COUNTRY PAYROLL GUIDE

Indonesia Payroll, Benefits and Tax 2026

What employing someone in Indonesia costs, what your employee takes home, and the two obligations that turn a cheap-looking market into an expensive one.

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The headline numbers

9.2% Employer BPJS at mid-level pay, before THR	**8.33%** Added by THR, the statutory extra month	**IDR 11.1m** Monthly wage ceiling on the pension programme	**5 to 35%** Individual income tax on annual taxable income

Indonesia's BPJS contributions look light at roughly 9% of salary, and that number misleads. THR, the religious holiday allowance, is statutory rather than customary, which adds 8.33% and takes the real employer cost to about 17.5%.

> **Accrue THR monthly, do not fund it in the week it falls due**
>
> Because the obligation is statutory and concentrated on one date, employers who treat it as a discretionary bonus meet a cash call worth a full month of payroll in a single week. Accrue 8.33% every month and the payment is already funded. Late payment attracts a fine on top of the amount owed.

BPJS: two systems, five programmes

Percentages of monthly wages. Two programmes are capped and three are not.

	Employer	Employee
JHT, old age savings	3.7%, uncapped	2%, uncapped
JP, pension	2%, capped near IDR 11.1m	1%, capped near IDR 11.1m
JKK, work accident	0.24% to 1.74% by risk class	None
JKM, death	0.30%, uncapped	None
Kesehatan, health	4%, capped at IDR 12m	1%, capped at IDR 12m
THR, religious holiday allowance	One month a year, statutory	None

You register with both BPJS Ketenagakerjaan for the employment programmes and BPJS Kesehatan for health insurance. Neither can be handled by a payroll bureau acting alone.

THR is a legal obligation, not a bonus

Vietnam, Malaysia, Singapore, Hong Kong	Indonesia: THR
Customary, not statutory	Statutory for every eligible employee
Paid at the employer's discretion	One month's salary at 12 months of service, pro-rated below that
Timing set by company practice	Due in cash at least seven days before the employee's religious holiday
Withholding it is a retention problem	Late payment attracts a fine on top of the amount owed

THR follows the employee's own religion rather than a single company date, and it is calculated on basic salary plus fixed allowances.

What a hire actually costs

Single employee, no dependants, office-based employer in the low work-accident risk class. IDR per month.

	Gross IDR 15,000,000	Gross IDR 40,000,000
Employer BPJS	1,382,726	2,517,726
BPJS as a percentage	9.22%	6.29%
THR accrual	1,250,000	3,333,333
Real employer uplift	17.55%	14.63%
Employee BPJS	530,863	1,030,863
Income tax	938,371	5,938,951
Employee takes home	13,530,766	33,030,186
Total cost to employer	17,632,726	45,851,059

BPJS alone falls from 9.22% to 6.29% because the pension and health caps bite. Add the THR accrual and the real uplift is 17.55% and 14.63%.

Income tax and the TER method

Annual taxable income (IDR)	Rate
Up to 60 million	5%
60 million to 250 million	15%
250 million to 500 million	25%
500 million to 5 billion	30%
Over 5 billion	35%

Taxable income is gross pay less the occupational expense deduction, employee pension contributions and the PTKP personal allowance of IDR 54 million for a single taxpayer, plus IDR 4.5 million for a spouse and for each of up to three dependants.

Months one to eleven use the TER average effective rate, a single rate matched to the employee's PTKP status and monthly gross. December reconciles the year on the progressive rates, which makes December net pay unusually variable. Warn employees who joined mid-year or received a large THR.

Contracts, severance and termination

- **PKWT, fixed term:** permitted only for work temporary by nature, limited to five years in total including extensions. A probation clause in a PKWT is void.
- **PKWTT, indefinite:** the default for ongoing roles, and the only contract type that may carry probation, capped at three months.
- **Compensation on expiry:** a PKWT that runs its course still triggers a compensation payment scaled to length of service.
- **Severance pay** scales to nine months of wages; **service appreciation pay** adds up to ten more; **compensation for entitlements** covers untaken leave and other accrued items.
- **A multiplier** from half to double then applies to the first two, depending on the statutory ground for termination. A long-serving employee can be owed more than twenty months in total.
- **No at-will employment.** Termination needs a statutory ground and, where disputed, agreement or an industrial relations court decision.

Provision from the first hire, not the first exit

A team of ten with several years of service each carries a contingent severance liability that will not appear anywhere in your monthly payroll cost. It is the number that surprises finance when a restructure arrives.

Wages, leave and foreign nationals

- **Minimum wage:** no national figure. Each province sets a UMP and many districts set a higher UMK. The 2026 increase landed in the 5% to 7% range; Jakarta's UMP is IDR 5,729,876.
- **Annual leave:** 12 days after 12 months of continuous service, with at least six taken consecutively.
- **Public holidays:** set by joint ministerial decree each year, typically 16 to 17 days, plus collective leave around Eid that most employers observe.
- **Maternity:** three months, with a conditional further period added by the 2024 maternal and child welfare law. **Paternity:** two days.
- **Foreign nationals** need an approved RPTKA manpower plan, a work permit and a limited stay permit. A monthly compensation levy applies per foreign worker, and each must be paired with an Indonesian understudy.
- **Some positions are closed** to foreign nationals entirely, human resources roles among them. Confirm before making an offer.

The monthly cycle

- **Register** the company with BPJS Ketenagakerjaan and BPJS Kesehatan separately, and enrol each employee under both. Obtain an NPWP for the company and ensure each employee holds their own.
- **Pay salaries monthly** in rupiah, and remit BPJS and PPh 21 generally in the first half of the following month.
- **Pay THR** in cash at least seven days before the employee's religious holiday.
- **Reconcile PPh 21** in December on the progressive rates, and file the annual return.

Sources

- BPJS Ketenagakerjaan: JHT, JP, JKK, JKM and JKP contribution rules, including the pension wage ceiling.
- BPJS Kesehatan: 4% employer and 1% employee, capped at IDR 12 million of monthly wages.
- Manpower Ministry regulation on THR: entitlement, pro-rating and the seven-day deadline.
- Harmonized Tax Law and PPh 21 rules: progressive rates, PTKP thresholds and the TER withholding method.
- Job Creation Law and Government Regulation 35/2021: PKWT limits, severance, service appreciation pay and multipliers.
- Provincial minimum wage decrees for 2026, set under the wage formula based on inflation and economic growth.

This guide is general information, current as at the date shown, and is not tax or legal advice. BPJS caps, minimum wages and the PPh 21 effective rate tables all move annually. Confirm your position with a qualified adviser before acting.