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Tax Alert

News from EY Indonesia Tax Services

Indonesia offers up to 100% administrative penalty relief under a time-limited program

Executive summary

Effective 8 October 2026, the Director General of Taxes issued Decision No. KEP-239/PJ/2026 (KEP-239) to implement the economic support measure contemplated by Article 27A of Minister of Finance Regulation No. 118 Year 2024 (PMK-118), as amended by Minister of Finance Regulation No. 71 Year 2026 (PMK-71). KEP-239 provides an application-based mechanism for the reduction or waiver of qualifying administrative penalties across seven broad categories, including late or amended returns, late payments, audit-related penalties, assessments and collection letters, Land and Building Tax (PBB) penalties and certain Voluntary Disclosure Program (PPS) assessments. These reductions and waivers are collectively referred to in this Alert as administrative penalty relief. The available relief depends on the relevant instrument, legal basis, timing, payment status and legal-remedy status. The relief applies only to the qualifying unpaid administrative penalty; the underlying tax principal, tax debt and other required amounts remain payable.

Key takeaways

- **Timing drives value.** Qualifying unpaid administrative penalties may be partially reduced or fully waived, depending on the applicable pathway and timing. For several pathways, action by 31 December 2026 preserves the maximum available relief; delay may reduce it.
- **Eligibility is instrument-specific.** The result depends on the instrument type, legal basis, issuance date, payment history and legal-remedy status.
- **The underlying liability remains payable.** Where required under the applicable pathway, the taxpayer must settle the relevant tax principal, tax debt or other prescribed amount. Certain pathways also require payment of 10% or 25% of the administrative penalty to obtain the corresponding 90% or 75% reduction.
- **Objections and other legal remedies may affect access.** Taxpayers may need to withdraw or forgo an objection, lawsuit or other legal remedy and submit prescribed statements.
- **Earlier action dates still apply.** Applications are due by 1 October 2028, but earlier filing, payment and settlement deadlines determine eligibility and the level of relief.

Scope of the administrative penalty relief

Taxpayer scenario	Covered circumstance of administrative penalty	Qualifying conditions and period	Potential relief
(a) Late filing	Late filing of a qualifying underpaid annual income tax return up to fiscal year 2025 and/or monthly tax return up to September 2026.	Tax returns are filed from 8 October 2026 through 30 June 2027.	100%/50%/25%, based on the filing date.
(b) Voluntary amendment	Taxpayer-initiated amendments of a qualifying underpaid annual or monthly tax return.	Amendments are filed and tax principal paid from 8 October 2026 through 30 June 2027.	100%/50%/25%, based on the amendment date.
(c) Late payment	Late payment of tax due under a qualifying annual or monthly tax return.	Tax returns are filed and tax principal is paid from 8 October 2026 through 30 June 2027.	100%/50%/25%, based on the relevant action date.
(d) Tax audit-related instruments	Qualifying tax assessment, PBB assessment or tax and PBB collection letter based on a tax audit.	Instruments issued from 8 October 2026 through 30 June 2027 and the related tax principal is paid by 30 June 2027.	Generally 100%/50%/25%; certain penalties may qualify for 90%/75%.
(e) Pre-existing assessments and collection instruments	Qualifying tax assessment, PBB assessment, tax and PBB collection letter.	Instruments issued before 8 October 2026 and the related tax principal, tax debt and/or a portion of the administrative penalty are paid by 30 June 2027.	100%/50%/25% or 90%/75%, depending on the instrument, payment history and legal-remedy status.
(f) Tax collection letters	Qualifying tax collection letter or PBB collection letter.	Instruments issued from 8 October 2026 through 30 June 2027 and the relevant tax principal, tax debt and/or a portion of the administrative penalty paid by 30 June 2027.	100%/50%/25% or 90%/75%, depending on the penalty and payment timing.
(g) Voluntary Disclosure Program (PPS) assessment	Assessment arising from an audit of assets not or insufficiently disclosed under PPS.	Assessment issued from 8 October 2026 through 31 December 2027 and the related tax principal paid by 31 December 2027.	100% if paid within one month; 50% if paid after one month but within two months; 25% thereafter.

