

## **INDONESIA – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS**

The following information can help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Indonesia.

Tax may be complicated, and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. Timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Indonesia, you should ensure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income taxes
- Value added tax (VAT)
- Hotel taxes

Please understand that this information is not comprehensive and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check with official local sources or to seek advice from qualified professionals.

Please note that we don't update this information in real time, so you should confirm that the laws or procedures have not changed recently.

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

### **INCOME TAX**

In general, any income earned from Indonesia is subject to income tax. We set out below a brief outline of the tax obligations that may arise on income earned from short-term lettings in Indonesia and related information on how the applicable tax can be paid to the Indonesian tax authority.

The Indonesian fiscal year in general runs from 1 January to 31 December.

#### **Obligation to pay Indonesian income tax.**

Indonesian resident taxpayers are taxed on their worldwide income, and non-resident taxpayers are taxed only on income sourced from Indonesia. Indonesia adopts a self-assessment system for income tax purposes.

An individual (Indonesian citizen or foreign citizen) who fulfils one of the following requirements is regarded as an Indonesian tax resident:

- Lives in Indonesia; or
- Is present in Indonesia for more than 183 days within a 12-month period; or
- Intends to reside in Indonesia within a fiscal year.

Individuals whose income is less than the non-taxable income (i.e., IDR 54 million or approx. USD 3,500) per year will be excluded from the obligation to register and obtain the tax ID number.

Your tax obligation in Indonesia (e.g., tax rates and tax compliance) may differ depending on your tax resident status and the type of income received under the prevailing Indonesian tax regulations.

### **Reporting tax in Indonesia - filing obligation**

#### **(a) Tax filing obligation as a non-resident taxpayer**

If you are considered a non-resident taxpayer, you will be subject to income tax on the income received from Indonesia. There is no obligation for non-resident taxpayers to obtain a tax ID number in Indonesia and to submit an annual income tax return in Indonesia.

#### **(b) Tax filing obligation as an Indonesian tax resident**

If you are considered an Indonesian tax resident, you must obtain a tax ID number and are required to submit your annual individual tax return electronically through the Director General of Tax (DGT) system or [website](#).

Annual individual income tax returns must be submitted by no later than 31 March of the following fiscal year.

Late filing of a tax return or failure to file a tax return will be subject to a penalty in Indonesia. The penalty for not filing an annual individual income tax return is IDR 100,000 (approx. USD 6.50). For monthly income tax returns, the penalty is also IDR 100,000 per monthly income tax return.

For certain income (such as income from the lease of land and building) that is subject to final income tax, the income must be reported in the final income tax return that must be submitted at the latest by the 20th of the following month. Further, income from the lease of land and building will need to be reported in the annual individual income tax return as income that is subject to final income tax.

### **Reporting tax — payment deadline**

The payment deadline for income tax may vary per type of income. However, in general, the income tax must be paid prior to filing a tax return (i.e., the 10th of the following month for withholding taxes and final income tax). For certain income (such as the income from the lease of land and building), the final income tax must be paid at the latest by the 10th of the following month (for withholding tax agents) or the 15th of the following month (for non-withholding tax agents).

In general, the DGT will monitor the taxpayer's compliance through tax audits, which are generally followed by the issuance of tax assessment letters.

The late payment of individual income tax will be subject to a penalty in the form of interest at the applicable monthly interest rate determined by the Minister of Finance with a maximum of 24 months.

## Indonesian income tax rate

We set out below the general progressive income tax rates for Indonesian individual resident taxpayers.

Rates	Taxable Income (IDR)
5%	0 – 60 million
15%	> 60 million – 250 million
25%	> 250 million – 500 million
30%	> 500 million – 5 billion
35%	> 5 billion

An Indonesian resident taxpayer is subject to tax on their worldwide income, and so you will have to report the income from Indonesia and the income from outside Indonesia, and the income will be subject to a progressive income tax rate with a maximum rate of 35% for income more than IDR 5 billion (USD 325,000).

Income from the lease of land and building received by an Indonesian resident taxpayer is subject to final income tax of 10% and is not subject to the progressive income tax rates above. However, the income from hostelry services and its accommodation (such as hotel services) is not subject to final income tax.

The income received by a non-resident taxpayer (including income from the lease of land and building) is subject to 20% withholding tax on gross income originating from Indonesia.

