



Fulfillment of Income Tax Obligations for Foreign Workers Working in West Sumatra

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Abstract

Foreign workers (TKA) who work and receive income from Indonesia are subject to income tax (PPH). As income tax payers, TKA are required to comply with these tax regulations. In West Sumatra, there are currently 77 (seventy-seven) companies that employ TKA, with work locations spread across the region. Foreign workers employed in West Sumatra are also subject to income tax regulations. One issue that has been encountered is that some foreign workers leave the company before completing their employment contract, resulting in their tax calculation not covering a full tax year. Given this finding, who is responsible for fulfilling their income tax obligations, the company or another party? The research questions in this study are: 1. What is the mechanism for employing foreign workers in West Sumatra? 2. How are the income tax obligations of foreign workers employed in West Sumatra fulfilled? 3. What efforts has the West Sumatra government made to improve foreign workers' compliance with income tax obligations? The research method used is socio-legal with the required data being primary and secondary data. The data collection techniques are document studies and interviews as well as qualitative data analysis.

INTRODUCTION

With the development of science and technology and the impact of globalization, the presence of foreign workers (hereinafter referred to as TKA) is an unavoidable necessity and challenge. According to the provisions of Article 1 point 13 of Law Number 13 of 2003 concerning Manpower (hereinafter referred to as the Manpower Law), TKA are defined as "foreign nationals who hold visas for the purpose of working in Indonesia". The purpose of employing foreign workers is to meet the need for skilled and professional workers in certain fields that cannot be filled by Indonesian workers, as well as to accelerate the process of national and regional development by facilitating the transfer of knowledge and technology and increasing foreign investment (in a positive sense) in Indonesia. In addition to the above objectives, the existence of foreign workers also has another very important role, namely as a source of income for the state, one of which is sourced from Income Tax.

Income Tax (hereinafter referred to as PPh) is a type of central tax collected by the central government based on legislation, with the proceeds going to the state treasury. The current legal basis for PPh collection is Law Number 7 of 2021, which regulates the Harmonization of Tax Regulations, abbreviated as HPP. This law is the fourth revision of Law Number 7 of 1983 concerning Income Tax. The existence of the HPP Law is inseparable from the Job Creation Law, which was first enacted through Law Number 11 of 2020 concerning Job Creation, and most recently amended by Law Number 6 of 2023, which regulates the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law (hereinafter referred to as the Job Creation Law). This law contains 79 (seventy-nine) laws,

which are regulated into 1 (one) law with 11 (eleven) different clusters. One of the clusters in the Job Creation Law is the Taxation Cluster. The inclusion of taxation as one of the clusters regulated in the Job Creation Law has led to many changes or improvements in the field of taxation, such as in Income Tax. Article 2 of the Income Tax Law regulates the different statuses of foreign nationals (TKA) working in Indonesia, some of whom are Domestic Taxpayers (WPDLN) and some of whom are Foreign Taxpayers (WPLN). These two FWA statuses also have differences in their income tax obligations, one of which is the obligation to submit an Annual Tax Return (SPT) for FWAs with WPDLN status.

According to Article 1 point 11 of the HPP Law, an SPT is a letter used by taxpayers to report tax calculations and/or payments, taxable and/or non-taxable objects, and/or assets and liabilities in accordance with the provisions of tax laws and regulations. Furthermore, according to point 13 of this article, an Annual SPT is a notification letter for one Tax Year. The function of this SPT for Income Taxpayers is as a means to report and account for the calculation of the actual amount of tax owed. Meanwhile, for tax withholders or collectors (companies or treasurers at government agencies or other third parties), this SPT serves as a means to report and account for taxes that have been withheld or collected and deposited.

Taxpayers who are required to report this Annual Tax Return are only applicable to Domestic Taxpayers, because if Foreign Taxpayers have their taxes deducted based on Article 26 of the HPP Law and their income tax is final. With regard to foreign workers who work and earn income in Indonesia, referring to Article 2 of the HPP Law, those who are required to report their annual tax returns are foreign workers with WPDLN status, provided that they have lived and worked in Indonesia for a consecutive period of one year or within one tax year.

