



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

# Establish an Effective Corporate Compliance Program in Indonesia 2021

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05 February 2021



# OUTLOOK



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Latest update of Indonesia's corporate compliances from a legal and tax perspective for 2021

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Timeline overview and the submission deadline of Indonesia's corporate compliances 2021

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Guidelines and completion procedure to fulfill the mandatory compliances in Indonesia

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ANNUAL GENERAL MEETING OF SHAREHOLDERS



SUBMISSION OF INVESTMENT ACTIVITY REPORTS  
(*LAPORAN KEGIATAN PENANAMAN MODAL/LKPM*)



SUBMISSION OF COMPANY'S FINANCIAL STATEMENT REPORT  
(*LAPORAN KEUANGAN TAHUNAN PERUSAHAAN*)



MANDATORY MANPOWER REPORT  
(*WAJIB LAPOR KETENAGAKERJAAN*)



ANNUAL AND MONTHLY TAX COMPLIANCES

*Latest Update of  
Corporate Compliances in  
Indonesia 2021*



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# ANNUAL GENERAL MEETING OF SHAREHOLDERS

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

- Shall be held annually
- Agenda:
  - > Validation of company's annual financial report
  - > Approval for the use of company's net profits
  - > Approval of re-appointment/substitution in the composition of the company's Board of Directors and the Board of Commissioners.

## EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

- Can be held at anytime pursuant to the Company's need
- Agenda:
  - Vary - decision of company's merger and acquisition, company's liquidation, substitution of company's Board of Directors and the Board of Commissioners, approval to sell company's assets with certain value requiring GMS, others as set out within the company's Article of Association

## PROCEDURE

Shareholder(s) which represent 1/10 of total shares with voting rights send a written request to the Director to hold the GMS



The Director shall send invitation letter to the shareholders by the latest 15 calendar days upon the receipt of request to hold the GMS and 14 calendar days before the GMS date (excludes the date of invitation and the GMS date)

The invitation letter shall include:

Date, time, place, agenda of the GMS

The GMS can be held through a video conference.

Another alternative: Circular Resolution (but can only be binding if agreed by all of the company's shareholders)



# SUBMISSION OF INVESTMENT ACTIVITY REPORTS



# INVESTMENT ACTIVITY REPORTS/LAPORAN KEGIATAN PENANAMAN MODAL (LKPM)

## What is LKPM?

A report compiled by a company highlighting any achievements and constraints of their business operations in Indonesia which shall be submitted regularly

## Who is obliged to submit LKPM?

1. Foreign Limited Liability Company (PT PMA)
2. General Representative Office
3. Trade Representative Office
4. Oil & Gas Representative Office
5. Foreign Construction Representative Office

## What type of information shall be included within the LKPM?

- **Investment Realisation**
  - a. Any additional investment within the on-going period
  - b. Company's fixed asset, including purchase of land/machinery/office lease/building construction
  - c. Working capital
- **Employee (additional of local worker/expatriate)**
- **Realisation of Machinery/Equipment**
- **Any issue/problem shown during the period of reporting**



# INVESTMENT ACTIVITY REPORTS/*LAPORAN KEGIATAN PENANAMAN MODAL (LKPM)*

## What are the sanctions for not submitting an LKPM report?

- Cancellation or revocation of business licenses
- Revocation of KPPA, KP3A, KPA Migas, KP-BUJKA, franchise registration certificates
- Closure of administrative branch offices
- The imposition of administrative sanctions

## How to submit the LKPM?

If previously foreign companies submitting their LKPM through SPIPISE, since the issuance of BKPM Regulation No. 6 of 2020, foreign companies can now submit their LKPM report from Online Single Submission (OSS) system.

# DEADLINE OF LKPM SUBMISSION – LIMITED LIABILITY COMPANY (PT)

Investment Value	LKPM Submission Obligation	Submission Deadlines
IDR 50 Million – IDR 500 Million (USD 3,400 – USD 34,000)	Required to submit LKPM once every six months (semesterly)	<b>1<sup>st</sup> Semester:</b> 10 <sup>th</sup> July 2021  <b>2<sup>nd</sup> Semester:</b> 10 <sup>th</sup> January 2022
IDR 500 Million – IDR 10 Billion (USD 34,000 – USD 670,000)	Required to submit LKPM once every three months (quarterly)	<b>Q1:</b> 10 <sup>th</sup> April 2021  <b>Q2:</b> 10 <sup>th</sup> July 2021
>IDR 10 Billion (>USD 670,000)		<b>Q3:</b> 10 <sup>th</sup> October 2021  <b>Q4:</b> 10 <sup>th</sup> January 2022

