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INFORMATION

Update on the Simplification of Withholding Tax Income Tariff of Article 21 (PPh 21) Based on Ministry of Finance Regulation No. 168 Year 2023

The Minister of Finance, Sri Mulyani Indrawati has released Ministry of Finance Regulation (Peraturan Menteri Keuangan/PMK) No. 168 Year 2023 as a derivative regulation of Government Regulation (Peraturan Pemerintah/PP) No. 58 Year 2023 concerning the calculation of withholding tax Income of Article 21 (Pajak Penghasilan/PPh 21) on 29 December 2023.

These regulations are effective on 1 January 2024. The government stated that the release of two regulations aims to provide improvements to the provisions relating to the calculation and withholding tax income to provide greater legal certainty, convenience and simplicity in the implementation of tax deductions on income in connection with work, services or activities of individuals. This regulation is valid for both *Indonesian citizens' employers and foreigners in Indonesia*.

According to PMK No. 168 Year 2023, the new tariff PPh 21 is subject to permanent employees and non-permanent employees. *Permanent employees* are employees who receive a regular income and work on a contract basis for a certain period of time with a full-time job. While *non-permanent employees* are employees, including freelance staff, which only receives income if the employees work based on the certain working days.

According to PP No. 58 Year 2023, the withholding tax tariff of PPh 21 is divided into 3 (three) categories:

1. Category A applied to monthly gross income recipients with Non-Taxable Income (Penghasilan Tidak Kena Pajak/PTKP) status including: *unmarried/single without dependents, married without dependents, and divorced without dependents or/and with 1 (one) dependent*.
2. Category B applied to monthly gross income recipients with Non-Taxable Income (Penghasilan Tidak Kena Pajak/PTKP) status including: *married with 1 (one) - 2 (two) dependents, and divorced with 2 (two) – 3 (three) dependents*.
3. Category C applied to monthly gross income recipients with married Non-Taxable Income (Penghasilan Tidak Kena Pajak/PTKP) status with 3 (three) or more dependents.

This tariff is also valid for Annual Holiday Allowance (Tunjangan Hari Raya/THR) of a month's salary given to employees. This tax tariff applies to income recipients starting from **January 2024**.

With the release of PMK No. 168 Year 2023, therefore, PMK No. 252/PMK.03/2008 concerning the Amount of Position Fees or Pension Fees which can be Deducted from the Gross Income of Permanent or Retired Employees **was revoked and declared invalid**.

If you require the Table of Withholding Tax Tariff of Article 21 (PPh 21), please kindly send an email to research@ibai.or.id

References:

- Ministry of Finance Regulation (Peraturan Menteri Keuangan/PMK) No. 168 Year 2023
- Government Regulation (Peraturan Pemerintah/PP) No. 58 Year 2023

If you require the copy of these regulations, please do not hesitate to contact research@ibai.or.id
Thank you for your attention and we hope this information would be valuable to you.

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