



MIB Monthly Newsletter | August 2025



Pulling Through The Gaps

The Tax Ratio Gap Between Indonesia and Other Countries



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**INSIGHT
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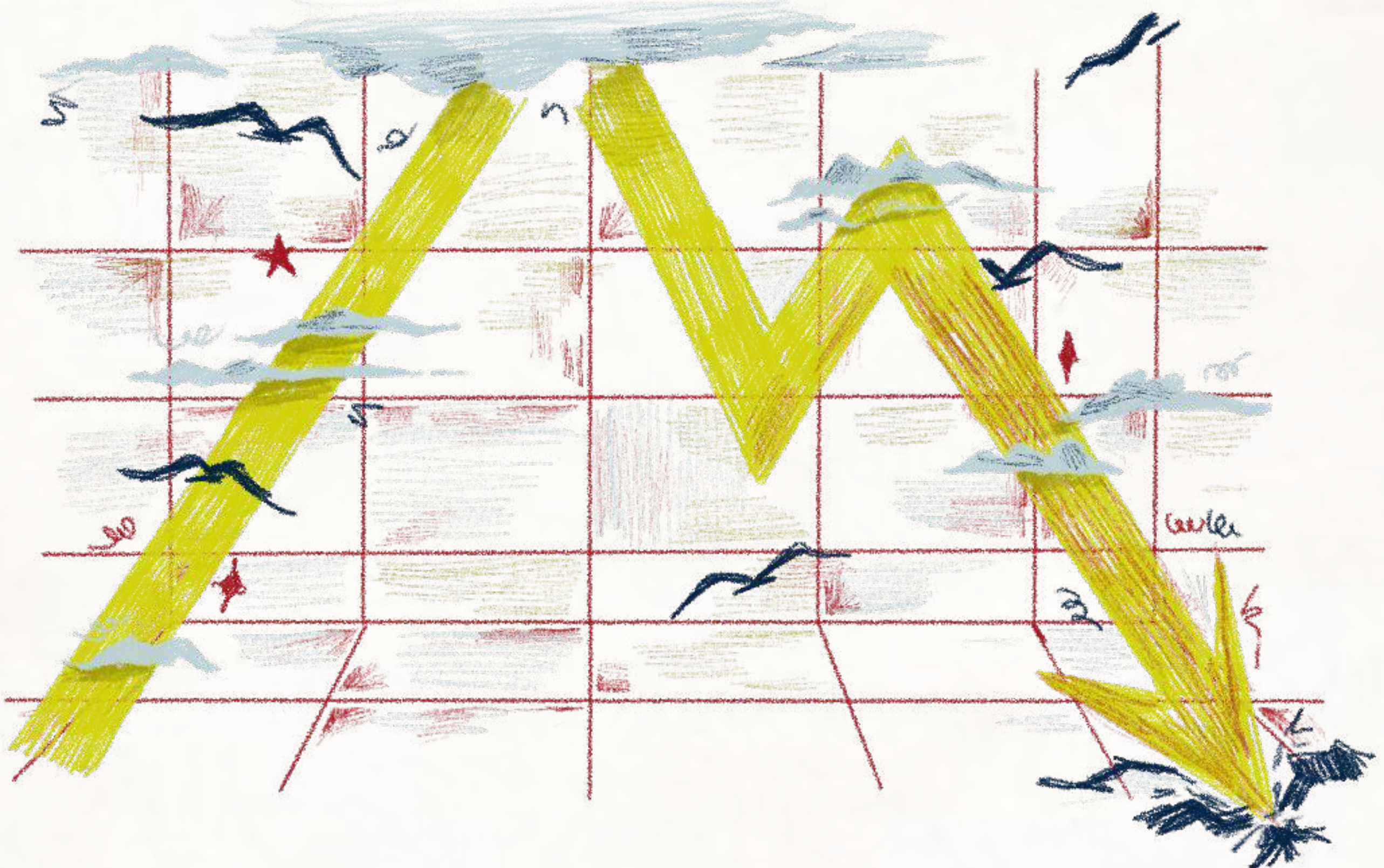
Inclination Towards Economic Regression?