West Sumatra is one of the provinces in Indonesia that also employs many foreign workers to work in companies here. For information, at the end of 2024, there were 77 companies in West Sumatra that employed foreign workers, with their work locations spread across several regions and provinces.¹ With these 77 companies employing foreign workers as employees, the companies will certainly provide salaries (fees) or other forms of remuneration to these foreign workers. However, the provisions regarding salaries (fees) or other forms of income provided by the company to foreign workers are of course in accordance with the contract or status of the foreign worker, so that the income tax deductions will also be differentiated based on the articles used as the basis for income tax deductions for foreign workers by the employing company. Deductions are made according to Article 21 for foreign workers with WPDLN status and Article 26 for foreign workers with WPLN status.

A common occurrence is that foreign workers with WPDLN status who have not completed their employment contracts leave the company, either to move to another company in Indonesia or to leave Indonesia permanently. In relation to cases like this, it will have an impact on the fulfillment of tax obligations for foreign workers who change jobs. What about the submission of their annual tax returns? Who has the obligation to fulfill the obligations of these foreign workers? Therefore, the researcher is interested in conducting research with the title "Fulfillment of Income Tax Obligations for Foreign Workers Working in West Sumatra".

METHOD

The research method used in this study is socio-legal research. Socio-legal research is legal research that examines or reviews itself from elements outside itself (the law), namely social phenomena in the empirical world that influence legal behavior, both personally and institutionally, in society and existing legal institutions. Law in the sense of reality (*das sein*).²

¹ Results of an interview with Rita, Head of the Foreign Workers Section at the West Sumatra Provincial Manpower and Transmigration Office on December 21, 2024.

² Nurul Qamar. F.S. Rezah. (2020). *Metode Penelitian Hukum Doktrinal dan Non-Doktrinal*. Makassar: CV. Social Politic Genius (SIGn), p. 5

This study uses primary data, which is data obtained directly through field research. The data was obtained through interviews and document studies. The data was then processed using legal-qualitative methods to be described descriptively, i.e., explained based on the content and structure of positive law used as a reference in resolving the legal issues that were the object of the study.

RESULTS AND DISCUSSIONS

Mechanism for the Use of Foreign Workers to Work in West Sumatra

a. Regulations on the Use of Foreign Workers in West Sumatra

Foreign workers in Indonesia must comply with the provisions of the Manpower Act and related regulations in order to work in the country. Regulations concerning foreign workers are contained in Law No. 13 of 2003 concerning Manpower, specifically in Articles 42 to 49, which regulate the employment of foreign workers in Indonesia, namely:

Article 42

- (1) Every employer who employs foreign workers must have written permission from the Minister or designated official.
- (2) Individual employers are prohibited from employing foreign workers.
- (3) The obligation to have a permit as referred to in paragraph (1) does not apply to representatives of foreign countries who employ foreign workers as diplomatic and consular staff.
- (4) Foreign workers may only be employed in Indonesia in an employment relationship for a specific position and for a specific period of time.
- (5) Provisions regarding specific positions and specific periods of time as referred to in paragraph (4) shall be stipulated by Ministerial Decree.
- (6) Foreign workers as referred to in paragraph (4) whose employment period has expired and cannot be extended may be replaced by other foreign workers.

Article 43

- (1) Employers who use foreign workers must have a plan for the use of foreign workers that has been approved by the Minister or a designated official.
- (2) The plan for the use of foreign workers as referred to in paragraph (1) shall at least contain the following information:
 - a. the reasons for using foreign workers;
 - b. the positions and/or status of foreign workers in the organizational structure of the company concerned;
 - c. the period of employment of foreign workers; and
 - d. the appointment of Indonesian workers to accompany the foreign workers employed.
- (3) The provisions referred to in paragraph (1) shall not apply to government agencies, international agencies, and foreign representatives.
- (4) Provisions regarding the procedures for the approval of plans for the use of foreign workers shall be regulated by a Ministerial Decree.

