INDONESIA

DESTINATION GUIDE

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INTRODUCTION

This guide provides a clear and practical overview for **local and foreign employees, employers, and investors** operating in the country. It covers the full employment lifecycle — from hiring and work permits to payroll, social security, taxation, termination, healthcare, education, and business setup.

Designed to support both **local workforce management and international talent mobility**, the guide explains statutory obligations, employee rights, and employer responsibilities under labor, tax, and social security regulations. It also supports business owners by outlining company formation, accounting, and ongoing compliance requirements.

Powered by **Gini Talent** and **Gini Finance,** this guide reflects real-world operational expertise:

- **Gini Talent** enables compliant hiring through recruitment, Employer of Record (EOR), payroll, and work permit services.
- **Gini Finance** ensures financial, tax, and accounting compliance with local regulations.

Together, they provide an end-to-end solution that helps organizations and professionals operate confidently, compliantly, and efficiently.

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WORK PERMIT & WORKING CONDITIONS

Employment in **Indonesia** is governed by Indonesian labor law, immigration regulations, and social security legislation. While Indonesian citizens may work freely without work authorization restrictions, foreign nationals must hold the appropriate **work and immigration authorization** before starting employment.

This section explains the legal framework applicable to **foreign and local employees**, as well as the **employer obligations** associated with lawful employment in Indonesia.

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WORK AUTHORIZATION FRAMEWORK IN INDONESIA

For Indonesian Citizens (Local Employees)

- No work permit is required
- Employment is governed by Indonesian labor law
- Mandatory **BPJS** registration applies
- Full access to statutory employee rights, benefits, and protections

For Employers

Employers are responsible for ensuring:

- Legal authorization for foreign employees
- Lawful employment contracts
- Compliance with labor, immigration, tax, and social security regulations
- Compliance with foreign worker reporting and related obligations

For Foreign Employees

- Appropriate work authorization is required before employment
- Foreign workers are generally employed for **specific positions and a defined period**
- Employment may begin only after:
  - Approval of the employer's **Foreign Worker Utilization Plan (RPTKA)**, where required
  - Completion of the applicable immigration and stay permit requirements
  - Registration with applicable social security programs

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TYPES OF WORK AUTHORIZATION IN INDONESIA

RPTKA Approval

- The **Rencana Penggunaan Tenaga Kerja Asing (RPTKA)** is the employer's approved plan for employing foreign workers
- Generally required before a foreign national may legally work in Indonesia
- Specifies information such as the foreign employee's position and employment period

Limited Stay Visa / Permit

- Foreign employees generally require the appropriate immigration authorization for employment and residence
- A **Limited Stay Permit (ITAS)** is commonly used for foreign employees staying and working in Indonesia
- Validity depends on the approved employment and immigration arrangement

Long-Term / Permanent Stay Status

- Certain eligible foreign nationals may qualify for longer-term immigration status
- Eligibility depends on immigration category and individual circumstances
- Long-term residence status does not automatically remove all employment authorization requirements

Note*: Indonesian citizens are not subject to foreign worker authorization requirements*

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WORK PERMIT ELIGIBILITY REQUIREMENTS

Employer Requirements

Employers hiring foreign nationals generally must:

- Be legally established and authorized to operate in Indonesia
- Obtain the required RPTKA approval
- Employ foreign nationals only in positions legally open to foreign workers
- Meet applicable foreign worker compensation fund obligations
- Appoint or support an Indonesian counterpart where required
- Facilitate knowledge and skills transfer
- Comply with labor, immigration, tax, and BPJS requirements

Certain positions, particularly those involving **human resources/personnel management**, are restricted for foreign workers.

Employee Requirements (Foreign Nationals)

- Foreign employees generally must:
- Hold a valid passport
- Have qualifications appropriate to the position
- Possess relevant professional experience or competence
- Hold the appropriate work and immigration authorization
- Comply with immigration and employment requirements

Local (Indonesian) Employees

- No work authorization restrictions
- Employment is subject to general Indonesian labor law requirements

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WORK PERMIT APPLICATION PROCESS IN INDONESIA

Foreign Employee Process

- The process generally involves:
  - Employer preparation and submission of the **RPTKA**
  - Approval by the competent Indonesian authority
  - Payment of the applicable foreign worker compensation fund, where required
  - Completion of immigration visa and stay permit procedures
  - Arrival and immigration formalities
  - Employee registration and employment onboarding

Employment should commence only after the required work and immigration authorization has been obtained.

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REQUIRED DOCUMENTS FOR INDONESIAN WORK AUTHORIZATION

Foreign Employee Documents

Typically include:

- Valid passport
- Passport photographs
- Employment agreement or appointment documentation
- Educational certificates
- Evidence of qualifications and professional experience
- Health or insurance documentation where required
- Immigration application documents

Employer Documents

Typically include:

- RPTKA application and supporting documentation
- Company registration and business licensing information
- Employment position and job description
- Company organizational structure
- Details of the Indonesian counterpart, where applicable
- Supporting corporate and employment documents

Exact documentation may vary according to the position, employer, and immigration category.

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WORK PERMIT VALIDITY & EXTENSION IN INDONESIA

- RPTKA approval and immigration authorization are generally issued for a **specified period**
- Extensions may be available if eligibility requirements continue to be met
- Immigration and employment authorization must remain valid throughout employment
- Changes in employer, position, or employment circumstances may require new or amended authorization
- Renewal procedures should be completed before existing authorization expires

Failure to comply may result in administrative sanctions, immigration penalties, or cancellation of authorization

SOCIAL SECURITY & HEALTHCARE COVERAGE

BPJS Social Security System

Indonesia operates two principal mandatory social security programs:

- **BPJS Kesehatan** – national health insurance
- **BPJS Ketenagakerjaan** – employment social security

Eligible employees are generally required to participate in the applicable BPJS programs.

BPJS Benefits

Depending on the program and eligibility, coverage may include:

- Healthcare services
- Work accident protection
- Old-age savings
- Pension benefits
- Death benefits
- Unemployment-related protection for eligible employees

Foreign Employees

Foreign nationals who work in Indonesia for **at least six months** are generally required to participate in the applicable Indonesian social security programs.

Health Insurance vs. BPJS in Indonesia

- BPJS provides statutory social security and healthcare protection
- Private health insurance does **not generally replace mandatory BPJS participation**
- Employers may provide private or international health insurance as a supplementary employee benefit

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INTERNATIONAL SOCIAL SECURITY CONSIDERATIONS

Indonesia's international social security coordination framework is more limited than that of many European countries.

