

# ***TaxFlash***



## ***Social Security Scheme administered by Badan Penyelenggara Jaminan Sosial (BPJS) Ketenagakerjaan – an update***

As part of the effort to implement a comprehensive social security system, the government issued a series of Government Regulations on social security administered by *BPJS Ketenagakerjaan* which are as follows:

- Government Regulation No. 44 Year 2015 (GR-44) regarding the implementation of an accident and death insurance program,
- Government Regulation No. 45 Year 2015 (GR-45) regarding the implementation of a pension benefit program, and
- Government Regulation No. 46 Year 2015 (GR-46) regarding the implementation of an old age savings program.

These will be effective since 1 July 2015, and were issued in conjunction with Law No.40/2004 (Law-40) regarding National Social Security System and Law No. 24/2011 (Law-24) regarding BPJS. Please refer to our discussion on the new social security scheme in our Tax Flash No. 17/2013 and Tax Flash No. 11/2014.

### ***Participants***

As stipulated in Law No. 24/2011, the participants of the below programs covers all workers including expatriates who are working for at least six months in Indonesia.

### ***Employers' Obligation***

Employers have the obligation to perform the administrative procedures for their workers, including registration, data updates, and contribution payments to *BPJS Ketenagakerjaan*.

Failure to do so will trigger administrative sanctions in the form of a warning letter, penalty, and loss of access to certain public services.

## **GR-44 - Accident and death insurance program**

Provisions in GR-44 are generally similar to provisions in GR 14/1993 (GR-14). The issuance of GR-44 is to provide implementing regulations for Law-40 and Law-24, as GR-14 is the implementing regulation of Law No. 3/1992 (Law-3) regarding Workers' Social Security.

The contribution rate remains the same, as follows:

- Working accident protection (*Jaminan Kecelakaan Kerja/JKK*) is in the range of 0.24% - 1.74% of the basic salary and fixed allowance depending on the level of occupational risk.
- Death protection (*Jaminan Kematian/JKM*) is still 0.3% of the basic salary and fixed allowance.

## **GR-45 - Pension benefit program**

### *Contributions*

Key provisions of the contributions for this program are as follows:

- Total contribution percentage is 3%, i.e. 2% borne by employers and 1% by employees. This percentage will be adjusted gradually every three years to become 8%.
- Imposition base is basic salary plus fixed allowances.
- Imposition base threshold is a maximum of Rp 7,000,000 per month, which will be adjusted annually in accordance with GDP growth.

### *Retirement age*

- For the first time (2015), retirement age is stipulated at 56 years old.
- From 1 January 2019, the retirement age will be 57 years old.
- The retirement age will be increased by one year every three years until it reaches 65 years old.

### *Pension benefit*

Pension benefit can be paid in the following circumstances:

1. Living benefit which consists of:
  - a. Old-age pension – received after reaching retirement age
    - i. Membership of more than 15 years – Benefit to be received monthly until death
    - ii. Membership of less than 15 years – Benefit to be received in a lump sum (one month after pension age) amounting to total accumulated contributions plus yield.
  - b. Permanent disability – prior to reaching retirement age  
Benefit to be received monthly until death or the individual no longer has a permanent disability
2. Death benefit – received monthly after the death of the employee, by the following people:
  - a. Widow/widower
  - b. Children
  - c. Parents

## **GR-46 - Old age savings program**

As with GR-44, GR-46 is also an implementing regulation of Law-40 and Law-24, with similar provisions, including the same contribution percentage of 5.7%, i.e. 3.7% to be borne by employers and 2% by employees.

### *Early redemption prior to retirement*

However, Law-40 stipulated that early redemption prior to retirement can be made after a minimum participation period of 10 years as compared to five years in Law-3. Therefore, the implementing provisions related to this matter have also changed, as follows:

Criteria	Old (GRs under Law -3/1992)	New (GR-46/2015 under Law 40/2004)
Minimum participation period	5 years	10 years
Timing to redeem	Upon resignation and has to pass waiting period of one month	Only once during the whole participation period
Amount given	Full amount	30% for housing ownership; or 10% for other needs

The change of the minimum participation period under GR-46 has received some criticism and may be revised. As the 10 years minimum participation provision is governed under Law-40, we shall see whether the revision can be carried out at the GR-46 level or if it must be at the Law-40 level.

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