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Indonesia's Employment & Expatriate Compliance Update 2026

Overview

For employers operating in Indonesia, 2026 brings a renewed focus on worker protection, employment compliance and tighter regulatory oversight.

New and updated regulations are strengthening employer responsibilities across outsourcing, termination, labour inspection and worker protection. At the same time, increased enforcement around expatriate work authorisation highlights the importance of aligning employment, immigration, payroll and tax requirements from the very beginning of an overseas assignment.

For HR and business leaders, the message is clear: compliance can no longer be managed in silos. Employment contracts, payroll, statutory contributions, tax and immigration need to operate as part of one coordinated framework.

Basic Country Facts

Capital
Jakarta

Population
287.2 million
IMF

Currency
Indonesian Rupiah (IDR, Rp)

GDP per Capita
USD 5,360 (as of 2026)
IMF

BIPO

Labour Law & Employment Regulations

Stronger Worker Protection & Clearer Employer Duties in 2026

1. Outsourcing Restrictions

Under Permenaker No. 7/2026, effective 30 April 2026, outsourcing is limited to specified support functions, including cleaning, catering, security, drivers, operational support.

Employers must also ensure that written outsourcing agreements adequately safeguard employee rights relating to salary, overtime, leave, BPJS, Religious Festive Allowance (THR) and termination. For businesses using outsourced manpower, existing arrangements should be reviewed to ensure both the nature of the outsourced role and the underlying employee protections remain compliant.

2. Enhanced Layoff Protection

Indonesia has also strengthened support for employees affected by termination. Job Loss Security, or Jaminan Kehilangan Pekerjaan (JKP), provides eligible workers with cash support equivalent to 60% of wages for up to six months, together with access to training and job-market support.

A national termination or PHK mitigation task force was also established in 2026, reflecting the government's increased focus on employment security and responsible workforce restructuring.

3. Minimum Wage Reforms

Minimum wage reform remains an important area for employers to monitor, with continued movement towards a more formalised minimum wage formula. In Jakarta, the monthly minimum wage for 2026 is IDR 5,729,876.

4. Expanded Worker Protections

Additional protection has also been extended to worker groups outside traditional employment structures. Law No. 2/2026 covers domestic workers, while Presidential Regulation No. 27/2026 introduces protections for online transport workers, including eligible drivers and couriers.

These developments reflect the continued expansion of employment protections across Indonesia's changing labour market.

5. Additional 2026 Regulations

Other regulatory developments highlighted in 2026 include:

- Permenaker No. 11/2026 – labour inspection procedures
- Permenaker No. 9/2026 – graduate apprenticeship support
- March 2026 circulars relating to THR and holiday bonuses for employees and app-based workers

Taken together, these developments make 2026 a year of reinforced worker rights, stricter compliance expectations and increased employer responsibility.

Expatriate Work Permit Compliance

Indonesia’s approach to expatriate employment requires close coordination between manpower and immigration requirements. Recent enforcement activity demonstrates that authorities are placing increased scrutiny on whether foreign employees hold the correct approvals before beginning work.

RPTKA: A Critical Pre-Employment Requirement
On 6 February 2026, Indonesia’s Ministry of Manpower, or Kemnaker, imposed a fine of IDR 2.17 billion on a company for employing 164 foreign workers without approved RPTKA. The case reinforces an important compliance principle:

- An approved RPTKA must be in place before a foreign employee commences work in Indonesia.
- The RPTKA, or Employer’s Work Plan for Foreign Workers, should therefore be treated as a mandatory pre-start control rather than an administrative step to be completed after deployment.

Expatriate Employment & Immigration Process

A typical expatriate employment process involves several connected stages:

1. Company & Position Eligibility
Confirm that the employing entity and proposed position are eligible for foreign worker employment.

2. RPTKA Approval
Obtain approval of the employer’s foreign worker utilisation plan before employment begins.

3. DKPTKA Payment
Complete the applicable DKPTKA payment requirements.

4. Work-Related Limited Stay Visa
Arrange the appropriate visa for the foreign worker.

5. Entry into Indonesia
The expatriate enters Indonesia under the approved immigration pathway.

6. Electronic ITAS / KITAS
Secure the relevant limited stay authorisation.

7. Ongoing Compliance & Renewal
Continue to monitor employment, immigration and permit requirements throughout the assignment.Expatriates should only work for their sponsoring entity and in accordance with the approved position and stay authorisation.