For internationally assigned employees:

- BPJS obligations should be assessed based on the employee's status and length of employment in Indonesia
- Home-country social security coverage does not automatically exempt an employee from Indonesian requirements

Applicable international arrangements should be reviewed on a case-by-case basis

WORKING CONDITIONS & EMPLOYEE RIGHTS IN INDONESIA

The core employment protections generally apply to **Indonesian and legally employed foreign workers**, subject to specific rules applicable to foreign employment.

Working Hours

Standard working arrangements are generally:

- **40 hours per week**
- **7 hours per day** for a 6-day working week, or
- **8 hours per day** for a 5-day working week

Overtime

- Overtime is subject to statutory limits and requirements
- Eligible employees must receive overtime compensation according to applicable rules
- Certain managerial or higher-level positions may be treated differently

Weekly Rest & Breaks

Employees are generally entitled to:

- Rest breaks during the working day
- **1 day of weekly rest** for a 6-day working week
- **2 days of weekly rest** for a 5-day working week

Paid Annual Leave

- Minimum **12 working days** of paid annual leave
- Generally available after **12 months of continuous service**
- Employment agreements, company regulations, or collective agreements may provide more favorable benefits

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EMPLOYMENT TERMINATION, NOTICE & SEVERANCE PAY IN INDONESIA

Termination Procedures

Employment termination in Indonesia is regulated and employers must follow applicable statutory procedures.

Termination may arise from:

- Employee resignation
- Misconduct or performance-related reasons
- Redundancy or business restructuring
- Company closure
- Expiration of a fixed-term employment agreement
- Other legally recognized grounds

Notice Periods

Notice requirements depend on the **type and reason for termination** and the applicable employment arrangement. Employees resigning voluntarily are generally required to provide at least **30 days' written notice.**

Termination Compensation

Depending on the reason for termination and employment status, eligible employees may be entitled to:

- **Severance pay**
- **Long-service pay**
- **Compensation of rights**
- Other payments required by employment agreements or company regulations

The amount varies according to **length of service and the legal basis for termination.**

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EMPLOYER COMPLIANCE & LEGAL RISKS

Common compliance risks include:

- Employing foreign nationals without proper authorization
- Incorrect or expired RPTKA or immigration documentation
- Failure to register eligible employees with BPJS
- Incorrect payroll or social security contributions
- Employing foreign workers in restricted positions
- Failure to comply with foreign worker reporting requirements
- Non-compliant termination procedures

These may result in:

- Administrative fines
- Immigration sanctions
- Retroactive social security liabilities
- Suspension or cancellation of work authorization
- Employment disputes
- Deportation or other immigration consequences for foreign employees

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WHY CHOOSE INDONESIA FOR EMPLOYMENT?

Indonesia offers:

- One of **Southeast Asia's largest labor markets**
- Large and increasingly skilled workforce
- Strong technology, digital economy, manufacturing, logistics, and consumer sectors
- Competitive labor costs
- Rapidly developing digital and business infrastructure
- Strategic access to the **ASEAN and Asia-Pacific markets**
- Growing demand for technical, engineering, digital, and management professionals

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SOCIAL SECURITY SYSTEM

Indonesia's social security system is administered primarily through **BPJS Kesehatan** and **BPJS Ketenagakerjaan** and provides mandatory healthcare and employment-related social protection for eligible workers.

Both **Indonesian citizens** and **foreign nationals** working in Indonesia may be subject to BPJS requirements, although the rules for foreign employees depend on the duration and nature of their employment.

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MANDATORY BPJS REGISTRATION IN INDONESIA

Indonesian Employees

- BPJS registration is generally **mandatory for employees**
- Employers must register eligible employees with:
  - **BPJS Kesehatan** for healthcare coverage
  - **BPJS Ketenagakerjaan** for employment-related social security
- Employers are responsible for maintaining accurate employee and payroll information

Foreign Employees

- Foreign employees working in Indonesia for **at least 6 months** are generally required to participate in the applicable BPJS programs
- Registration is handled by the employer
- Foreign employees working for shorter periods may be subject to different insurance requirements
- Applicable work and immigration authorization must remain valid throughout employment

Employer Obligations

Employers are responsible for:

- Timely registration of eligible employees
- Accurate declaration of salary and employee information
- Calculation of employer and employee contributions
- Withholding applicable employee contributions
- Timely payment and reporting of contributions

Failure to comply may result in:

- Administrative sanctions
- Restrictions on access to certain public services
- Retroactive contribution liabilities
- Labor and regulatory compliance risks

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BPJS CONTRIBUTIONS IN INDONESIA (INDICATIVE)

Indonesia's social security contributions consist of several separate programs rather than one single contribution rate.

BPJS Kesehatan – Health Insurance

For employees, the standard contribution is generally **5% of monthly wages**, subject to the applicable wage ceiling:

- **Employer**: 4%
- **Employee**: 1%

BPJS Ketenagakerjaan – Employment Social Security

Contributions may include:

- **JKK – Work Accident Security**: approximately **0.24%–1.74%**, generally employer-paid and depending on workplace risk
- **JKM – Death Security**: generally **0.30%**, employer-paid
- **JHT – Old-Age Security:**
  - Employer: **3.7%**
  - Employee: **2%**
- **JP – Pension Security:**
  - Employer: **2%**
  - Employee:

Contribution ceilings and specific rates may apply depending on the program and are subject to regulatory updates.

All applicable contributions must be:

- Calculated through payroll
- Reported accurately
- Paid within statutory deadlines

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INTERNATIONAL SOCIAL SECURITY AGREEMENTS

Indonesia's international social security coordination framework is more limited than that of many European countries.

Foreign employees should therefore not assume that home-country social security participation automatically provides an exemption from Indonesian BPJS requirements.