Article 44

- (1) Employers of foreign workers shall comply with the provisions regarding positions and competency standards that apply.
- (2) Provisions regarding positions and competency standards as referred to in paragraph (1) shall be regulated by a Ministerial Decree.

Article 45

- (1) Employers of foreign workers must:
 - a. appoint Indonesian workers as assistants to foreign workers employed for the transfer of technology and expertise from foreign workers; and
 - b. provide education and job training for Indonesian workers as referred to in letter a in accordance with the job qualifications held by foreign workers.
- (2) The provisions referred to in paragraph (1) shall not apply to foreign workers who occupy director and/or commissioner positions.

Article 46

- (1) Foreign workers are prohibited from occupying positions that deal with personnel and/or certain positions.
- (2) The certain positions referred to in paragraph (1) are regulated by a Ministerial Decree.

Article 47

- (1) Employers are required to pay compensation for each foreign worker they employ.
- (2) The obligation to pay compensation as referred to in paragraph (1) does not apply to government agencies, foreign representatives, international agencies, social institutions, religious institutions, and certain positions in educational institutions.
- (3) Provisions regarding certain positions in educational institutions as referred to in paragraph (2) shall be regulated by a Ministerial Decree. Provisions regarding the amount of compensation and its use shall be regulated by a Government Regulation.

Article 48

Employers who employ foreign workers are obliged to repatriate foreign workers to their country of origin after their employment relationship ends.

Article 49

Provisions regarding the use of foreign workers and the implementation of education and training for accompanying workers are regulated by Presidential Decree.

However, after the enactment of the Job Creation Law, regulations regarding foreign workers have undergone changes, particularly in relation to foreign worker permits and procedures. After the Job Creation Law was passed, Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers was enacted as an implementing regulation.

In West Sumatra, regulations governing labor, including foreign workers, are contained in West Sumatra Provincial Regulation No. 7 of 2019 concerning Labor Administration.

b. Licensing for the Use of Foreign Workers in West Sumatra

From January 1 to September 30, 2024, there were 77 foreign workers spread across various regions in West Sumatra Province.³The West Sumatra Province Manpower and Transmigration Office (hereinafter referred to as Disnakertrans) plays an important role in managing and supervising the use of foreign workers, especially in the city of Padang. Disnakertrans is responsible for ensuring that all foreign workers are employed in accordance with applicable laws and regulations, as well as granting the necessary permits after a rigorous evaluation process.

³ Data from the West Sumatra Provincial Manpower and Transmigration Office, February 25, 2025.

Disnakertrans of West Sumatra Province also provides guidance to companies that employ foreign workers. This guidance aims to ensure that companies understand their obligations and responsibilities in complying with existing regulations, including in terms of protecting the rights of local workers and foreign workers themselves. Thus, Disnakertrans not only functions as a supervisor but also as a facilitator in creating a harmonious and productive work environment in West Sumatra, especially in the city of Padang.⁴

Disnakertrans is tasked with evaluating and granting permits for Foreign Worker Utilization Plans (RPTKA) submitted by companies. These RPTKAs include information on the identity of the employer, the reasons for using foreign workers, their positions, the number of foreign workers, and their work locations. By conducting rigorous evaluations, Disnakertrans can ensure that the use of foreign workers is truly necessary and does not interfere with employment opportunities for local workers.⁵

Based on Article 12 paragraph (2) of Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers, an employer's application for RPTKA approval must include at least:

- a. The identity of the employer of foreign workers;
- b. The reasons for using foreign workers;
- c. The position or status of foreign workers in the company's organizational structure;
- d. The number of foreign workers;
- e. The period of employment of foreign workers;
- f. The work location of foreign workers;
- g. The identity of the foreign workers' assistants; and
- h. The plan for the absorption of Indonesian workers each year

Furthermore, in West Sumatra Provincial Regulation Number 7 of 2019 concerning the Implementation of Employment (hereinafter referred to as Regional Regulation Number 7 of 2019) Article 45 paragraph (1) stipulates: "Employers of foreign workers who will employ foreign workers in the region must have an RPTKA approved by the Minister of Manpower or a designated official".

