TAX UPDATES

Issue 05 | June 2026

AMENDMENTS TO THE PROVISIONS ON 0.5% FINAL INCOME TAX FOR TAXPAYERS WITH CERTAIN GROSS TURNOVER

The Government has amended the provisions concerning the imposition of Final Income Tax on domestic taxpayers with annual gross turnover of up to IDR4.8 billion through the issuance of Government Regulation No. 20 Year 2026 ("GR-20/2026"), which became effective on 22 April 2026. The amendment aims to establish a tax policy that supports healthy business practices and encourages greater participation in the formal economy by providing adequate simplicity, ease of compliance, and legal certainty regarding the application of Income Tax on business income earned by Taxpayers with certain levels of gross turnover.

As GR-20/2026 only amends several provisions, matters that remain unchanged will continue to refer to Government Regulation No. 55 Year 2022 ("GR-55/2022"), to the extent they do not conflict with the new regulation.

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RELATED TAX REGULATIONS*:

- Government Regulation No. 20 Year 2026;
- Government Regulation No. 55 Year 2022

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The key changes are as follows:

1. Tax Subject

Domestic taxpayers eligible for the 0.5% Final Income Tax are limited to:

a. Individual taxpayers;
b. Individual Limited Liability Companies established by a single individual; and
c. Cooperatives,

provided that their gross turnover does not exceed IDR4.8 billion within one fiscal year.

Unlike the previous regulation, CVs, firms, Limited Liability Companies other than Individual Limited Liability Companies, and Village-Owned Enterprises (BUMDes/BUMDesma) are no longer eligible for the 0.5% Final Income Tax.

2. Excluded Tax Subjects

The following Taxpayers are excluded from the 0.5% Final Income Tax:

a. Taxpayers electing to be subject to the ordinary Income Tax rates under Article 17 of the Income Tax Law;
b. Individual Limited Liability Companies established by individual taxpayers possessing specialized expertise and providing services similar to independent professional services;
c. Entities enjoying Income Tax facilities under Article 31A of the Income Tax Law, Government Regulation No. 94 Year 2010, or Articles 75 and 78 of Government Regulation No. 40 Year 2021;
d. Permanent Establishments (PEs);
e. Individual taxpayers along with all Individual Limited Liability Companies established by such individuals, with a combined gross turnover that exceeds IDR4.8 billion within one fiscal year;
f. Cooperatives that have exceeded the four-year utilization period since their registration year.

There is a new provision that previously was not included in GR-55/2022, which requires Individual Taxpayers to aggregate their own gross turnover with that of all Individual Limited Liability Companies they own when determining eligibility under the IDR4.8 billion threshold.

Taxpayers that elect to be subject to the ordinary Income Tax rates or whose gross turnover exceeds the prescribed threshold may no longer apply the 0.5% Final Income Tax rates in subsequent fiscal years.

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3. Definition of Turnover

The definition of turnover based on GR-20/2026 was amended as follows:

a. The aggregate turnover derived from **business activities and independent professional services** during the fiscal year preceding the relevant fiscal year, regardless of whether such income is subject to **final or non-final Income Tax**, including **turnover earned from overseas activities**; and
b. Compensation or consideration received in the form of money or monetary value from business activities and independent professional services before deducting sales discounts, cash discounts, or similar deductions.

According to GR-20/2026, business turnover already subject to final Income Tax rates based on other regulations, income derived from professional services that are not eligible for the 0.5% Final Income Tax rates, and overseas business turnover must also be taken into account in determining whether the IDR4.8 billion threshold is exceeded.

4. Adjustment to the Types of Indpendent Professional Services

GR-20/2026 expands the scope of independent professional services with non-eligible income for the 0.5% Final Income Tax rates. The expanded list includes online content creators (such as influencers, social media content creators, bloggers, vloggers, and similar professions), painters and other artists, as well as other professionals or experts of a similar nature to those specifically listed in the regulation.

5. Gross Turnover for Married Taxpayers

For married couples, the gross turnover threshold must be determined based on the combined turnover of both spouses, together with the turnover of all Individual Limited Liability Companies established by them and any income earned by their dependent minor children.

6. Removal of the Limitation Period

The Government has officially removed the limitation period previously imposed under GR-55/2022 for the utilization of the 0.5% Final Income Tax rates. As a result, taxpayers other than cooperatives may continue to apply the 0.5% Final Income Tax rates without any time limitation, provided that they continue to satisfy the eligibility requirements under GR-20/2026.

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7. Transitional Provisions

- Individuals and Individual Limited Liability Companies whose eligibility period under GR-55/2022 expired in Fiscal Year 2024 or 2025 may continue to apply the 0.5% Final Income Tax rates in Fiscal Years 2025 and 2026, provided that they satisfy the criteria under GR-55/2022.
- Cooperatives registered before the effective date of GR-20/2026 and whose eligibility period under GR-55/2022 expires between Fiscal Years 2024 and 2029 may continue to apply the 0.5% Final Income Tax rates through Fiscal Year 2029, provided that they satisfy the criteria under GR-55/2022.
- CVs, firms, Limited Liability Companies (other than Individual Limited Liability Companies), and Village-Owned Enterprises (BUMDes/BUMDesma) registered before GR-20/2026 became effective may continue to apply the 0.5% Final Income Tax rates until the expiry of their existing eligibility period, provided that they satisfy the criteria under GR-55/2022.
- Individual Limited Liability Companies providing services similar to independent professional services, as well as individuals and/or Individual Limited Liability Companies whose aggregated gross turnover exceeds IDR4.8 billion and therefore no longer qualify under GR-20/2026, may continue to apply the 0.5% Final Income Tax rates until the end of Fiscal Year 2026.

(RED/T3/PCA)

NEW TAX REGULATIONS
ISSUED ON APRIL - MAY 2026

1. **The Government Regulation Number 20 Year 2026 dated April 22, 2026**
   Amendment to Government Regulation Number 55 Year 2022 Regarding Adjustments of Regulations in the Field of Income Tax

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NEW TAX REGULATIONS ISSUED ON APRIL - MAY 2026

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2. **The Minister of Finance Decision Number 24/MK/EF.2/2026 dated May 29, 2026**
   Interest Rates as the Basis for Calculation of Administrative Sanctions in the Form of Interest and Granting of Interest Compensation for the Period of June 1, 2026 to June 30, 2026

3. **The Director General of Taxation Regulation Number PER - 6/PJ/2026 dated May 4, 2026**
   Procedures for the Implementation of Tax Rights and Fulfillment of Tax Obligations Regarding the Global Minimum Tax Based on International Agreements

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