### Indonesian rules applicable to income earned in relation to short-term lettings

#### (i) Indonesian resident taxpayer

The income tax treatment of an Indonesian tax resident in relation to short term lettings is as follows:

##### (a) Non-hotel services

If you are not a registered hotel tax subject and your income is considered as a lease of land and building, the income from the lease of land and buildings (whether in part or the entire building) is subject to final income tax at the rate of 10% of the gross amount of the lease value. A part of the building includes an area, whether inside or outside, constituting part of the building such as a room in a house.

The income earned from the lease of a building by a guest who acts or is appointed as a withholding tax agent is subject to final income tax, and the guest has the obligation to withhold, pay and report the final income tax on the lease of the building to the tax office.

However, if the guest is not an appointed withholding tax agent, then the final income tax payable must be paid personally by the individual or entity (i.e., landlord) receiving the income. The landlord has the obligation to pay and report the final income tax to the local tax office.

The final income tax must be paid at the latest by the 10th of the following month (i.e., the term lease paid by withholding tax agents) or the 15th of the following month (the term lease paid by non-withholding tax agents) and reported at the latest by the 20th of the following month through the monthly final income tax return to the local tax office.

##### (b) Hotel services

If you are registered as a hotel tax subject and your income is considered as income from providing hotel services, the taxable income will be subject to the normal progressive income tax rate with a maximum rate of 35% for income more than IDR 5 billion. Taxable income is gross income deducted with the relevant expenses.

#### (ii) Non-resident taxpayer

The income paid to a non-resident taxpayer by an Indonesian tax resident, including rents and income in relation to the use of assets, is subject to 20% withholding tax on gross income originating from Indonesia. The Indonesian tax resident who acts or is appointed as a withholding tax agent has the obligation to withhold, pay and report the withholding tax to the local tax office.

#### **Typical expenses that can be deducted from an individual's income in relation to short-term lettings**

If the income from the short-term lettings is subject to final income tax of 10%, then no expenses can be deducted from the individual's income in calculating the taxable income.

However, if the income from the short term lettings is subject to the normal income tax rates, the expenses related to obtaining, collecting, and maintaining the income from short-term lettings are deductible.

#### **Indonesia income tax obligations for an Indonesian resident in receipt of foreign rental income.**

The foreign rental income earned by Indonesian tax residents will be considered as income and subject to income tax in Indonesia with a maximum rate of 35% for income greater than IDR 5 billion. The Indonesian tax resident has the obligation to pay and report the tax on income received from foreign rental to the local tax office.

#### **Indonesian Tax Authority contact details.**

The Indonesian tax authority's contact details are as follows:

- (+62) 21 - 1500 200 (details can also be found on the Indonesian tax authority's [website](#))
- You may also want to contact the local tax office where you are registered as an Indonesian tax resident.

#### **VALUE ADDED TAX**

Value added taxes can be complicated, so take the time to understand the rules as they apply to you and your particular situation.

In general, VAT is imposed on certain taxable events involving the delivery, import, and export of taxable goods and services. The VAT obligation arises if the deliveries of taxable goods and taxable services exceed IDR 4.8 billion per year. An entrepreneur whose annual sales exceed IDR 4.8 billion must register for VAT purposes to be confirmed as a taxable entrepreneur in Indonesia and issue VAT invoices on the delivery, import, and export of taxable goods and taxable services. Indonesia adopts a self-assessment system for VAT purposes.

The VAT rate is 11% and will increase to 12% as of 1 January 2025.

## **Do I need to collect any VAT from guests if I am letting short-term accommodation in Indonesia?**

In general, an entrepreneur that meets certain thresholds to be considered as a taxable entrepreneur for VAT purposes in Indonesia needs to charge VAT on their deliveries of taxable goods or taxable services.

However, hotel services — including room rental services and/or space rental services in hotels which are regional tax and levy objects — are not considered as the delivery of taxable services for VAT purposes and therefore not subject to VAT.

Certain hotel services that are not subject to VAT include room rental services and/or space rental services at hotels, hostels, villas, tourist huts, motels, inns, homestays, boarding houses, guest houses, bungalows, resorts, private residences that function as hotels and glamping facilities. Room rental services include the provision of accommodation and all facilities for guests staying overnight directly related to the room rental services (i.e., sports and entertainment facilities and hotel transportation).

Broadly speaking, if the short-term letting is considered as hotel services under the above definition, it should not be considered as a VAT object in Indonesia.

Notwithstanding the above, if your lettings are short-term accommodations other than those mentioned above and you are a registered taxable entrepreneur for VAT purposes, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Indonesian tax authorities. As Airbnb is not supplying the rental itself, it is the responsibility of the host to consider the local VAT obligations of the rental charge.