From this provision, it can be understood that clubs that employ foreign players are required to have an RPTKA approved by the Minister of Manpower or a designated official. The RPTKA application process involves filling in data that includes the identity of the employer, the reasons for using foreign workers, their positions in the organizational structure, the number of workers, the duration of employment, their work location, the identity of accompanying workers, and plans for the absorption of local workers.⁶

In applying for RPTKA approval, employers are required to attach the necessary documents, as stipulated in Article 12 paragraph (3) of Government Regulation Number 34 of 2021, which include:

- a. Application letter;
- b. Business registration number and/or business license of the Foreign Worker Employer;
- c. and decision of approval of establishment and/or changes from the competent authority;
- d. Proof of mandatory employment reporting at the Company;
- e. Draft employment agreement or other agreement;
- f. Company organizational structure chart;
- g. Letter of appointment of accompanying workers for foreign workers;

⁴ Results of an interview with Mrs. Nini, an employee in the labor protection and supervision department, on February 26, 2025, at 11:10 a.m.

⁵ *Ibid.*

⁶ Peter Marvin Harijono, 2024, "Panduan Lengkap Izin Kerja bagi Pemain Sepak Bola Asing". <https://associe.co.id/legalitas/izin-kerja-pemain-sepak-bola-asing/>, accessed on February 9, 2025 at 9:00 p.m.

- h. A statement letter on the implementation of education and job training for Indonesian workers in accordance with the qualifications of the positions held by foreign workers; and
- i. A statement letter on facilitating Indonesian language education and training for foreign workers.

Once the RPTKA has been approved, employers are required to submit data on prospective foreign workers through an online system to the Minister of Manpower or a designated official. The data submitted includes information on the identity, position, duration of employment, and work location of foreign workers. This process aims to ensure that all steps in the recruitment and employment of foreign workers comply with applicable regulations, as well as to support transparency and fairness in the management of foreign workers in Indonesia. Thus, the regulation and supervision of the employment of foreign workers in West Sumatra Province, particularly in the city of Padang, is very important for creating a healthy and fair workforce, as well as for protecting the rights of local workers and foreign workers themselves.⁷

c. Use of Foreign Labor in West Sumatra

In processing work permits for foreign workers, there are several steps that must be followed by companies or agencies that employ foreign workers. This process is important to ensure that all activities related to employing foreign workers comply with applicable laws and regulations. The following are the steps that need to be taken into consideration:

1. Understanding the requirements

The first step that must be taken by the Company or Agency is to understand that every foreign worker must have a Limited Stay Permit Visa (VITAS) obtained based on job classification. Foreign workers must report to the immigration office to convert their VITAS to a Limited Stay Permit (ITAS) within a maximum of 30 (thirty) days after arrival.

2. Foreign Worker Utilization Plan

The company or agency must submit an RPTKA that includes the identity of the employer, the reasons for using foreign workers, their positions, the number of workers, the duration of employment, and the work location. Once approved, the data on prospective foreign workers must be submitted online to the Minister of Manpower or the designated official. This process ensures that the use of foreign workers is carried out transparently and in accordance with applicable regulations.

3. Applying for a Stay Permit

This process involves submitting an ITAS application at the Immigration Office, which includes submitting documents, paying immigration fees, and collecting biometric data. The ITAS serves as a permit for foreign workers to stay and work in Indonesia for a certain period of time.

4. Applying for a VITAS and ITAS

A VITAS is an approval to travel to Indonesia and is the basis for granting an ITAS. After obtaining a VITAS, foreign workers can enter Indonesia. The ITAS application process is carried out at the Immigration checkpoint and is considered complete upon issuance of a Limited Stay Permit Card.