Any change in employer, position, work location or employment arrangement may require an amendment or new approval.

Expatriate Payroll & Income Tax

Expatriate compliance extends well beyond securing the correct visa and work authorisation. Payroll design, income tax, statutory contributions and cross-border compensation should all correspond with the expatriate’s employment and assignment structure.

Expatriate Payroll
Salary, allowances, benefits and other employment income should be captured and classified correctly within payroll.

Employers should:

- Align payroll design with the employment arrangement and sponsoring entity
- Ensure the payroll treatment corresponds with the employee's tax position
- Maintain clear records supporting offshore payments
- Properly document reimbursements and benefits-in-kind
- Monitor changes in compensation throughout the assignment

Cross-border remuneration arrangements require particular attention where part of an expatriate's compensation is paid outside Indonesia.

Statutory Compliance

Throughout the assignment, employers should also:

- Maintain valid work authorisation and stay permits
- Assess applicable BPJS and social security obligations
- Monitor changes in position, employer or assignment structure
- Ensure employment records remain consistent across HR, payroll, tax and immigration systems

Income Tax

Tax residency is an important starting point when determining the appropriate tax treatment.

Employers should consider factors including:

- The 183-day test
- The individual's intention to reside
- Applicable employer withholding obligations for employment income
- Global compensation and benefits
- Offshore income
- Relevant tax treaty considerations
- Other cross-border tax matters

Immigration status, payroll reporting and tax treatment should therefore be aligned from day one of an expatriate assignment.

Compensation, Benefits & Statutory Obligations

1. Company & Position Eligibility

Employee compensation in Indonesia may consist of several components, including:

a. Basic Salary

The basic wage and fixed allowances, where applicable, should account for at least 75% of the employee's total monthly gross salary. Employers must also ensure that salary complies with the relevant regional minimum wage.

b. Fixed Allowances

Common fixed allowances may include:

- Transportation
- Meals
- Communication
- Other recurring allowances

c. Variable Allowances

Variable components are generally linked to performance or other specified criteria.

d. Statutory Components

Employers should also consider:

- BPJS Employment
- BPJS Healthcare
- Income tax

A properly structured payroll should clearly distinguish each element and ensure the appropriate statutory calculation basis is applied.

2. THR – Tunjangan Hari Raya

THR is Indonesia's mandatory annual religious festive allowance. Employers must provide THR to eligible employees no later than seven days before the applicable religious holiday. Employees become eligible after completing at least one consecutive month of employment, whether they are employed under a fixed-term contract (PKWT) or non-fixed-term contract (PKWTT).

For THR purposes, monthly salary may consist of:

- Basic salary; or
- Basic salary plus fixed allowance

Employers should maintain a clear THR process so that eligibility, calculation and payment timing are consistently applied.

3. Mandatory Social Security – BPJS

BPJS, or Badan Penyelenggara Jaminan Sosial, is Indonesia's statutory social security system. There are two principal programmes:

a. **BPJS Kesehatan – Healthcare**
b. **BPJS Ketenagakerjaan – Employment**

Employers are required to enroll applicable employees in the relevant programmes. Failure to comply may result in sanctions including:

- Written warnings
- Fines
- Restrictions on access to certain public services
- Business license termination

a. BPJS Kesehatan – Healthcare

BPJS Healthcare contributions are shared between employer and employee.

Contributor	Contribution
Employee	1%
Employer	4%
Total	5%

Employee contribution is capped at IDR 120,000, while employer contribution is capped at IDR 480,000.

For 2026, the minimum multiplier referenced for Jakarta is IDR 5,729,876, while the maximum multiplier is IDR 12,000,000.

b. BPJS Ketenagakerjaan – Employment

BPJS Employment provides statutory protection across areas including workplace accidents, retirement, pension and death.

