,800,001	10,950,000	1.50%
10,950,001	11,200,000	1.75%
11,200,001	12,050,000	2.00%
12,050,001	12,950,000	3.00%
12,950,001	14,150,000	4.00%
14,150,001	1,550,000	5.00%
1,550,001	17,050,000	6.00%
17,050,001	19,500,000	7.00%
19,500,001	22,700,000	8.00%
22,700,001	26,600,000	9.00%
26,600,001	28,100,000	10.00%
28,100,001	30,100,000	11.00%
30,100,001	32,600,000	12.00%
32,600,001	35,400,000	13.00%
35,400,001	38,900,000	14.00%
38,900,001	43,000,000	15.00%

Monthly Gross Income Bracket (in Rp)		Effective Tax Rates
43,000,001	47,400,000	16.00%
47,400,001	51,200,000	17.00%
51,200,001	55,800,000	18.00%
55,800,001	60,400,000	19.00%
60,400,001	66,700,000	20.00%
66,700,001	74,500,000	21.00%
74,500,001	83,200,000	22.00%
83,200,001	95,600,000	23.00%
95,600,001	110,000,000	24.00%
110,000,001	134,000,000	25.00%
134,000,001	169,000,000	26.00%
169,000,001	221,000,000	27.00%
221,000,001	390,000,000	28.00%
390,000,001	463,000,000	29.00%
463,000,001	561,000,000	30.00%
561,000,001	709,000,000	31.00%
709,000,001	965,000,000	32.00%
965,000,001	1,419,000,000	33.00%
>1,419,000,000		34.00%

Effective Daily Tax Rates

The following table shows the daily gross income bracket with the corresponding effective tax rates for workers being paid on a daily basis.

Daily Gross Income Bracket (in Rp)		Effective Tax Rates
Up to 450,000		0.0%
450,001	2,500,000	0.5%

How will the new tax rule impact the employees and employers?

Employees will receive higher net salary pay from January to November and lower net salary pay in December due to the impact of implementation of effective monthly tax rates. Employers will deduct monthly withholding from employees' income based on the effective

monthly tax rates from January to November. Employers will need to deduct withholding tax from employees' December income based on Article 17 paragraph (1) of Income Tax Law Number 7/1983 after deducting the tax already withheld up to November.

The content of this newsletter is for the purpose of general guidance on matters of interest and is not meant as advice. The implementation and impact of laws/regulations can vary widely based on the specific facts involved. Readers are advised to consult their tax advisors before making any business decisions.

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