Overall, all requirements for foreign workers employed in Indonesia are handled by the company or agency, from the RPTKA, obtaining the IMTA, to issuing the ITAS through the Directorate General of Immigration of the Ministry of Law and Human Rights in the capital.

⁷ Interview with Mrs. Nini, an employee in the labor protection and supervision department, on February 26, 2025, at 11:20 a.m.

This mechanism is in accordance with the provisions of the HPP Law and Government Regulation Number 34 of 2021 concerning the Use of Foreign Workers, which stipulates that every foreign worker must have a valid work permit and comply with national taxation provisions.

Based on field research data collected from the Manpower Office and companies or agencies that employ foreign workers, the following conclusions regarding the use of foreign workers were obtained:

1. PT. Kabau Sirah

There are 8 (eight) foreign players whose permits are directly processed by the company.

2. Universitas Andalas

At Andalas University, there are 48 (forty-eight) foreign workers, of which 47 (forty-seven) are registered as domestic taxpayers and 1 (one) is registered as a foreign taxpayer. Andalas University has two mechanisms for procuring foreign workers, namely:

- a) Before 2025: the procurement of foreign worker services was directly managed by the university.
- b) Since 2025: the procurement of foreign worker services is carried out by the Faculty, taking into account recommendations from the University.

3. PT. AMP

PT. AMP currently has 2 (two) foreign workers. Based on the position of PT. AMP as the regional office for West Sumatra-Jambi, the procurement of foreign worker services is entirely the responsibility of the parent company.

Fulfillment of Income Tax Obligations for Foreign Workers Working in West Sumatra

The collection of income tax (PPh) from foreign workers employed in Indonesia is regulated by various applicable tax regulations. As an employer, a company or entity that employs foreigners in Indonesia must be a legal entity and officially registered with the relevant government agencies, such as the Ministry of Manpower and the Ministry of Law and Human Rights.

Based on a statement by Mr. Yudi from the finance department of Semen Padang FC, Semen Padang FC is a legal entity and has both tax and administrative legality.⁸ Semen Padang FC is a club under PT. Kabau Sirah Semen Padang, because every football club must have a corporate entity to manage it.

At Semen Padang FC, there is no difference in the tax treatment of foreign and local players; they are both categorized as non-employees who have continuous income. Non-employees are individuals other than permanent or temporary employees or freelance workers in a company who receive income in any form from Income Tax Article 21 and/or Income Tax Article 26 withholding agents as compensation for services performed based on orders or requests from the income provider.⁹

The implementation of income tax obligations for foreign workers employed in West Sumatra consists of several stages, including:

a. Tax ID Registration

Based on the provisions of Article 2 paragraph (1) of the KUP Law, every taxpayer who meets the subjective and objective requirements must register with the Directorate General of Taxes (DJP) office whose working area covers the taxpayer's place of residence or domicile. Every foreign player entering Indonesia must first obtain an ITAS permit before registering their personal NPWP.

Based on the results of the study, every foreign worker employed in Indonesia must

⁸ Interview with Mr. Yudi, Finance Department Employee at Semen Padang FC, on February 18, 2025, at 11:10 a.m.

⁹ *Ibid.*

first obtain an ITAS permit before registering for a personal Indonesian NPWP. The document required by foreign workers to fulfill their tax obligations is the ITAS. After obtaining the ITAS, the company or entity will report to the Padang Dua Tax Office to apply for an NPWP. The ITAS serves as proof of temporary residence in Indonesia, similar to the Identity Card (KTP) for Indonesian citizens (WNI). With an ITAS, foreign workers can have an NPWP and are entitled to work in Indonesia, so they can have a tax card, do business here, and work in Indonesia after obtaining an ITAS.¹⁰

In accordance with tax regulations, if the foreign worker already has an Indonesian NPWP, they are automatically subject to Income Tax Article 21 and become a domestic tax subject. However, if they do not yet have an ITAS and NPWP, they will be subject to Income Tax Article 26 and considered a foreign tax subject. In accordance with tax regulations, if the foreign worker already has an Indonesian NPWP, they are automatically subject to Income Tax Article 21 and become a domestic tax subject.¹¹