	Paid by Employee	Paid by Employer	Total
Jaminan Hari Tua (JHT) Retirement Guarantee	2%	3.70%	5.70%
Jaminan Kecelakaan Kerja (JKK) Work Accident Guarantee	0%	Refer to Industry Risk Category	
Jaminan Pensiun (JP)* Pension Guarantee	1%	2%	3%
Jaminan Kematian (JK) Death Guarantee	0%	0.30%	0.30%
Jaminan Kehilangan Pekerjaan (JKP) Unemployment Benefit (after 12 consecutive months premium payment)	0%	0%	0%

JKK Industry Risk Categories

Employer contribution rates differ depending on occupational risk:

- Very Low Risk – 0.24%
- Low Risk – 0.54%
- Medium Risk – 0.89%
- High Risk – 1.27%
- Very High Risk – 1.74%

For Jakarta, the 2026 minimum multiplier referenced is IDR 5,729,876. From 1 March 2026, the maximum multiplier for JP is IDR 11,086,300.

Expatriates cannot be registered for JP and JKP benefits. Employers should therefore assess BPJS treatment carefully for both Indonesian and foreign employees rather than applying the same configuration across the entire workforce.

Employment Lifecycle, Contract Types & Termination

Indonesia recognises several forms of working arrangements, including:

- Fixed-term employment
- Non-fixed-term employment
- Freelance arrangements
- Internships

Fixed-Term Employment – PKWT

A fixed-term employment contract is known as PKWT – Perjanjian Kerja Waktu Tertentu. Employees under PKWT are entitled to compensation equivalent to approximately one month of salary for every 12 months of service, with the applicable amount determined by length of service. PKWT compensation is payable at the end of the contract period.

Non-Fixed-Term Employment – PKWTT
A non-fixed-term employment contract is known as PKWTT – Perjanjian Kerja Waktu Tidak Tertentu. A probation period of up to three months may apply and cannot be extended.

Employment Contract Requirements
Employment contracts should be in writing and may be prepared in Bahasa Indonesia or bilingually with English. The contract should be:

- Signed by both employer and employee
- Executed over the applicable duty stamp or materai
- Prepared in two sets

Employers should also ensure that:

- Salary complies with the applicable regional minimum wage
- Basic wage and fixed allowances account for at least 75% of total monthly gross salary
- Contract type accurately reflects the employment arrangement
- Onboarding and offboarding procedures correspond with the contractual terms

Fixed-Term Contract Compensation & Early Termination

1. Contract Expiry

When a PKWT reaches the end of its agreed contract period, the employer must pay the applicable PKWT compensation to the employee. Where the contract is renewed, employers should continue to monitor the relevant compensation requirements.

2. Early Termination

Early termination of a fixed-term contract may trigger additional financial obligations. Where the contract is ended before its expiry date, the terminating party may be required to pay the remaining wages through the original end of the contract period.

Where an employee resigns during the contract period, the employer pays applicable compensation to the employee while the employee may be required to pay the penalty for the remaining contract period. Where the employer initiates termination during the contract period, the employer may be responsible for both the applicable compensation and the remaining contract period penalty.

Employers should therefore review contractual and statutory obligations carefully before initiating an early termination.

Key Takeaways for Employers

Indonesia's evolving employment landscape requires businesses to look at compliance as an ongoing operating discipline rather than a periodic administrative exercise.

Three principles should guide employers in 2026:

1. Strengthen the fundamentals

Review employment contracts, wage structures, THR, BPJS and termination processes to ensure they continue to reflect current requirements.

2. Make expatriate compliance a pre-start requirement.

RPTKA, immigration status, payroll, tax and assignment documentation should be aligned before an expatriate begins work.

3. Break down compliance silos.

HR, payroll, tax, immigration and legal teams should work through a shared process, supported by clear ownership, documentation and periodic review.

As regulatory expectations become more sophisticated, employers with integrated HR and payroll processes will be better positioned to manage compliance consistently while supporting both local and international employees.

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Future Forward Malaysia 2026

Thailand

26-28 Aug
Techsauce Global Summit 2026

Taipei

26 Aug
Workday Horizon Taipei

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