Indonesia's Strategy For a Soaring Tax Ratio Ambition

This article discusses how a tax-to-GDP ratio is used to reflect on the current economic condition of a country, and the chances of Indonesia reaching a high number of ratio by 2029.

Inclination Towards Economic Regression?

Indonesia's Strategy For a Soaring Tax Ratio Ambition



A country's "successful" indicator is more often than not represented through a series of numbers – revenue, population, economic growth, state budget, gross domestic product (GDP), and other indicators – tightly linked to calculations and data indicating the well-being of its citizens, and also the performance of its government.

Among other indicators, a tax ratio or a tax-to-GDP ratio is oftentimes used to showcase a country's economic performance, since it is based on several aspects such as the revenue collection and the GDP, which is considered a measure of monetary value since it is influenced by consumer and government spending, as well as exports, imports, and investments.

Indonesia, however, is one of the countries often criticized for its low tax-to-GDP ratio, especially considering the resources and economic performance of the country. It is not uncommon for global agencies, such as the World Bank, to provide recommendations and suggestions to better the situation for Indonesia. How does Indonesia respond to these ideas?

Tax Ratio as an Economic Indicator: What is the tax ratio and how is it calculated?

Based on the data collected and published by the Organisation for Economic Cooperation and Development (OECD) in the 2024 Revenue Statistics, the average tax-to-GDP ratio between OECD countries is 33.9%, with France having the highest ratio in comparison to other countries, reaching 43.8% in 2023. This is followed by Denmark with a tax-to-GDP ratio of 43.4%. Additionally, a standard of 15% is set by the World Bank to ensure steady economic growth and poverty reduction.

In general, a tax ratio or also known as the tax-to-GDP ratio, is a way for countries to put a figure on their economy relative to their GDP. As previously mentioned, GDP itself is measured through several aspects, such as spending, exports, imports, and investments made within or for the country, including inflation value.

This includes all private and public consumption data, private inventories, foreign balance of trade, and outlays.

A country's GDP could increase once the total value of goods and services sold to foreign countries exceeds the amount of foreign goods and services bought by domestic consumers, resulting in a trade surplus. Thus, the opposite could result in a declining number for a country's GDP, or a situation known as a trade deficit.

Included as a factor to calculate the tax-to-GDP ratio is the collected tax revenue from a country. A high tax revenue may be an indicator of how well the government manages its resources, leading to a better infrastructure and development for its nation. Additionally, this could also indicate a better prospect for the country's economic condition and development, deeming it as sustainable for the long-term period.

In Indonesia, the amount of tax-to-GDP ratio is calculated by only considering the amount of collected taxation revenue with the GDP, whereas OECD tax-to-GDP ratio calculation oftentimes includes the entirety of levy imposed on the country's citizens, including a variety of taxes and contributions. This, according to the Indonesian Ministry of Finance, is one of the reasons why Indonesia seemingly has a lower amount of tax-to-GDP ratio in comparison to other countries.

The result of the tax-to-GDP ratio is important for governments and policymakers to determine what strategies should be implemented, especially for countries with tax revenue as their highest contributor towards the national income, such as Indonesia. Indonesia, as part of its annual planning, develops a State Budget each year, which takes into account the collected tax revenue from the previous year, as well as the tax-to-GDP ratio, not only for the next year but also for the next 5 (five) year period in hopes of establishing a solid foundation for future programs and regulations.

Indonesia, as previously mentioned, is one of the countries with a high dependency towards its collected tax revenue. Not only does tax revenue showcase the current economic landscape, it also is a major source of income for the country. In more detail, the tax revenue contributed to around 80.32% of the total income in 2023, further exhibiting its importance towards economic stability and national growth.

How are the conditions of taxes and economic growth in Indonesia?

In Indonesia, the highest contribution for the collected tax revenue came from the imposition of Income Tax, followed by the imposition of Value-Added Tax (VAT) and Sales Tax on Luxury Goods, as well as duties and levies. In 2023, the amount of collected income tax resulted in around 49.13% of the total revenue, due to its implementation on employees and other tax subjects.