However, if they do not have an ITAS and NPWP, they will be subject to Income Tax Article 26 and considered foreign tax subjects. Foreign workers working in Indonesia must apply for an ITAS and personal Indonesian NPWP, so that their tax status is Domestic Taxpayer subject to Income Tax Article 21, not continuous employees.¹²

b. Income Tax Article 21

The rates used to calculate Income Tax Article 21 for non-employees are in accordance with the progressive rates in Article 17 of the Income Tax Law. Article 17 paragraph (1) letter a of the Income Tax Law in the HPP Law, which came into effect in the 2022 Tax Year, reads as follows:

- 1) 0-60 million: 5%;
- 2) >IDR 60 million – IDR 250 million: 15%
- 3) >IDR 250 million – IDR 500 million: 25%
- 4) >IDR 500 million – IDR 5 billion: 30%
- 5) >IDR 5 billion: 35%

Based on the results of the study and referring to Minister of Finance Regulation Number 163 of 2023 concerning Guidelines for the Implementation of Tax Deductions on Income Related to Employment, Services, or Activities of Individuals (hereinafter referred to as PMK 168/2023), the tax base (DPP) for Income Tax Article 21 for non-employees is 50% of gross income in one tax period/when the tax is payable.¹³

c. How to Calculate Income Tax Article 21 for Non-Employees

Based on PMK 168/2023, there are changes in the calculation of Income Tax (PPh) Article 21 for Non-Employees. Previously, in the Director General of Taxation Regulation Number Per16/Pj/2016 concerning Technical Guidelines for Withholding Procedures, Deposit and Reporting of Income Tax Article 21 and/or Income Tax Article 26 in Connection with Work, Services, and Activities of Individuals, Non-Employees, it was differentiated into continuous and non-continuous categories, and the gross calculation was accumulated from previous months. However, in the latest provision of PMK 168/2023, tax withholding is carried out using a single formula and is not cumulative.

The income tax rate for Article 21 for non-employees based on PMK No. 168/2023 is:

$$(50\% \times \text{Gross Income}) \times \text{Tax Rate}$$

¹⁰Interview with Ms. Nini, an employee of the Labor Protection and Supervision Division, on February 26, 2025, at 11:10 a.m.

¹¹*Ibid.*

¹²*Ibid.*

¹³Interview with Mr. Yudi, finance department employee at Semen Padang FC, on March 13, 2025, at 12:21 p.m.

d. Income Tax Article 21 Deduction

Income tax deductions for foreign workers, based on both Article 21 and Article 26 of the Income Tax Law, are made by employers who provide salaries, wages, honoraria, and other payments in any form as compensation for work or services provided by taxpayers working in the company.

Based on the results of the study, foreign workers employed by the companies or entities where the data for this study was collected had income tax deductions under Article 21 based on their basic tax criteria. Foreign workers who are not employees but have continuous income in accordance with their contracts, for example, those who are contracted for 12 months, receive income for 12 months, or those who are contracted for 10 months receive income for 10 months. The calculation is the same for all, the only difference being the value, because it is based on the value of each receipt.¹⁴

Foreign workers are required to report income received or obtained from companies or entities in their annual tax returns through their respective tax accounts. Income tax under Article 21 that has been deducted by companies or entities is a tax credit in the annual tax returns of foreign players. Income tax deductions for foreign workers who pay foreign player tax are made directly by the company or entity. In accordance with the contract, Income Tax Article 21 or Article 26 is charged to the company or entity, because the foreign worker receives a salary that already includes tax.¹⁵

The withholding of income tax under Article 21 for non-employee income includes the withholding of non-final income tax under Article 21. Thus, the withholding agent prepares proof of withholding of income tax under Article 21 for non-employees with continuous income using Form 1721-VI.