We recommend that you consult a local tax advisor about the imposition of VAT on your lettings to your guests in Indonesia.

## **VAT applies to me. How do I collect VAT from guests?**

If you need to charge VAT on the delivery of taxable goods and taxable services to your guests, please keep in mind that you must collect this VAT from your guests and report and remit this VAT on a periodic VAT return. The periodic VAT return needs to be filed at the latest by the end of the following month, and the VAT payment needs to be made at the latest by the end of the following month or prior to the VAT return filing deadline.

Some formalities, including issuing tax invoices, are required under the prevailing tax regulations. For further guidance on filing returns, please see the Indonesian tax authorities' [website](#). We recommend that you check your VAT-related obligations and the applicable tax invoice requirements with a local tax adviser.

## **HOTEL TAX**

If your lettings are considered as hotel services that are not subject to VAT then the hotel tax is applicable to your lettings. In Indonesia, the hotel tax is classified as "certain goods and services tax" and is imposed on hotel services provided by individuals or entities. The hotel tax rate depends on the region where the accommodation is located and should not exceed 10%.

In general, hotel services include certain services provided by hotels. These services include accommodation services and supporting facilities (e.g., transportation, internet, laundry) and the rental of meeting rooms in hotels. Hotel service providers include those in the form of hotels, hostels, villas, cottages, motels, inns, guest houses, bungalows, resorts, cottages, private residences that function as hotels, and glamping.

Private residences that function as hotels are defined as the short-term rental of houses, apartments, and condominiums that are provided as accommodation services similar to hotels (i.e., with a rental period of less than one month).

Hotel taxes are further regulated under local government regulations according to where the host accommodations are located. However, the local government regulations may not be updated due to the issuance of the new regional tax law (e.g., some provisions on services that are exempted from hotel tax have not been updated in the local government regulation). As a result, we recommend that you check and confirm the applicable hotel tax with the regulatory or municipality agency in charge of the accommodations you're hosting.

In general, to register as a hotel taxpayer, the taxpayer must obtain a Local Tax Identification Number (NPWPD) by submitting an online application to the local revenue agency (*Badan Pendapatan Daerah*). The hotel taxpayer needs to obtain an NPWPD and register one month prior to the hotel or accommodation operation to fulfill its tax obligations. The registration may be different per municipality according to where the hotel or accommodation is located, e.g., if the hotel or accommodation is in Badung Regency, the taxpayer can use a certain application (known as *e-palapa*) provided by the relevant authority to obtain the NPWPD, pay, and report the Local Tax Return (SPTPD) for the hotel taxpayer).

### **Do I need to collect any hotel tax from guests if I am letting short-term accommodation in Indonesia (specifically in Bali)?**

In general, if you provide hotel services, then you have to collect hotel tax from guests.

The following services are however exempt from this tax:

- Dormitory housing services provided by the government or local government
- Accommodation services in hospitals, nurse's dormitory, orphanages, and other similar social institutions
- Accommodation services at centers of education or religious activities
- Travel agency services or tour services
- Room rental services operated in hotels, i.e., rooms that are rented by business actors to carry out business activities, such as offices, shops, or automated teller machines (ATMs) in hotels

Hotel tax rates may vary by region and change any time. For example, the applicable hotel tax rates in Seminyak, Canggu, and North Kuta (the Badung Regency) may differ from those in Ubud (the Gianyar Regency) as set out in the local government regulation.

The current hotel tax rate in Badung and Gianyar regencies is 10%. However, under certain circumstances, the hotel tax rate may be different or an exemption may apply. It is recommended that you check and update the applicable hotel tax with the local regulatory or municipality agency where your accommodation is located.

**Hotel tax applies to me. How do I collect hotel tax from guests in Bali?**

The hotel tax payable is calculated by multiplying the 10% tax rate with the amount payable at the hotel. The hotel tax must be paid to the local treasury and reported by a certain time regulated under the prevailing local regulations (e.g., for Badung regency, the hotel tax must be paid and reported at the latest by the 20th of the following month after the end of the fiscal period).

Hotel taxes are collected in a self-assessment system. The hotel tax is calculated as follows: Hotel X's turnover in one month (1 January to 31 January) is IDR 100 million. Thus, X's hotel tax rate should be calculated as follows:  $10\% \times \text{IDR } 100 \text{ million} = \text{IDR } 10 \text{ million}$ . The hotel tax payable in that month is IDR 10 million.

For more information on payment and reporting mechanisms, we recommend that you check your applicable tax obligations with the local tax office where you are registered, and the local regulatory or municipality agency in which your accommodation is located.