Due to its position of being the biggest contributor towards the national collected revenue, taxes imposed on income received by Taxpayers are often treated as the “only” source of taxes available in Indonesia, with the government expecting many of its collection to further the collected revenue. This is also reflected through the government's efforts in managing the Non-Taxable Income Threshold, where it stayed unchanging throughout the years since 2016, almost a decade later.

This, of course, does not reflect well, especially considering the higher prices and inflation that keeps on increasing. Inflation, which is indirectly tied to a country's GDP, must always be kept within a balanced amount, to ensure that the economic condition of a country is healthy, where too much GDP growth can result in a negative result for businesses and consumers.

Cross-border Tax Ratio: Differences in tax ratios between several countries and Indonesia

As previously mentioned, the calculation of deciding the tax-to-GDP ratio differs between Indonesia and calculation based on OECD or World Bank standards. This, then, is able to show differences between Indonesia's number and other countries' numbers. Fortunately, the Indonesian government provided information on the approximate number of the tax-to-GDP ratio if it were to be counted using the OECD standards.

In 2020, Indonesia reportedly managed to have a tax-to-GDP ratio of 8.31%, with an increase in 2021, reaching a tax-to-GDP ratio of 9.09%. This is especially impressive considering the state of the world during that time, being hit with the COVID-19 pandemic, forcing businesses to operate from only a certain distance, with a growing number of employment. The number continued to rise in 2022, reaching a tax-to-GDP ratio of 11.60%, the highest within the last 5 years.

However, since 2023, the number has grown stagnant, moving towards a decline. In 2023, the ratio reached the number of 10.31%, and in 2024, it continued to decline, only reaching a tax-to-GDP ratio of 10.07%. Based on an approximate calculation by the Ministry of Finance, using the OECD calculation, in 2024 the number of tax-to-GDP ratios in Indonesia should reach within the range of 13% to 13.5%.

In 2025, the number is projected to continue to decline, with a recorded amount of 8.42% for the ratio for the first half of 2025. The numbers indicate that things might not be moving towards a positive improvement for Indonesia, and its economic conditions.

How does Indonesia compare with other countries?

The United States of America

Based on the findings of OECD, the tax-to-GDP ratio of the United States of America decreased between 2022 and 2023. In 2022, the recorded number of tax-to-GDP ratio reached 27.6%, whilst in 2023, the number is only able to reach 25.2%. This number is mostly contributed by the revenue collected from personal income, profits, and gains taxes.

Japan

In 2022, the recorded number for the tax-to-GDP ratio is set at 34.4%, making it one of the countries with the highest tax-to-GDP ratio between other Asia Pacific OECD countries. Throughout the 22 years from 2000 until 2022, Japan has reported a huge increase in tax-to-GDP ratio.

In 2000, Japan has a 25.3% ratio and in 2022, a 34.4% tax-to GDP ratio.

In contrast to the United States of America, Japan has a lower proportion of revenue that came from personal income, profits, and gains taxes, and is rather focused with a high revenue from corporate income and gains, as well as property taxes.

Malaysia

A country also a member of the ASEAN collective like Indonesia, Malaysia reported a tax-to-GDP ratio of 13.1% in 2023, an increase from the previous year's, with a 12.1% tax-to-GDP ratio. Even though it is higher than Indonesia's tax-to-GDP ratio, the number is still lower than the average tax-to-GDP ratio in the Asia-Pacific region as per OECD's calculation. In Malaysia, similar to Japan, the highest contribution on their tax revenue came from corporate income and gains taxes, with other taxes on goods and services following second.

Thailand

Higher than other neighboring countries, Thailand reported a higher amount of tax-to-GDP ratio in 2023, reaching 17%. Although still lower than the Asia-Pacific average of 19.5%, Thailand managed to increase its tax-to-GDP ratio from 2022 to 2023, with 2022 reporting the number of 16.7%. The highest contribution of revenue came from other taxes on goods and services, with contribution amounting to 32% of the total revenue.