## General Representative Office (KPPA)/Trade Representative Office (KP3A)/Oil & Gas Representative Office (KPA Migas)

LKPM Submission Obligation	Submission Deadlines
Required to submit LKPM once every six months (semesterly)	1 <sup>st</sup> Semester: 10 <sup>th</sup> July 2021  2 <sup>nd</sup> Semester: 10 <sup>th</sup> January 2022

## Foreign Construction Representative Office (BUJKA)

LKPM Submission Obligation	Submission Deadlines
Required to submit LKPM once every 12 months	10 <sup>th</sup> January 2022



# **SUBMISSION OF COMPANY'S FINANCIAL STATEMENT REPORT**

# SUBMISSION OF COMPANY'S FINANCIAL STATEMENT REPORT

Pursuant to Article 2 of Ministry of Trade Regulation No. 25 of 2020 on the Report of Company's Financial Statement, every Company in Indonesia is required to submit a financial statement report to the Ministry of Trade.

## Why?

1. To optimize the government's supervision for companies based on the submitted Company's financial statement
2. Simplification of filing procedure
3. Administrative sanction:
  - Written warning
  - Revocation of business license/operational license

## Who is required to submit Company's Financial Statement Report?

1. Limited Liability Company who fulfils one of the following criteria:
  - a. Public Company
  - b. Business fields related to deployment of public funds
  - c. Issuing debt acknowledgement
  - d. Having active/asset minimum IDR 25 B/USD 1,8 M
  - e. Debtor who is required to be audited by Bank

## Who is required to submit Company's Financial Statement Report?

2. Foreign companies that are domiciled and run their business in the territory of the Republic of Indonesia according to the provisions of laws and regulations, including branch offices, auxiliary offices, subsidiaries as well as agents and representatives of these companies that have the authority to enter into agreements; or
3. Company in the form of PERSERO, PERUM, or *Perusahaan Daerah*

# SUBMISSION OF COMPANY'S FINANCIAL STATEMENT REPORT

## What type of information shall be enclosed within the submission of financial statement?

The submitted financial statement shall contain, among others but not limited to:

- Balance sheet of financial report
- Profit and loss report
- Statement of changes in equity
- Cash flow statement
- Loan and capital placement

## Requirement:

- The financial statement shall have been audited by Public Auditor
- The financial statement shall have been verified through the Company's General Meeting of Shareholders

## Deadline of submission:

6 months after the closing of Company's fiscal year-book

## How to submit?

Submission to the Ministry of Trade's system



# SUBMISSION OF MANDATORY MANPOWER REPORT



## SUBMISSION OF MANDATORY MANPOWER REPORT

Pursuant to Article 4 of Law No. 4 of 1981 on Mandatory Manpower Report and its implementing regulation, **every legal entity** incorporated in Indonesia has an obligation to submit a report to the Ministry of Labor annually.

### Why is it important to submit a mandatory manpower report?

- The report is used as an indicator by the Government, whether or not the company has comply with provisions in protecting employee's welfare.
- To ensure the company has fulfilled their obligation to register their employees under the mandatory social insurance scheme, called as (i) Health BPJS and (ii) Employment BPJS
- Work Permit/KITAS application

### Why is it important to submit a mandatory manpower report?

- Administrative sanction to criminal sanction:

*“Entrepreneurs or management who do not fulfill the obligations referred to in Article 6 paragraph (1), Article 7 paragraph (1), Article 8 paragraph (1) and Article 13 are threatened with imprisonment for a maximum of 3 (three) months or a fine as high as Rp. 1,000,000 (one million rupiah).”*

# BPJS/SOCIAL SECURITY RATE

## Basic Employment Benefits



12 days of annual leave  
(For a standard five working days per week)



Social Security Scheme (BPJS)



Religious Holiday Allowance (THR)  
(Equivalent to at least 1 month of employee's salary)

## Social Security (BPJS) Contribution Rates



It is mandatory for all Indonesian citizens, expatriates and their families to participate in the social security programs.

