



Revamped Final Tax Regime for Micro, Small, and Medium Enterprises (MSME)

Government Regulation No. 20 of 2026

The Government of Indonesia has enacted Government Regulation (GR) No. 20 of 2026, amending GR No. 55 of 2022 on the implementation of the Income Tax Law. While the regulation retains the existing 0.5% final income tax rate for micro, small, and medium enterprises (MSMEs) and maintains the annual gross turnover threshold of IDR 4.8 billion, it introduces several important measures aimed at strengthening tax compliance, preventing the misuse of preferential tax regimes, and aligning Indonesia's domestic tax framework with international anti-corruption standards.

One of the most significant developments introduced under GR No. 20 of 2026 is **the addition of Article 20A**, which expressly stipulates **that expenses in the form of bribes, gratuities, or any other payments made in connection with corruption and bribery offences — including those made to foreign public officials — are non-deductible for income tax purposes**. By codifying the non-deductibility of such expenditures, the Government reaffirms its commitment to combating corruption and supporting internationally accepted principles that prohibit taxpayers from obtaining tax benefits from illicit payments. In light of this change, taxpayers should promptly review their internal policies and compliance procedures to ensure that such expenses are not treated as deductible costs in their tax filings.

In addition to the anti-corruption provisions, GR No. 20 of 2026 further **expands the categories of independent professional services excluded from the 0.5% final income tax regime**. Beyond traditional professions such as lawyers, doctors, consultants, artists, and athletes, the exclusion list now encompasses various occupations **in the digital economy, including influencers, bloggers, vloggers, social media personalities, content creators, and similar professions**. As a result, individuals engaged in these activities will generally be subject to the ordinary income tax regime rather than the preferential final income tax scheme, and affected taxpayers should reassess their current tax position accordingly.

The amendment also introduces clearer and more **stringent rules for determining whether taxpayers meet the IDR 4.8 billion gross turnover threshold**. Under the revised framework, **gross turnover must be assessed on an aggregated basis by taking into account the combined turnover of married taxpayers as well as any sole-shareholder companies established or controlled by either spouse**. These enhanced aggregation requirements are specifically designed to prevent the artificial fragmentation of business activities and to ensure that the preferential tax regime is available only to taxpayers that genuinely and substantively satisfy the prescribed threshold.

Another significant change under GR No. 20 of 2026 relates to **the duration of the final tax facility**. Under the previous framework established by GR No. 55 of 2022, the utilization period of the 0.5% final income tax regime was limited to seven years for individual taxpayers, four years for cooperatives, partnerships, and firms, and three years for limited liability companies. **The new regulation removes Article 59** and introduces transitional provisions for existing taxpayers, reflecting a deliberate shift from a purely time-based approach towards **a more substance-oriented framework**. This change is intended to ensure that the MSME tax facility is utilized only by taxpayers for whom it was originally designed and to reduce opportunities for tax avoidance through the exploitation of time-limited preferential treatments.

Taken together, while GR No. 20 of 2026 preserves the existing 0.5% final income tax rate and the IDR 4.8 billion gross turnover threshold, it nevertheless marks a significant evolution in the design and administration of Indonesia's MSME tax regime. Through the introduction of explicit anti-corruption provisions, the expansion of excluded professions, the enhancement of turnover aggregation requirements, and the move towards a substance-based framework, the Government seeks to strengthen tax integrity and reinforce the policy objectives underlying the preferential regime. Against this backdrop, taxpayers are strongly advised to reassess their business structures, turnover calculations, and eligibility positions to ensure continued compliance with the revised framework.

Should you wish to discuss the implications of GR No. 20 of 2026 for your business, please do not hesitate to contact your WTS Indonesia consultant.

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