Depending on the employee's status and assignment structure:

- Indonesian BPJS participation may still be required
- Home-country coverage may continue separately
- Private or international insurance may be maintained as supplementary protection
- Specific international arrangements should be reviewed individually

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ROLE OF BPJS IN WORK PERMIT & IMMIGRATION PROCESSES

Initial Work Authorization

- Work and immigration authorization processes are separate from BPJS registration
- Employers must first ensure that foreign employees have the required legal authorization to work
- BPJS registration applies according to the employee's eligibility and duration of employment

Work Authorization & Immigration Compliance

Employers should maintain:

- Valid foreign worker authorization
- Accurate payroll records
- Required BPJS participation
- Consistency between employment, immigration, and social security records

Non-compliance may result in:

- Administrative sanctions
- Retroactive BPJS liabilities
- Employment compliance issues
- Immigration and work authorization risks

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BPJS EXIT PROCEDURES UPON EMPLOYMENT TERMINATION

Employer Responsibilities

Upon termination, employers should:

- Update the employee's BPJS employment status
- Complete final payroll calculations
- Settle outstanding social security contributions
- Complete required employment termination reporting

Employee Considerations

- Indonesian employees retain their accumulated social security records and benefits according to applicable rules
- Foreign employees may need to:
  - Obtain new work authorization for another employer, or
  - Complete applicable immigration exit or status-change procedures

Certain accumulated benefits, particularly under **JHT**, may be claimable subject to statutory conditions.

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BPJS VS. PRIVATE HEALTH INSURANCE IN INDONESIA – KEY DISTINCTION

Feature	BPJS Social Security	Private Health Insurance
Mandatory for eligible Indonesian employees	✅ Yes	❌ No
Mandatory for eligible foreign employees	✅ Generally yes	❌ No
Statutory healthcare coverage	✅ Yes – BPJS Kesehatan	✅ Depending on policy
Old-age / retirement-related benefits	✅ Yes – JHT / JP	❌ Generally no
Work accident protection	✅ Yes – JKK	❌ Depends on policy
Death benefits	✅ Yes – JKM	❌ Depends on policy
Supplementary/private healthcare	❌ Limited	✅ Yes

Private health insurance generally **does not replace mandatory BPJS participation.** Employers may provide private or international health insurance as an additional benefit to offer broader hospital access, higher coverage limits, or international treatment options.

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COMMON BPJS COMPLIANCE RISKS IN INDONESIA

Frequently encountered compliance issues include:

- Failure to register eligible employees
- Late BPJS registration
- Underreporting employee wages
- Incorrect contribution calculations
- Late or missing contribution payments
- Failure to update employee status after termination
- Incorrect treatment of foreign employees

These violations may lead to:

- Administrative sanctions
- Retroactive contribution assessments
- Service-related restrictions
- Increased inspection and audit exposure
- Employment and immigration compliance risks

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WHY BPJS COMPLIANCE IS CRITICAL FOR EMPLOYEES & EMPLOYERS

Proper BPJS compliance ensures:

- Lawful employment and payroll administration
- Access to statutory healthcare
- Work accident and occupational protection
- Old-age and pension-related benefits
- Death and other statutory social protections
- Proper treatment of eligible foreign employees
- Reduced legal, financial, and regulatory risks for employers

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TAXATION IN INDONESIA

Indonesia's taxation system is administered by the **Directorate General of Taxes (Direktorat Jenderal Pajak – DJP)** under the Ministry of Finance. Employment-related income earned in Indonesia is subject to Indonesian tax legislation.

Tax obligations depend primarily on **tax residency status and income source,** while employers are responsible for payroll withholding and reporting.

TAX RESIDENCY STATUS IN INDONESIA

Tax residency is determined primarily by **physical presence and intention to reside** in Indonesia.

Tax Residents

Individuals may generally be considered Indonesian tax residents if they:

- Reside in Indonesia
- Stay in Indonesia for **more than 183 days within a 12-month period**, or
- Are present in Indonesia during a tax year and intend to reside in Indonesia

Indonesian tax residents are generally subject to income tax on their **worldwide income,** subject to applicable exemptions and Double Taxation Agreements.

Non-Residents

- Individuals who do not meet Indonesian tax residency requirements
- Generally taxed only on **Indonesian-source income**
- Different withholding rules may apply to non-resident taxpayers

Correct residency classification is essential for determining tax rates, reporting obligations, and treaty eligibility.

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INCOME TAX ON SALARIES (WITHHOLDING SYSTEM)

Employees (Local & Foreign)

- Employment income is subject to Indonesian personal income tax
- Salary tax is generally withheld through the **Article 21 (PPh 21)** withholding system
- Employees receive their net salary after applicable statutory deductions
- Tax residents are subject to progressive personal income tax rates

Employers

Employers are responsible for:

- Payroll tax calculations
- Applying the appropriate withholding rules
- Withholding **PPh 21** from employee remuneration
- Reporting payroll taxes
- Remitting withheld amounts within statutory deadlines
- Maintaining accurate payroll and tax records

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INCOME TAX ON SALARIES (WITHHOLDING SYSTEM)

Personal Income Tax Rates

Indonesia applies progressive rates to taxable income of resident individuals:

- Up to **IDR 60 million:** 5%
- Over IDR 60 million – IDR 250 million: **15%**
- Over IDR 250 million – IDR 500 million: **25%**
- Over IDR 500 million – IDR 5 billion: **30%**
- Over IDR 5 billion: **35%**

Actual taxable income depends on applicable deductions, allowances, and individual circumstances.

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OTHER MANDATORY PAYROLL DEDUCTIONS

In addition to income tax, eligible employees may be subject to statutory **BPJS contributions**, including:

- **BPJS Kesehatan** – health insurance
- **JHT** – old-age security
- **JP** – pension security
- Other applicable BPJS Ketenagakerjaan contributions

Employers are responsible for:

- Calculating applicable employee contributions
- Withholding the employee portion from payroll
- Paying applicable employer contributions
- Reporting and remitting contributions within statutory deadlines

Private health insurance generally does not replace mandatory BPJS participation for eligible employees.

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CORPORATE TAX OBLIGATIONS FOR EMPLOYERS

Companies operating in Indonesia and employing local or foreign staff must comply with applicable corporate and payroll tax requirements.

Key Tax Obligations

- **Corporate Income Tax**
- Employee income tax withholding **(PPh 21)**
- Withholding taxes on other qualifying payments
- **Value Added Tax (VAT / PPN),** where applicable
- Periodic tax filings and payments
- Annual corporate income tax return
- Payroll and BPJS reporting

The standard Indonesian **corporate income tax rate is generally 22%,** although specific rates, facilities, or incentives may apply to qualifying businesses.

Non-compliance may result in:

- Administrative penalties
- Interest or surcharges
- Tax assessments
- Increased audit exposure
- Payroll and employment compliance risks

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DOUBLE TAXATION TREATIES (DTAS)

Indonesia maintains an extensive network of **Double Taxation Agreements** with other countries.

