

INDONESIA

Indonesia - Mixed (Civil law and Adat)

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Incorporating a company in Indonesia

Indonesia taxes

If you want to do business in Indonesia, this article will educate you on the tax laws for a LLC (PT, PMA) which is the most common company structure in Indonesia.

Indonesia taxes corporate income, whether it is accrued onshore or offshore. The prevailing rate for income earned abroad, from our research, but seek professional advice, is 25%. Indonesia may not have exemptions to bring in income earned abroad. Corporate Income Tax standard rate is 25%. However, companies with a turnover under IDR 4.8b may be taxed at 1% of their gross income. Companies with revenues between IDR 4.8b and IDR 50b may have a 50% income tax reduction. Indonesia ranks 103rd overall with regards to corporate tax rate worldwide.

The VAT rate in Indonesia is 10.00%, which ranks Indonesia as 47th overall in terms of VAT globally. In terms of other taxation, an employer will contribute 11.74% to the equivalent of a social security fund and an employee will contribute 4%. The overall complexity of the tax system is high. This is measured by average time to comply with a country's labor tax requirements is as it is 254hours. Contributing to this is the number of yearly labor tax payments, which is 4 in ID.

Thin capitalisation rules aren't officially enacted. This refers to any sort of laws on a business and the debt-to-asset ratios. Dividends received or derived by a resident company are subject to CIT. Payments on dividends to domestic companies are subject to 15% withholding tax. However, certain CIT and WHT exemptions may apply for companies that hold at least 25% of the shares of the payer. Dividends are payments of company profits, voted by the board, to a class of its shareholders. Dividends can be one of the following shares of stock, cash payments, or other property. Capital gains are taxable income and subject to the CIT. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The interest withholding tax rate is estimated at 20%. This should be interpreted that usually the relevant tax authorities expects companies to automatically withhold 20% of money remitted abroad on interests. The dividends withholding tax rate is 20%. Which means that the tax authorities expects legal entities to automatically withhold 20% of dividend payments offshore. The royalties withholding tax rate is 20%. This means that the taxman expects companies to automatically withhold 20% of money remitted abroad on royalty payments. Withholding tax rates may be reduced to residents of jurisdictions where Indonesia has concluded a tax treaty with.

There is no known tax on wealth in Indonesia. There are no known inheritance taxes in Indonesia. There are transfer and real estate taxes. There are not many frequently implemented credits for innovation spend that include breaks on taxation in this country.

The above is not tax or legal advice for your particular circumstances. We are able to point you to a lawyer in Indonesia who will advise you. Contact us today. Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Indonesia is 10% which ranks 46 in the world.

- ✗ Patent box
- ✗ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✓ Transfer taxes
- ✗ Asset taxes
- ✗ Capital duties

- 76 Tax treaties
- 25% Offshore Tax
- 25% Corp rate
- Loss carryback years
- 75 Corporate time
- 10% VAT rate
- 25% Capital gains
- 2018 AEOI planned

Indonesia Legalese

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in INDONESIA is mixed (civil law and adat) law. You will want to get some local advice as to how to best structure a company in INDONESIA. One is permitted to electronically sign documents.

The country code ID is for INDONESIA and the most common company type in INDONESIA is a LLC (PT, PMA) .

When setting up, budget about 10 Weeks to incorporate a LLC (PT, PMA) in ID. The types of cash you can use to capitalize your business is often IDR and any legal tender.

Redomiciliation is not common. One is typically not permitted to change the jurisdiction.

There must be at least This means it is not possible for you to own a LLC (PT, PMA) in INDONESIA as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is permitted, up to 100% of the ownership of the LLC (PT, PMA) .

A LLC (PT, PMA) is only required to have one director. Consequently, corporate directors are permitted. Directors should not expect to be private, as they are disclosed. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for an agent which can receive litigation or other legal process on behalf of the company. A related requirement, a corporate secretary is not always necessary, at least not by law.

There is an obligation to file yearly tax returns. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think Indonesia is a good option and have given it a score of 67 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ Directors not disclosed in a public registry
- ✗ Shareholders not disclosed in a public registry
- ✗ Redomiciliation permitted
- ✓ Registered office required
- ✓ Corporate director permitted
- ✗ Local Secretary not required
- ✓ Local Director not required
- ✓ Electronic signature

- 2 Shareholders required
- 1 Directors required
- 10 Weeks to form



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Country Info



🚩 National Flag of

Republik Indonesia
(ind)

\$ Currency

IDR

☎ Area Code

+62

🏛 Capital

Jakarta

📍 Region

South-Eastern Asia

🗣 Native Languages

Indonesian