BPJS Contribution Rates		
	Employer	Employee
BPJS Employment – Death	0.3%	/
BPJS Employment – Accident	0.24% - 1.74% (Depends on industries and risk level)	/
BPJS Employment – Retirement	3.7%	2%
BPJS Employment – Pension (Maximum threshold is IDR 8,939,700 (US\$538))	2%	1%
BPJS Health (Maximum threshold is IDR 12,000,000 (US\$723))	4%	1%

# SUBMISSION OF MANDATORY MANPOWER REPORT

## What type of information shall be included within the report?

- Employee Details – local worker and expatriate
- Workforce plan within a year, i.e. how many new hires will be recruited within a year, job position, degree, etc
- Training program
- Details of Employee's Social Insurance, i.e. Health BPJS and Employment BPJS
- Company Regulation
- Details of working hours
- Any dispute?
- Any occupational accident case?

## When?

- 30 days after legal entity's establishment, re-commencement, or company's relocation
- 30 days before company's liquidation

*and*

Annual submission on December

*(Source: Article 5 Ministry of Manpower Regulation No. 18 of 2017 on the Procedure of Mandatory Manpower Filing)*

## How?

For the first submission since incorporation of company can be conducted through the OSS system

For the next submission will be done through Ministry of Manpower's website: <http://wajiblaporkemnaker.go.id>

*(Source: Article 5A Ministry of Manpower Regulation No. 4 of 2019 on the Procedure of Mandatory Manpower Filing)*

FOREIGN LIMITED LIABILITY COMPANY  
“PT PMA”

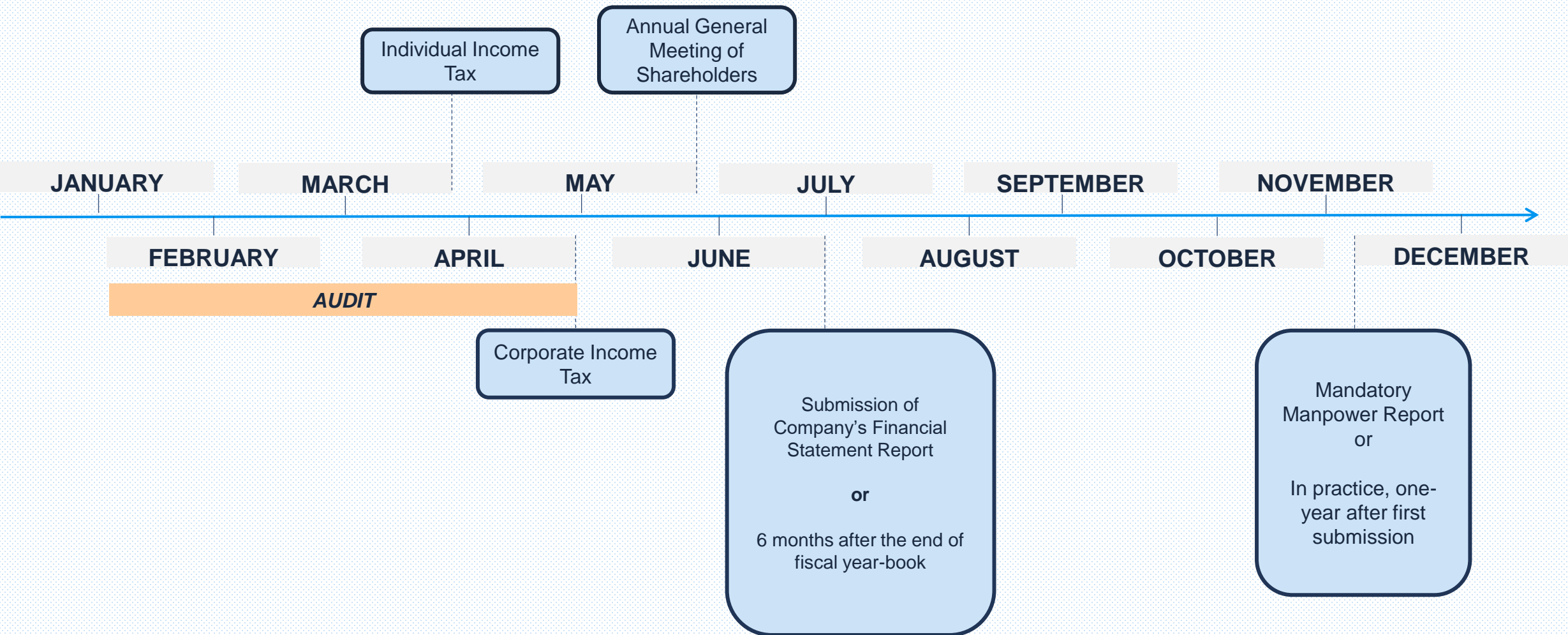
REPRESENTATIVE OFFICE



A nighttime cityscape featuring a dense cluster of illuminated skyscrapers in the background and a residential area with smaller buildings and trees in the foreground. The sky is a mix of dark blue and purple hues, suggesting twilight or early evening. A semi-transparent dark blue box is overlaid on the middle of the image, containing white text.