DTAs may:

- Prevent or reduce double taxation
- Allocate taxing rights between Indonesia and another country
- Provide reduced withholding rates or exemptions
- Regulate taxation of expatriates and temporary assignments
- Determine tax residency in dual-residence situations

Foreign employees seeking treaty benefits may be required to provide appropriate **tax residency documentation** from their home country and satisfy Indonesian administrative requirements.

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TAX IDENTIFICATION NUMBER (NPWP)

Individuals subject to Indonesian taxation may be required to have an Indonesian taxpayer identification number **(Nomor Pokok Wajib Pajak – NPWP).**

Indonesia has integrated the tax identification system for individuals with the national identification number (**NIK**) for eligible Indonesian residents.

For foreign taxpayers, appropriate tax registration and identification requirements apply depending on their tax status.

Tax identification is relevant for:

- Payroll taxation
- Income tax reporting
- Annual tax returns
- Tax payments
- Communication with Indonesian tax authorities

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TERMINATION, SEVERANCE & TAXATION IN INDONESIA

Upon termination of employment:

Employees

- Severance and other termination payments may be subject to **specific Indonesian income tax treatment**
- Tax treatment may differ from ordinary monthly salary
- Unused leave or other employment-related payments may also be taxable depending on their nature

Employers

Employers must:

- Calculate final salary and termination payments
- Apply the correct withholding tax treatment
- Calculate final BPJS obligations
- Complete payroll and tax reporting
- Update employment and social security records where required

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COMMON TAX COMPLIANCE RISKS IN INDONESIA

Frequently encountered compliance risks include:

- Incorrect tax residency classification
- Incorrect PPh 21 calculations
- Underreported salaries or benefits
- Failure to include taxable benefits in payroll
- Late or inaccurate tax filings
- Incorrect BPJS calculations
- Improper application of Double Taxation Agreements
- Inconsistencies between payroll, tax, BPJS, and immigration records

These issues may result in:

- Retroactive tax assessments
- Administrative penalties and interest
- Tax audits
- Additional payroll liabilities
- Employment and immigration compliance risks for foreign employees

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IMPORTANT NOTE ON TAX COMPLIANCE IN INDONESIA

Tax compliance in Indonesia involves responsibilities for both the **employer and the employee.**

Proper tax structuring and accurate reporting help ensure:

- Lawful and transparent employment
- Protection against double taxation
- Accurate payroll and BPJS alignment
- Correct PPh 21 withholding and reporting
- Proper tax treatment of foreign employees
- Smooth employment and immigration administration
- Reduced legal, financial, and audit risks for employers

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EMPLOYMENT TERMINATION

Employment termination in **Indonesia** is primarily regulated by **Law No. 13 of 2003 on Manpower**, as amended by the **Job Creation Law,** and **Government Regulation No. 35 of 2021** (**GR 35/2021**). Termination rules apply to both **Indonesian and foreign employees** working under valid employment arrangements.

Employers and employees must comply with statutory procedures concerning **grounds for termination, notice, severance pay, compensation, and documentation requirements.**

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TYPES OF EMPLOYMENT TERMINATION IN INDONESIA

Employment relationships may be terminated through:

- Resignation by the employee
- Termination by the employer for lawful reasons
- Mutual termination agreement
- Expiration of a fixed-term employment agreement (**PKWT**)
- Retirement
- Company restructuring, merger, acquisition, or efficiency measures
- Company closure or bankruptcy
- Employee misconduct
- Long-term illness or incapacity
- Death of the employee

Each termination type may result in different **notice, severance, service-pay, and compensation entitlements.**

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JUSTIFIED VS. UNJUSTIFIED TERMINATION

Employer-Initiated Termination – Lawful Grounds

Employers may terminate employment for legally recognized reasons, including:

- Employee misconduct or violation of employment rules
- Continued poor performance following appropriate procedures
- Company restructuring or efficiency measures
- Company closure or bankruptcy
- Long-term illness or incapacity
- Retirement
- Other grounds recognized under Indonesian employment legislation

Employers must follow the applicable **notification and termination procedures** and pay statutory termination benefits where required.

Employer-Initiated Termination – Unlawful or Disputed

If an employee disputes the termination:

- The parties should first attempt **bipartite negotiations**
- Unresolved disputes may proceed to mediation or conciliation
- The dispute may ultimately be brought before the **Industrial Relations Court**

Failure to follow statutory procedures may expose employers to:

- Reinstatement claims
- Compensation liabilities
- Additional termination payments

Industrial relations disputes

Employee-Initiated Termination (Resignation)

Employees may voluntarily resign, generally by:

- Providing written notice at least **30 days in advance**
- Continuing to perform their duties until the effective resignation date
- Having no binding service obligation preventing resignation
-

Employees who voluntarily resign generally do not receive ordinary statutory severance pay but may be entitled to **compensation for rights** and other benefits provided by company regulations, collective agreements, or employment contracts.

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STATUTORY NOTICE PERIODS IN INDONESIA

Indonesia does not use a service-based statutory notice schedule like some jurisdictions.

For employer-initiated termination:

- Employers generally provide a written termination notice at least **14 working days before** the intended termination date
- During probation, the notice may generally be provided at least **7 working days before termination**
- Different procedures may apply depending on the termination ground or dispute

For voluntary resignation:

- Employees generally provide at least **30 days' written notice**

Employment contracts, company regulations, or collective bargaining agreements may provide additional requirements.

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PROBATIONARY PERIOD AND TERMINATION

For indefinite-term employment agreements (**PKWTT**):

- Maximum probationary period: **3 months**
- Probation must be expressly provided in the employment agreement
- Employees must receive at least the applicable minimum wage during probation

For fixed-term employment agreements (**PKWT**):

- A probationary period is **not permitted**

Termination during probation remains subject to applicable legal requirements.