China

The reported amount of tax-to-GDP ratio in China for 2023 reached a number of 20.4%, which grew 0.9 percentage points in comparison to the tax-to-GDP ratio of 2022 with a number of 19.5%. Different from the previously mentioned countries, China reportedly received the highest contribution for their tax revenue from social security contributions, followed second by the imposition of Value-Added Tax (VAT) or also known as the Goods and Services Tax (GST), each contributing to approximately 31.5% and 28.7% of the total recorded tax revenue.

The European Union

Countries part of the European Union (EU) have a variety of tax-to-GDP ratios with France at one end and Romania at the other. In 2023, France reported a tax-to-GDP ratio of 45.6%, while Romania reported the number of 27%, only having a 0.1% difference with Malta's 27.1% tax-to-GDP ratio. Even though France has the highest tax-to-GDP ratio among other countries, the country actually faced a decline in the ratio compared to 2022's 47.6% ratio.

In general, the tax-to-GDP ratio of the EU also faced a decline when the numbers from 2022 and 2023 are compared. In 2022, the recorded amount of tax-to-GDP ratio reached 40.7%, while in 2023, the number reached only 40%.

Planning the Future: Indonesia's preparation towards a higher tax ratio

Ensuring that a high tax ratio is attainable for Indonesia is not simply the matter of increasing the amount of collected tax revenue or the high value of GDP of the country. As previously mentioned, many factors contribute to the development of GDP, and that these factors must be accounted for to create a balanced environment.

In general, the relationship between inflation and GDP must also be noted. For example, the need to have an increased demand for domestic products whilst simultaneously ensuring no shortage of supplies. However, this condition is rare and most likely to be unattainable, and could lead to a deflation. Indonesia must learn how to manage the tax ratio while reaching the targeted inflation rate.

Within the taxation landscape, the Indonesian government must take note of several items to be improved in order to increase the number of tax-to-GDP ratios to be as high as the target. For example, one of the ways that could be done by the government is to adjust the structure of the tax collection system, where in Indonesia, several sectors with low tax contribution seemingly hold the most distribution towards the GDP. Income taxes, VATs, or Luxury Taxes imposition on these sectors can be analyzed further to ensure an optimal system.

Concurrent with the adjustment of the tax collection system, the government must also take notice of the disparity of tax education among its citizens. Based on the latest data, the registered Taxpayers in Indonesia amounted to around 86.7 million people, with around 80.27 million recorded as Individual Taxpayers. This means only around 34.2% of Indonesian citizens are registered as Taxpayers in general, not specific to those above the legal working age.

Due to the low amount of education received concerning taxes, as well as the low awareness towards tax compliance, the collection of taxes from its citizens is yet to be in its maximum capacity. Thus, the government must ensure that tax education is inclusive and can reach various levels of citizens, which could in turn result in a higher amount of compliance from the public.

Additionally, the government must also become more aware of how the citizens will also shape how tax policies work – after all, the citizens are the consumers and will be the ones to pay taxes. Citizens, as a result of tax education, will become more aware of the taxes imposed on them.

This could lead to a beneficial tax provision and law not only for the development of the country but also for its citizens. These fundamentals are what should be noted firsthand by the government, instead of imposing various taxes and providing incentives with minimum information.

Is a 16% tax-to-GDP ratio attainable for Indonesia within the next few years?

By calculation and analysis of the collected data from previous years, the number 16% as the targeted tax-to-GDP ratio is seemingly very ambitious and unrealistic. In 2023, the tax-to-GDP ratio in Indonesia only reached 10.21% with an economic growth rate of 5.04%. In 2024, the tax-to-GDP ratio declined, only reaching around 10.07% with 5.03%. Furthermore, in 2025, the number of collected tax revenue until the middle of the year is only able to fulfill around 38% of the targeted amount.

To reach the 16% tax-to-GDP ratio is seen to be unfeasible even by the government itself. Based on the data in the 2026 State Budget Draft, the Ministry of Finance mentioned that the 2029 tax-to-GDP ratio target is set within the 11.52% to 15.01% range, lower than the ambitious 16% target promised by the current President of Indonesia, Prabowo Subianto.

