

Understanding BPJS Ketenagakerjaan, BPJS Kesehatan and Article 21 Employee Income Tax

A. BPJS / Social Security

Based on the Indonesian Constitution and by virtue of Law No. 24 of 2011 on Social Security, it is mandatory for employees to be enrolled under the two social security systems available in Indonesia, namely the Health Social Security (BPJS Kesehatan) & Manpower Social Security (BPJS Ketenagakerjaan). The following are the applicable rates for the two social security payments and who has to bear the costs.

Health Social Security (BPJS Kesehatan)

Component	Employer Portion	Employee Portion	Total
Health Insurance	4%	1%	5%
Maximum salary calculated is Rp. 8.000.000			

Manpower Social Security (BPJS Ketenagakerjaan)

Component	Employer Portion	Employee Portion	Total
Work Accident Security (JKK)	0,24%	-	0,24%
Old Age Security (JHT)	3,7%	2%	5,7%
Death Security (JKM)	0,3%	-	0,3%
Pension Security (JP)	2%	1%	3%
Total	6,24%	3%	9,24%

Employer portion means the costs are borne by employer, and when received by employees it will be added to make up for gross salary of employees.

B. Article 21 Employee Income Tax

To calculate taxes for employees, there are generally two methods: (1) Gross Up method (tax is paid by employer), or (2) Net Off (tax is withheld by employer, so employees actually pays the tax via withholding by employer).

How does social security relate to tax?

Social security payment and withholding will become component of gross salary and component for deduction of taxable income. Therefore it is necessary that social security payments are updated and available to calculate employee income tax.

Component	Borne by Employer	Borne by Employee
	Component of Gross Salary	Deduction of Taxable Income
Health Insurance	Yes	No
Work Accident (JKK)	Yes	No
Death (JKM)	Yes	No
Old Age (JHT)	No	Yes
Pension (JP)	No	Yes

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