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SEVERANCE PAY IN INDONESIA

Severance Eligibility

Termination benefits depend on:

- Reason for termination
- Length of service
- Type of employment agreement
- Applicable company regulations or collective bargaining agreement

For eligible permanent employees, termination benefits may include:

- **Severance pay (uang pesangon)**
- **Long-service pay (uang penghargaan masa kerja)**
- **Compensation for rights (uang penggantian hak)**

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SEVERANCE PAY IN INDONESIA

Severance Calculation

The statutory severance base generally ranges according to length of service:

Length of Service	Statutory Severance Base	Length of Service	Statutory Severance Base
Less than 1 year	1 month's wage	1–2 years	2 months' wages
2–3 years	3 months' wages	3–4 years	4 months' wages
4–5 years	5 months' wages	5–6 years	6 months' wages
6–7 years	7 months' wages	7–8 years	8 months' wages
8+ years	9 months' wages		

The actual amount payable may be a **multiple or fraction of this statutory base**, depending on the reason for termination. Long-service pay and compensation for rights may apply separately.

For **PKWT employees**, statutory compensation is generally calculated separately based on the duration of the fixed-term employment.

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MASS LAYOFFS AND COLLECTIVE TERMINATIONS

Collective or large-scale terminations may arise from:

- Company restructuring
- Efficiency measures
- Merger or acquisition
- Company closure
- Insolvency or bankruptcy

Employers must:

- Have a legally recognized basis for termination
- Follow applicable employee notification procedures
- Calculate statutory termination benefits correctly
- Comply with industrial relations dispute procedures where termination is contested

Failure to comply may result in:

- Industrial relations disputes
- Compensation claims
- Additional financial liabilities
- Court proceedings

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TERMINATION OF FOREIGN EMPLOYEES IN INDONESIA

For foreign employees (Tenaga Kerja Asing – TKA), termination may also affect immigration and work authorization status.

Employer Obligations

Employers should:

- Complete final payroll and termination obligations
- Update relevant employment records
- Complete applicable **BPJS** procedures
- Address foreign-worker authorization and immigration requirements
- Coordinate cancellation or modification of immigration documentation where required

Employee Considerations

Foreign employees may need to:

- Obtain appropriate authorization for employment with a new employer, or
- Change or terminate their immigration status

The right to remain in Indonesia does not automatically continue solely because the employment relationship has ended.

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FINAL PAYROLL AND LEGAL OBLIGATIONS AFTER TERMINATION

At the end of employment, employers should complete all applicable:

- Outstanding salary payments
- Severance pay
- Long-service pay
- Compensation for unused or outstanding rights
- PKWT compensation, where applicable
- Other contractual termination benefits

Employers must also complete applicable:

- Final payroll calculations
- **PPh 21** tax reporting
- **BPJS** employment updates
- Immigration and foreign-worker procedures for foreign employees

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COMMON EMPLOYMENT TERMINATION COMPLIANCE RISKS IN INDONESIA

Common risks include:

- Termination without a legally recognized basis
- Failure to provide required termination notification
- Incorrect severance calculations
- Incorrect classification of PKWT and PKWTT employees
- Failure to pay statutory PKWT compensation
- Incomplete BPJS or payroll closure
- Failure to follow industrial relations dispute procedures
- Immigration compliance failures involving foreign employees

These may lead to:

- Industrial Relations Court disputes
- Additional compensation liabilities
- Reinstatement claims
- Administrative penalties
- Payroll and employment liabilities
- Immigration issues for foreign employees

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WHY PROPER TERMINATION MANAGEMENT MATTERS

Lawful and properly documented termination processes ensure:

- Protection of employee rights
- Compliance with Indonesian manpower regulations
- Accurate severance and compensation calculations
- Reduced industrial relations and litigation risk
- Proper payroll, tax, and BPJS closure
- Correct immigration handling for foreign employees
- Business continuity and reduced regulatory risk

EDUCATION OPTIONS FOR CHILDREN IN INDONESIA

Families living in **Indonesia—including Indonesian citizens and foreign residents—have access to a diverse education system** offering public, private, and international schooling. Education options range from early childhood through higher education and accommodate different academic goals, languages, curricula, and lengths of stay.

PUBLIC SCHOOLS IN INDONESIA

Public schools in Indonesia are primarily designed for **Indonesian citizens**, although foreign children who meet applicable residence and enrollment requirements may be admitted under certain conditions. Public education is generally subsidized by the government.

Key Features

- Curriculum regulated by the **Ministry of Primary and Secondary Education**
- Primary language of instruction: **Bahasa Indonesia**
- Nationwide network of primary and secondary schools
- National curriculum with locally adapted educational content

Major cities such as **Jakarta, Surabaya, Bandung, Medan, and Yogyakarta** have extensive public-school networks.

Public schools are particularly suitable for:

- Local Indonesian families
- Foreign families planning **long-term residence**
- Children with sufficient Bahasa Indonesia proficiency
- Families seeking integration into Indonesian society

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PRIVATE SCHOOLS AND FEE-PAYING INSTITUTIONS

Indonesia has a large private education sector serving both **local and international families.**

Highlights

- Modern educational facilities at many institutions
- Smaller class sizes at selected schools
- English or bilingual instruction at many private schools
- National and internationally oriented academic programs
- Religious and secular education options

Common private education options include:

- Private primary and secondary schools
- Bilingual schools
- Religious schools
- National Plus and internationally oriented schools

Private schools are commonly chosen by families seeking **English-language education, enhanced facilities, or internationally focused academic programs.**

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INTERNATIONAL SCHOOLS IN INDONESIA

Indonesia has a well-established network of **international and internationally oriented schools,** particularly in areas with large expatriate communities.

Offered Programs

- **International Baccalaureate** (IB)
- **Cambridge International Curriculum** (IGCSE / A-Level)
- British curriculum
- American curriculum
- Australian and other international curricula

International schools are primarily concentrated in: **Jakarta and Greater Jakarta, Bali**, Surabaya, Bandung and Medan

These schools are particularly suitable for:

- Expatriate families on **short- or medium-term assignments**
- Families seeking curriculum continuity across countries
- Students preparing for international universities
- Families seeking English-medium education

PRESCHOOL AND EARLY CHILDHOOD EDUCATION

Indonesia offers a broad range of early childhood education options for both local and foreign families.

Available Options

- Public and private kindergartens
- Playgroups and childcare centers
- Montessori and alternative education programs
- Bilingual preschools
- International nurseries and early learning centers

Early childhood education is commonly provided through **PAUD (Pendidikan Anak Usia Dini)** programs, with kindergarten generally serving children before entry into primary school.

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HIGHER EDUCATION OPPORTUNITIES IN INDONESIA

Indonesia's higher education system is open to **Indonesian and international students**, with a large network of public and private universities.