e. Reporting Tax Returns

Taxpayers are required to report their own tax calculations and payments using tax returns, in accordance with the provisions of Article 3 paragraph (1) of the KUP Law. Tax returns (Annual Tax Returns) for foreign workers are submitted by the players themselves using their respective personal DJP accounts, while companies or entities only provide proof of deductions. Foreign workers whose contracts are less than one year, even if they have returned to their home country, remain responsible for their tax obligations.¹⁶

Efforts by the West Sumatra Provincial Government to Improve Tax Compliance among Foreign Workers in West Sumatra

The submission of tax returns by taxpayers themselves often faces various problems. One of the main problems is when foreign workers leave Indonesia to return to their home countries without reporting their tax returns. According to tax regulations, the obligation to report tax returns is the responsibility of the taxpayer themselves.

Based on the results of research, mass tax returns and annual tax returns for foreign workers are filed directly by the foreign workers themselves using their respective personal DGT accounts, while companies or entities only provide proof of deduction. Even if foreign workers have contracts of less than one year and return to their home countries, they are still required to file tax returns, as this is their personal responsibility.¹⁷

Companies or entities play an important role in improving the fulfillment of expatriate tax obligations. Companies can educate expatriates about their tax obligations, including the importance of reporting their Annual Tax Return before leaving Indonesia. Companies or

¹⁴ *Ibid.*

¹⁵ *Ibid.*

¹⁶ *Ibid.*

¹⁷ Interview with Ms. Nini, an employee of the Labor Protection and Supervision Division, on February 26, 2025, at 11:10 a.m.

entities can establish internal procedures, such as tax obligation checks and approval documents, to verify proof of tax return filing before completing the departure administration process. In this way, companies or entities can ensure that all foreign workers have fulfilled their tax obligations before leaving Indonesia.

However, there are still many cases where foreign workers who are domestic taxpayers leave Indonesia before fulfilling their tax obligations, including reporting their tax returns to the Director General of Taxes through the Local Tax Office (KPP Pratama) in the taxpayer's place of residence. This situation makes it difficult for the Director General of Taxes to ascertain how much tax has been paid, because sometimes employers no longer pay the tax deducted after the foreign workers leave Indonesia.¹⁸

To overcome this problem, the government can take steps to continuously improve supervision of the presence of foreign workers in their work areas. The Manpower Office is tasked with supervising companies' compliance with labor regulations related to foreign workers, including ensuring that companies pay foreign workers' income tax in accordance with applicable regulations. In addition, it is important to coordinate and communicate well with the local Manpower Office to obtain data on foreign workers, their status, work permits, and other information related to labor administration. The Tax Office must also improve communication and requests for information from companies registered as users of foreign labor services.¹⁹

CONCLUSION

The mechanism for employing foreign workers in West Sumatra is carried out through procedures that comply with labor and immigration regulations, starting from the submission of the RPTKA, issuance of the IMTA, processing of the ITAS, to registration for an NPWP. The subjects of this study who employ foreign workers are required to have a Foreign Worker Utilization Plan (RPTKA) approved by the Minister of Manpower or a designated official. Once the RPTKA is approved, a Foreign Worker Employment Permit (IMTA) will be issued within a maximum of three days. IMTA data will be integrated with immigration offices through an online mechanism, which will then be followed by the issuance of a Limited Stay Permit (ITAS).

The collection of Income Tax (PPH) from foreign workers employed in West Sumatra is carried out in accordance with the applicable tax regulations in Indonesia. Foreign workers who meet the requirements of staying for more than 183 days are categorized as domestic taxpayers and are subject to Income Tax Article 21 on income received during the contract period. Companies or entities as employers are responsible for withholding, depositing, and reporting Income Tax Article 21 on the taxable income of foreign workers using the withholding system. The presence of foreign workers not only impacts performance quality but also contributes to state revenue through the taxation sector.

In order to improve tax compliance among those working in West Sumatra, companies or entities must educate foreign workers about their tax obligations, including the importance of reporting their Annual Tax Return (SPT) before leaving Indonesia. The government also needs to increase its supervision of foreign workers in its working areas.

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