FOREIGN LIMITED LIABILITY COMPANY  
“PT PMA”

# ANNUAL COMPLIANCES – PT PMA



# MONTHLY-BASED COMPLIANCE

Tax Income	Description	Tax Filing Deadline	Tax Report Deadline
<b>Tax Income Article 4 (2)</b>	Tax on income withheld from interest on deposits and other savings, interest on bonds and government bonds, interest on savings paid by cooperatives, lottery prizes, stock transactions and other securities.	Every 10 <sup>th</sup> of the following month	Every 20 <sup>th</sup> of the following month
<b>Tax Income Article 15</b>	Tax reports relating to Special Calculation Norms for certain taxpayers, i.e. International shipping or airline companies, Domestic shipping and aviation companies, Overseas insurance company Oil, gas and geothermal drilling companies, Foreign trading company.		
<b>Tax Income Article 21</b>	Tax on income in the form of salaries, wages, honorarium, allowances, and other payments in whatever name and form in connection with work or position, services and activities received by your resident taxpayer or employee and must be paid monthly.		
<b>Tax Income Article 23</b>	Tax withheld by tax collectors from taxpayers during transactions which include dividend transactions (share profit sharing), royalties, interest, gifts and awards, rent and other income related to the use of assets other than land or buildings, or services.		
<b>Tax Income Article 22</b>	Tax collection from taxpayers who carry out import activities or from buyers on the sale of luxury goods.		
<b>Tax Income Article 26</b>	Taxes imposed on income originating from Indonesia received by foreign taxpayers (WP) other than a permanent establishment (BUT) in Indonesia. Based on the regulations, the general rate for Income Tax Article 26 is 20%.		

	Tax Filing Deadline	Tax Report Deadline
Value Added Tax	Before the end of following month	Before the end of following month



# PERSONAL INCOME TAX

## Personal Income Tax (PIT) Obligations



Non-residents is taxed at a flat 20% on gross income



Residents are subject to progressive tax on worldwide income

Personal Income Tax Rates	
Annual Income	Rate (%)
Up to 50 million rupiah (US\$3,000)	5
Between 50 - 250 million rupiah (US\$3,000 - US\$15,000)	15
Between 250 - 500 million rupiah (US\$15,000 - US\$30,000)	25
500 million rupiah (US\$30,000) and above	30

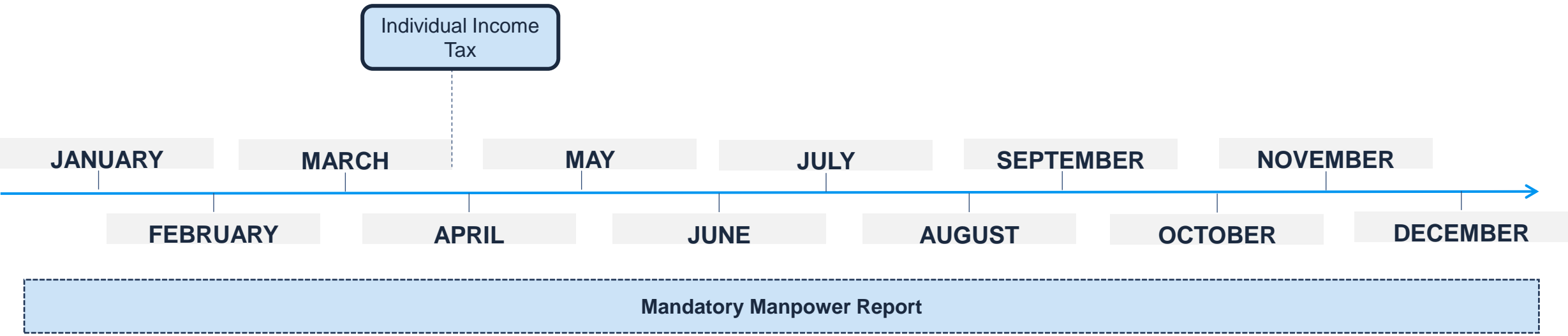
### Notes:

For non-residents stay more than 183 days, will be considered as tax-resident in Indonesia and thus subject to the income tax calculation formula as applicable to the tax-resident.

