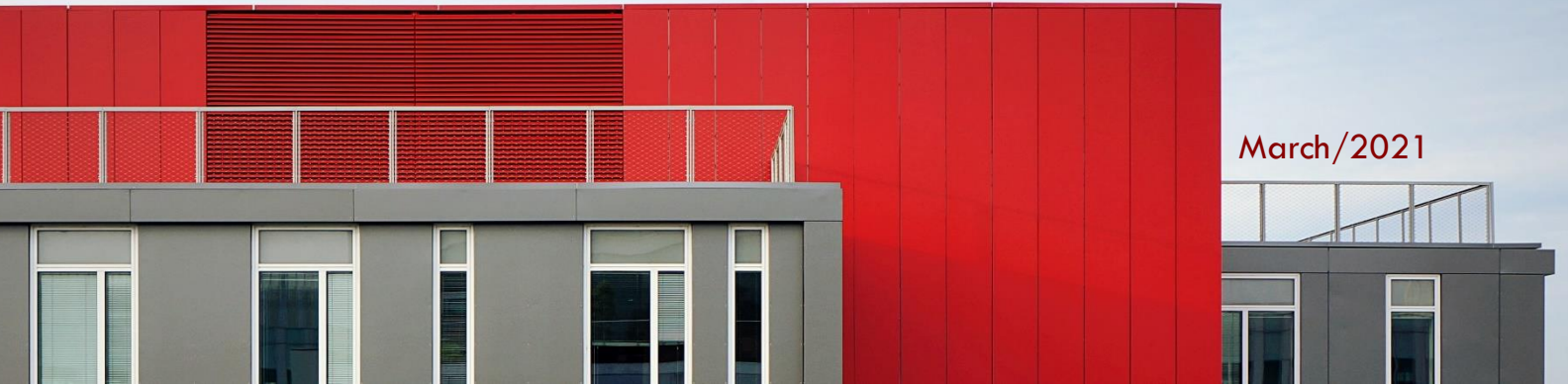


Exclusion of foreign-sourced income for qualified tax resident expatriates



The Omnibus Law of Job Creation, enacted on 2 November 2020, introduced new measure on exclusion of foreign-sourced income for qualified tax resident expatriates. Further implementing regulation was recently issued, Minister of Finance Regulation (MoF) No. 18/PMK.03/2021 (“MoF 18”), as summarized below.

Tax resident expatriates may exclude foreign-sourced income in their Indonesia tax return under following conditions:

- a. Qualify for certain expertise; and
- b. Applicable for a period of 4 years since initial tax resident registration.

Income that is paid outside Indonesia in relation to an employment, services, or activities carried out in Indonesia, is particularly considered Indonesia-sourced of Indonesia, hence still taxable. Further, if expatriate elects for tax treaty relief, the exclusion is not be applicable.

Certain Expertise

Qualified expatriates with certain expertise include:

- a. Foreign workers occupying certain positions, and
- b. Foreign researchers

Further criteria for certain expertise are as follow:

- a. foreign nationality;
- b. having expertise in science, technology, and/or mathematics, which is proven by relevant:
 1. certificate of expertise which is issued by institution appointed by Indonesia or their country of origin;
 2. education certificate; and/or
 3. minimum working experience of 5 years.

Following are certain positions that may get exclusion on foreign-sourced of income:

ISCO/KBJI	Position	ISCO /KBJI	Position
2113	Chemist	2153	Telecommunication Engineer
2114	Geologists and Geophysicists	2163	Product and Apparel Designer
2131	Biologists, Botanists, Zoologists and the relevant others	2164	City Planning and Traffic
2133	Environmental Protection Expert	2166	Graphic and Multimedia Designer
2141	Industrial and Production Engineer	2310	Lecturer at the University
2142	Civil Engineer	2511	Systems Analyst
2143	Environmental Engineer	2512	Software Developer
2144	Mechanical Engineer	2513	Web and Multimedia Developer
2145	Chemical Engineer	2514	Application Programming
2146	Mining Engineer, Metallurgy, and the relevant others	3121	Mining Supervisor
2149	Engineer and the relevant others	3139	Process Control Technician and the relevant others
2151	Electrical Engineer	3155	Air Traffic Safety Electronic Device Technician
2152	Electronic Engineer		

Administrative Requirement

To apply the exclusion, qualified expatriates shall submit a request to the Director General of Taxes (DGT), electronically or via courier. Within 10 working days, DGT shall issue approval or rejection letter on the request.

If the request is approved, the expatriate shall report only Indonesian-sourced income in the tax return.

Expatriates who qualify for certain expertise that have been subject to Indonesian tax before the enactment of this regulation may be taxed only upon its Indonesian-sourced income as long as the 4-years period has not been exceeded, while they are still required to submit a request for exclusion as per above.

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