Key Advantages

- Growing availability of English-taught programs
- International partnerships and exchange programs
- Competitive tuition compared with many Western countries
- Large selection of public and private universities
- Scholarship opportunities for eligible international students

Leading institutions include:

- **Universitas Indonesia (UI)**
- **Universitas Gadjah Mada (UGM)**
- **Institut Teknologi Bandung (ITB)**
- **IPB University**
- **Airlangga University**

Indonesia is increasingly developing its position as a **regional higher education and academic mobility destination.**

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SPECIAL EDUCATION SERVICES

Indonesia provides education and support services for children with disabilities and additional learning needs.

Available Support

- Special education schools **(Sekolah Luar Biasa – SLB**)
- Inclusive education programs within selected mainstream schools
- Individual learning support
- Therapy and developmental support through private centers
- Specialized educational services

Availability and the level of support may vary significantly by city, school, and region, with broader options generally available in major metropolitan areas.

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DOCUMENTATION AND ENROLLMENT REQUIREMENTS

For Public and Private Schools

Families may typically need:

- Passport or Indonesian identification documents
- Valid residence documentation for foreign families
- Birth certificate
- Previous school transcripts and academic records
- Proof of address
- Vaccination or health documentation where required

For International Schools

Additional requirements may include:

- Previous academic transcripts
- English-language or placement assessments
- Interviews or entrance evaluations
- Records from the student's previous international curriculum

Exact admission requirements vary by school.

WHY INDONESIA IS A STRONG EDUCATION DESTINATION?

- Wide range of public, private, bilingual, and international schools
- Strong international-school availability in major expatriate hubs
- English-medium and internationally recognized curricula available
- Competitive education costs compared with many international destinations
- Growing higher education and international academic partnerships
- Diverse multicultural environment
- Extensive education options for both local and expatriate families

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HEALTHCARE OPTIONS IN INDONESIA

Individuals living and working in **Indonesia—including Indonesian citizens and foreign nationals—have access to a broad healthcare system** combining the national public health insurance program, **private healthcare services**, and **international-standard hospitals and clinics.** Healthcare quality and availability are strongest in major cities and expatriate hubs.

PUBLIC HEALTHCARE SYSTEM (BPJS KESEHATAN COVERAGE)

Indonesia's public healthcare system is supported by the national health insurance program **Jaminan Kesehatan Nasional (JKN)**, administered by **BPJS Kesehatan**.

BPJS Kesehatan Coverage Scope

Once registered and eligible, individuals may access:

- Primary healthcare facilities
- Public and participating private hospitals
- General practitioner services
- Specialist consultations through the referral system
- Emergency and inpatient treatment
- Maternity and pediatric healthcare
- Diagnostic and laboratory services
- Prescription medicines covered under the JKN system

Public healthcare facilities are available nationwide, although the range of hospitals, specialists, and advanced treatments may vary significantly between **major cities and more remote regions.**

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PRIVATE HEALTHCARE SERVICES

Indonesia has a well-developed **private healthcare sector**, particularly in major cities and expatriate locations.

Key Advantages

- Shorter appointment and treatment waiting times
- English-speaking medical professionals at many major facilities
- Modern diagnostic and treatment technologies
- Greater choice of hospitals and specialists
- Enhanced inpatient facilities and patient comfort
- Direct access to many specialist services

Private hospitals and clinics are concentrated in cities such as **Jakarta, Surabaya, Bandung, Medan, and Denpasar/Bali**. Many providers work with local and international private health insurers.

INTERNATIONAL HOSPITALS AND EXPAT-FOCUSED CLINICS

Major urban and expatriate centers offer **international-standard private hospitals and clinics** serving foreign employees and internationally mobile families.

Common Features

- English-speaking and internationally trained medical professionals
- Modern clinical and patient-care standards
- Comprehensive outpatient and inpatient services
- Emergency and urgent care
- Advanced diagnostic and laboratory facilities
- International patient support services
- Specialized departments including:
  - Pediatrics
  - Cardiology
  - Orthopedics
  - Dermatology
  - Dentistry
  - Obstetrics and gynecology
  - Fertility and reproductive medicine
  - Internal medicine

These facilities are commonly preferred by expatriates seeking **English-language services, greater comfort, and easier access to specialist care.**

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HEALTH INSURANCE REQUIREMENTS

For Employees

- Eligible employees are generally required to participate in **BPJS Kesehatan**
- Employers are responsible for registering eligible employees and making the required contributions
- Foreign employees working in Indonesia for **at least six months** are generally required to participate in the national social security system, subject to applicable rules
- BPJS healthcare generally operates through a structured **referral system**

Additional Insurance Options

While BPJS Kesehatan provides broad basic healthcare coverage:

- Private health insurance is widely used for access to private hospitals
- International health insurance is common for expatriates and globally mobile employees
- Employer-sponsored supplementary health insurance is a common employee benefit
- Private coverage may provide broader hospital networks, private rooms, and international treatment options

Private insurance generally **supplements rather than replaces mandatory BPJS participation** where BPJS registration is legally required.

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MATERNITY AND FAMILY HEALTHCARE

Indonesia provides maternity, pediatric, and family healthcare through both public and private healthcare systems.

Available Services

- Prenatal and postnatal care
- Public and private maternity hospitals
- Obstetric and midwifery services
- Labor and delivery services
- Pediatric healthcare
- Childhood vaccination programs
- Child development monitoring
- Family planning services

Eligible maternity and childbirth services may be covered through **BPJS Kesehatan**, subject to applicable procedures, participating facilities, and referral requirements.

EMERGENCY AND URGENT CARE SERVICES

Emergency healthcare is available throughout Indonesia, although availability and response capacity can vary by location.

- **119** is used for medical emergency and ambulance services through the national emergency framework
- Public and private hospitals operate emergency departments
- Ambulance services are available in major cities
- Trauma care, surgery, and intensive care are available at major hospitals
- Private emergency services are widely used in major urban and expatriate areas

For serious medical conditions, patients in remote areas may require transfer to a larger regional or metropolitan hospital.

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PHARMACEUTICALS AND MEDICATION ACCESS

Indonesia has an extensive pharmacy network (**apotek**) providing prescription and non-prescription medicines.

Key Features

- Prescription medicines
- Over-the-counter medicines
- BPJS-covered medicines for eligible treatment
- Pharmacies throughout major cities and regional areas
- Hospital pharmacy services
- Pharmacist advice
- Extended opening hours at many urban pharmacies

Foreign residents using private healthcare may pay directly for medicines or claim reimbursement through their private or international health insurance.