Specific relief pathways

Voluntary Disclosure Program (PPS) assessments

For qualifying PPS assessments, relief depends on when the tax principal is paid after issuance: 100% within one month, 50% after one month but within two months, and 25% thereafter. In all cases, payment must be made by 31 December 2027.

New registrations and newly confirmed taxable entrepreneurs

Newly registered taxpayers and newly confirmed taxable entrepreneurs (*Pengusaha Kena Pajak* or PKP) may qualify for relief on covered annual and monthly returns. Relief is 100%, 50% or 25%, based on when registration or PKP confirmation and the relevant filing are completed: 8 October to 31 December 2026, 1 January to 31 March 2027 or 1 April to 30 June 2027, respectively.

Relief rates and timing

Relevant action date	Available relief
8 October to 31 December 2026	100%
1 January to 31 March 2027	50%
1 April to 30 June 2027	25%

Important: The standard relief bands above apply to late filing, voluntary amendment, late payment and new taxpayer registration and PKP confirmation pathways. Certain assessments and collection instruments follow different rules, including deadlines measured from issuance and 90% or 75% relief after payment of 10% or 25% of the unpaid penalty. The applicable relief should therefore be assessed for each instrument based on its legal basis, issuance date, payment history and legal-remedy status.

Application and eligibility requirements

Relief is not automatic. Applications are due by 1 October 2028, but each taxpayer must first complete the required filing, payment or settlement by the earlier deadline for the relevant pathway and satisfy the instrument-specific conditions below.

- Any objection, request to reduce or cancel an assessment or collection letter, audit-related cancellation request, PBB reduction request, lawsuit or other legal remedy must be in a status that permits relief. Where required, the legal remedy must be withdrawn and supporting evidence attached.
- The taxpayer must provide duly stamped statements confirming that no lawsuit or other legal remedy will be pursued and that the penalty arose from an oversight or circumstances not attributable to the taxpayer.
- Relief applies only to the unpaid penalty. The required tax principal, tax debt or other underlying amount must be settled.
- A separate written application in Indonesian is required for each assessment or collection instrument. It must state the requested relief and reasons and be signed by the taxpayer, representative or authorized individual.
- The application must be filed before the DGT requests an auction of seized assets or a qualifying transfer of seized assets outside an auction.
- Administrative penalty relief may generally be requested twice; PBB administrative fine relief only once. A second application is generally due within three months after the first decision is sent, unless circumstances beyond the taxpayer's control don't allow timely filing.

Interaction with objections and other legal remedies

The effect of an objection depends on the relevant instrument and penalty provision. The filing of an objection does not necessarily disqualify an administrative penalty contained in an assessment from relief. For certain related collection penalties, however, eligibility and the applicable relief depend on settlement of the tax debt determined following the objection process and satisfaction of the relevant payment conditions.

Before ending a legal remedy, taxpayers should weigh the expected penalty relief against the strength and value of the underlying tax position and the consequences of withdrawal.

Insights and practical implications

Assess relief instrument by instrument. A single taxpayer may have instruments subject to different pathways, relief rates and deadlines.

Action area	Practical implication
Immediate portfolio review	Inventory outstanding returns, amendments, assessments, collection letters and PBB instruments. Map each item into the seven KEP-239 categories and the relevant administrative penalty provision.
Payment sequencing	Reconcile all payments because PMK-118 as amended allocates payments first to tax principal and only then to administrative penalties. Relief is limited to the penalty remaining unpaid.
Early action	Where the relevant pathway uses calendar bands, action by 31 December 2026 may preserve the highest relief. Later action may reduce the available percentage.
Remedy strategy	Review objections, lawsuits and other legal remedies before filing. Withdrawal may be necessary, and the economic benefit should be assessed against the implications of ending the remedy.
Evidence and forms	Prepare the application, payment evidence, legal remedy documents and prescribed duly stamped statements using the relevant formats in the Appendix to KEP-239.
Governance	Establish a case-by-case approval process covering eligibility, calculation, payment timing, legal-remedy status and filing completeness.

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