A nighttime cityscape featuring a prominent skyscraper with a curved, illuminated top. The building is surrounded by other high-rise structures, some of which are also lit up. The sky is dark blue, and the city lights create a vibrant scene. A dark blue rectangular overlay is positioned in the lower-left quadrant of the image, containing the text 'REPRESENTATIVE OFFICE'.

## REPRESENTATIVE OFFICE

# ANNUAL COMPLIANCES



# MONTHLY-BASED COMPLIANCE

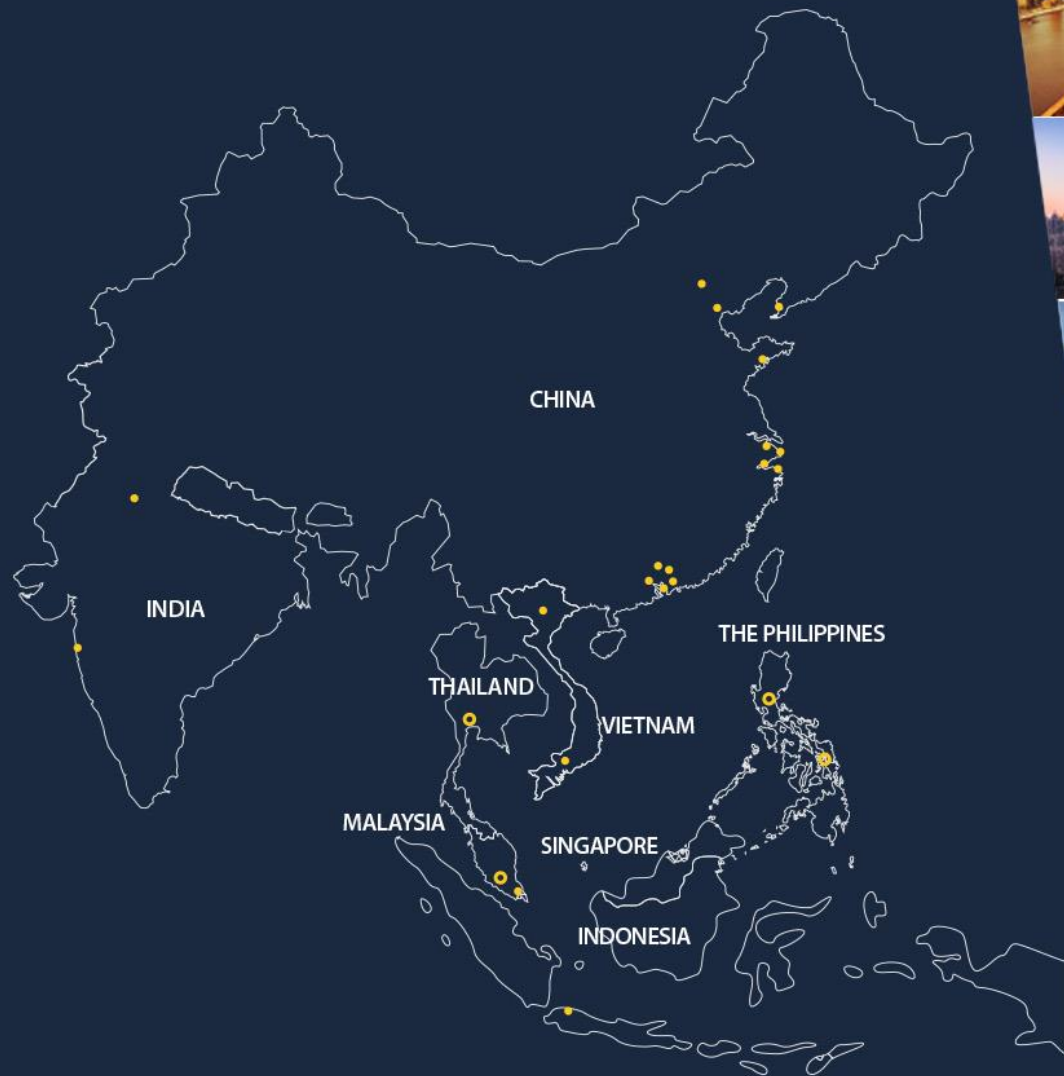
	Tax Filing Deadline	Tax Report Deadline
Tax Income Article 4 (2)	Every 10 <sup>th</sup> of the following month	Every 20 <sup>th</sup> of the following month
Tax Income Article 21		
Tax Income Article 23		





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