SPECIALIZED MEDICAL SERVICES AND MEDICAL TRAVEL

Indonesia offers a growing range of advanced specialist medical services, particularly in major cities.

Common Specializations

- Cardiology and cardiovascular care
- Oncology
- Orthopedic treatment
- Neurology
- Fertility and reproductive medicine
- Maternity and neonatal care
- Dental treatment
- Cosmetic and reconstructive procedures
- Rehabilitation and physiotherapy

Jakarta and other major urban centers provide the broadest range of specialist treatment. Some expatriates and Indonesian residents may travel abroad, particularly to **Singapore or Malaysia**, for highly specialized or complex medical treatment.

WHY INDONESIA IS A STRONG HEALTHCARE DESTINATION?

- Nationwide public health insurance through **JKN/BPJS Kesehatan**
- Extensive public and private healthcare networks
- Strong private hospital sector in major cities
- International-standard healthcare facilities in key expatriate hubs
- English-speaking medical professionals at many private facilities
- Comprehensive maternity and family healthcare
- Growing availability of advanced specialist treatments
- Private and international insurance options for enhanced healthcare access

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PAID PUBLIC HOLIDAYS/1

Holiday Name	Indonesian Name	Date	Type	Description
New Year's Day	Tahun Baru Masehi	1 January	National	Marks the beginning of the new calendar year and is observed as a nationwide public holiday.
Isra and Mi'raj of Prophet Muhammad	Isra Mikraj Nabi Muhammad SAW	Variable (Islamic calendar)	Religious	Commemorates Prophet Muhammad's Night Journey and Ascension and is observed as an Islamic public holiday.
Chinese New Year	Tahun Baru Imlek	Variable (Lunar calendar)	Religious	Celebrates the beginning of the Chinese Lunar New Year and is observed as a public holiday in Indonesia.
Nyepi – Balinese Day of Silence	Hari Suci Nyepi	Variable (Balinese Saka calendar)	Religious	Hindu Day of Silence marking the Saka New Year and holding particular significance for Indonesia's Hindu community, especially in Bali.
Eid al-Fitr – Day 1	Hari Raya Idulfitri	Variable (Islamic calendar)	Religious	Marks the end of Ramadan and is one of the most important Islamic celebrations in Indonesia.
Eid al-Fitr – Day 2	Hari Raya Idulfitri	Variable (Islamic calendar)	Religious	The second official day of the Eid al-Fitr public holiday, continuing nationwide celebrations marking the end of Ramadan.
Good Friday	Wafat Yesus Kristus	Variable (Christian calendar)	Religious	Commemorates the crucifixion and death of Jesus Christ and is observed as a Christian public holiday.
Easter Sunday	Kebangkitan Yesus Kristus (Paskah)	Variable (Christian calendar)	Religious	Celebrates the resurrection of Jesus Christ and is observed by Christian communities throughout Indonesia.
International Labour Day	Hari Buruh Internasional	1 May	National	Recognizes the contributions of workers and commemorates the international labor movement and workers' rights.

Dates of religious holidays vary each year according to the lunar calendar

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PAID PUBLIC HOLIDAYS/2

Holiday Name	Indonesian Name	Date	Type	Description
Ascension Day of Jesus Christ	Kenaikan Yesus Kristus	Variable (Christian calendar)	Religious	Commemorates the Ascension of Jesus Christ and is observed as a Christian public holiday.
Eid al-Adha	Hari Raya Iduladha	Variable (Islamic calendar)	Religious	Commemorates Prophet Ibrahim's willingness to sacrifice his son as an act of obedience to God and is one of the most important Islamic holidays in Indonesia.
Vesak Day	Hari Raya Waisak	Variable (Buddhist calendar)	Religious	Commemorates significant events in the life of Gautama Buddha and is an important Buddhist public holiday in Indonesia.
Pancasila Day	Hari Lahir Pancasila	1 June	National	Commemorates the birth of Pancasila, Indonesia's foundational state philosophy and guiding national principles.
Islamic New Year	Tahun Baru Islam / 1 Muharam	Variable (Islamic calendar)	Religious	Marks the beginning of the Islamic Hijri New Year and is observed as a public holiday throughout Indonesia.
Independence Day	Hari Kemerdekaan Republik Indonesia	17 August	National	Commemorates Indonesia's proclamation of independence on 17 August 1945 and celebrates the country's sovereignty and national identity.
Prophet Muhammad's Birthday	Maulid Nabi Muhammad SAW	Variable (Islamic calendar)	Religious	Commemorates the birth of Prophet Muhammad and is observed as an Islamic public holiday throughout Indonesia.
Christmas Day	Hari Raya Natal / Kelahiran Yesus Kristus	25 December	Religious	Celebrates the birth of Jesus Christ and is observed as a nationwide public holiday.

Dates of religious holidays vary each year according to the lunar calendar

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BUSINESS SETUP SERVICES

Establishing a business in **Indonesia** provides both local entrepreneurs and foreign investors with access to one of Southeast Asia's largest economies, a rapidly expanding consumer market, and a strategic location within the **ASEAN region.** Indonesia permits **100% foreign ownership in many business sectors**, although certain activities remain subject to foreign ownership restrictions, licensing requirements, or specific investment conditions.

Indonesia's company formation and licensing processes are increasingly digitalized through the **Online Single Submission (OSS) Risk-Based Approach system**, which integrates business registration and licensing procedures.

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COMPANY FORMATION OPTIONS IN INDONESIA

Investors may establish different legal structures depending on ownership, business activities, investment scale, and operational requirements.

Common Legal Entity Types

- **Local Limited Liability Company (Perseroan Terbatas – PT)**
- **Foreign-Owned Limited Liability Company (PT Penanaman Modal Asing – PT PMA)**
- **Representative Office (Kantor Perwakilan)**
- Branch or permanent establishment structures where legally permitted

The **PT PMA** is the primary structure used by foreign investors wishing to conduct commercial activities in Indonesia due to:

- Ability to accommodate foreign ownership
- Limited liability protection
- Access to the Indonesian domestic market
- Ability to hire local and eligible foreign employees
- Recognition as an Indonesian legal entity

Foreign ownership percentages depend on the company's **business classification (KBLI)** and applicable investment regulations.

COMPANY INCORPORATION PROCESS IN INDONESIA

Company incorporation in Indonesia involves legal establishment followed by business registration and licensing through the **OSS system.**

Key Incorporation Steps

- Selection of company name and business activities
- Determination of the appropriate **KBLI business classification**
- Preparation of the Deed of Establishment before an Indonesian notary
- Approval by the **Ministry of Law**
- Obtaining a company Tax Identification Number (**NPWP**)
- Registration through the **OSS system**
- Obtaining a **Business Identification Number (NIB)**
- Obtaining additional business licenses or certificates where required

Once legally established and appropriately licensed, the company may commence business activities in accordance with its approved business classification and risk level.

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MINIMUM CAPITAL REQUIREMENTS

Capital requirements depend on whether the company is locally or foreign owned.

Local PT

- Capital requirements are generally determined by the founders
- Specific requirements may apply depending on the business activity or sector

PT PMA

Foreign investment companies are generally treated as **large-scale businesses** under Indonesian investment regulations.
Investment and capital requirements may depend on:

- KBLI business classification
- Business location
- Nature of the investment
- Sector-specific regulations
- Applicable foreign investment rules

Foreign investors should therefore determine the applicable investment and paid-up capital requirements based on the specific business activities before incorporation.

BANK ACCOUNT OPENING IN INDONESIA

After incorporation, companies generally open a corporate bank account with an Indonesian bank.

Typical Requirements

- Deed of Establishment and Ministry approval
- Business Identification Number (**NIB**)
- Tax Identification Number (**NPWP**)
- Articles of Association
- Identification documents of directors, commissioners, and shareholders
- Beneficial ownership information
- Proof of registered business address
- Relevant business licenses

Banks conduct **Know Your Customer (KYC)** and anti-money laundering checks. Foreign-owned companies may be subject to additional documentation and compliance reviews.

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TAX REGISTRATION & ONGOING TAX COMPLIANCE

Companies operating in Indonesia must comply with Indonesian tax legislation and reporting requirements.

Key Tax Obligations

- Corporate income tax registration
- Corporate Tax Identification Number (**NPWP**)
- Value Added Tax (**VAT/PPN**) registration where applicable
- Employee income tax withholding
- Withholding taxes on applicable payments
- Periodic tax filings
- Annual corporate income tax returns
- Electronic tax reporting and payment requirements

Indonesia's standard **corporate income tax rate is generally 22%**, while reduced rates, facilities, or incentives may apply to qualifying businesses.

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SOCIAL SECURITY (BPJS) & PAYROLL SETUP

Employers hiring employees in Indonesia must comply with mandatory employment, payroll, and social security requirements.

Indonesia’s social security system primarily consists of:

- **BPJS Kesehatan** – National Health Insurance
- **BPJS Ketenagakerjaan** – Employment Social Security

Employer Obligations

- Employer registration with the applicable BPJS programs
- Employee BPJS enrollment
- Payroll system setup
- Calculation and payment of employer and employee contributions
- Employee income tax withholding
- Monthly payroll and statutory reporting
- Employee onboarding compliance

Both local employees and eligible foreign employees may be subject to mandatory BPJS participation according to applicable rules.

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WORK PERMIT & IMMIGRATION SUPPORT

Foreign nationals working in Indonesia must hold the appropriate immigration status and work authorization before legally commencing employment.

Coverage Includes

- Foreign manpower utilization planning and approvals
- Work authorization procedures
- Appropriate stay permit and immigration documentation
- Permit renewals and extensions
- Foreign employee reporting
- Immigration and employment compliance

Employers hiring foreign workers must also comply with applicable restrictions concerning **eligible positions, qualifications, employment duration, and local workforce development requirements.**

Foreign nationals may not legally work in Indonesia solely on the basis of a tourist or ordinary business visitor status.

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ACCOUNTING, BOOKKEEPING & CORPORATE COMPLIANCE

Indonesian companies must maintain proper accounting records and comply with statutory corporate reporting requirements.

Ongoing Compliance Services

- Monthly bookkeeping and accounting
- Preparation of financial statements
- Corporate tax reporting
- Payroll accounting
- Annual corporate reporting
- Investment activity reporting where applicable
- Statutory audit coordination where required
- Corporate governance and shareholder documentation

PT PMA companies may also have specific **investment activity reporting obligations** through the OSS system.

Non-compliance may result in administrative penalties, tax assessments, licensing restrictions, or other regulatory consequences.

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VIRTUAL OFFICE & REGISTERED ADDRESS SOLUTIONS

Companies in Indonesia must maintain an appropriate registered business address.

Available Solutions

- Registered office address services
- Virtual office solutions where legally permitted
- Mail handling and official correspondence
- Temporary office and meeting facilities
- Business domiciliation support

The ability to use a virtual office may depend on **local zoning requirements, business classification, licensing rules, and regional regulations.**

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SECTOR-SPECIFIC LICENSING & REGULATORY APPROVALS

Indonesia applies a **risk-based business licensing system**, meaning licensing requirements depend on the risk classification of the business activity.

Additional licenses, standards, or approvals may apply to sectors including:

- Financial services and fintech
- Telecommunications and digital services
- Healthcare and pharmaceuticals
- Education and training
- Energy and mining
- Manufacturing
- Transportation and logistics
- Food and consumer products
- Construction

Businesses classified as higher risk may require additional **standard certificates, licenses, or regulatory approvals** before commencing operations.

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FREE TRADE ZONES & INVESTMENT INCENTIVES

Indonesia provides various incentives designed to attract foreign investment, promote industrial development, support exports, and encourage investment in priority sectors.

Available Incentive Mechanisms

- **Special Economic Zones (KEK)**
- Free Trade Zones and Free Ports
- Tax holidays for qualifying investments
- Tax allowances
- Import duty facilities
- VAT and customs facilities in qualifying circumstances
- R&D and vocational training incentives
- Investment incentives for priority industries and regions

Eligibility depends on:

- Business sector
- Investment value
- Business location
- Technology and economic contribution
- Employment creation
- Compliance with applicable investment requirements

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WHY SET UP A BUSINESS IN INDONESIA?

- Access to one of **Southeast Asia's largest consumer markets**
- Strategic position within the **ASEAN region**
- Foreign ownership permitted in many sectors
- Large and growing workforce
- Expanding digital and technology economy
- Strong manufacturing, e-commerce, financial services, and consumer sectors
- Digitalized business licensing through the **OSS system**
- Special Economic Zones and investment incentives
- Growing opportunities for regional and international investors

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