Thus, to come even closer to the 16% number, the government will have to perform an overhaul on the taxation system, starting with the previously mentioned strategies applicable for the revenue and economic growth of the country. An optimization for the Individual Taxpayers' compliance level will also have to be increased and reach the 5%–10% range instead of the 0.7% reported in 2024.

The government can also enhance the current conditions of the various sectors in Indonesia, especially for industries and sectors that are huge in GDP distribution. For example, through the sustainable hiring and improving the well-being of its workers, which will affect the industry long-term, lead to a multiplier effect and resulting in better revenue results for the country.

What has Indonesia done to increase the tax-to-GDP ratio?

Efforts from the government do not go unnoticed. The government has made valiant efforts to increase the tax-to-GDP ratio, the latest massive move being the implementation of a new tax administrative system named the Core Tax Administration System or more popularly known as Coretax. This system simplified business processes and integrated data from various agencies and institutions in order to not only increase Taxpayers' compliance, but also to ease the workload of tax authorities.

Joint programs between institutions as well as law enforcement are also the strategies that the government implements in order to increase the ratio to its targeted number, at the expense of various errors as part of the tax collection strategies. Just earlier in 2025, the government faced backlash after the implementation of Coretax, deemed by Taxpayers as unusable and "a waste of Taxpayer's money" due to its many issues.

The government will also be implementing new provisions based on the Law on Harmonization of Tax Regulations, and further the process of taxation reformation in the country in order to increase the tax ratio. The public can expect more tactics and adjustments from the government in hopes of bettering the future of Indonesia.

The high tax ratio target for 2029 seems like a distant dream for Indonesia – is it possible to reach with all its difficulties?

August 2025

Monthly Highlights

Indonesia is beginning to prepare for the new year – making target predictions whilst ensuring that this year's targeted tax revenue is well and aimed to be successfully reached, even with its hiccups. To do so, the government is strengthening their tax resources.



The Issuance of PER-15/PJ/2025 Done To Regulate Marketplace Tax

As one way to kickstart the implementation of the Ministry of Finance Regulations (PMK) Number 37 Year 2025 regarding the imposition of marketplace tax, the government has issued PER-15/PJ/2025 that details the types of marketplace appointed as tax withholders.

Through the issuance of PMK Number 37 Year 2025, the government aims to withhold taxes from sellers operating in select marketplaces, securing an additional source of income.

> [Read more here](#)



Regional Land and Building Tax Faces Intense Rate Increase in Several Regions

Regional governments across Indonesia is seen to simultaneously increase their applicable Regional Land and Building Tax, also known as the PBB-P2, in this month. This increase, mandated by regional government, is met with various responses.

Most increase in done because of the current Sales Value of a Tax Object or NJOP, applicable in different regions. This change in value prompted regional government to adjust tax rates.

> [Read more here](#), [here](#), & [here](#)

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Indonesian Tax Ratio Faces Decline For the First Semester of 2025

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Several New Tax Imposition Could Result In a Higher Collected Tax Revenue

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Indonesian Tax Ratio Faces Decline For the First Semester of 2025

Based on the data by the Ministry of Finance and the Statistics Indonesia agency, the tax ratio on the Gross Domestic Product (GDP) of Indonesia for the first semester of 2025. This is because of the collected amount of tax revenue and the basic prices.

The amount of tax ratio is reported to have only reached 8.42% on GDP, with the collected amount of taxation revenue IDR978.3 trillion until the first semester of 2025.

[> Read more here](#)



Several New Tax Impositions Could Result In a Higher Collected Tax Revenue

Based on a study and analysis done by the Center of Economic Law and Studies, the implementation of a progressive tax can possibly result in an additional IDR524 trillion for the annual tax revenue. The progressive scheme with said result can be attained if it is imposed on several kinds of taxes.

In addition, the government will have to conduct changes on tax regulations to better the chances of a higher additional tax revenue.

[> Read more here](#)

Next read

09

The Government Starts Planning Out 2026 with The State Budget Draft

&

International Tax Highlights

August 2025

Monthly Highlights

Indonesia is beginning to prepare for the new year – making target predictions whilst ensuring that this year's targeted tax revenue is well and aimed to be successfully reached, even with its hiccups. To do so, the government is strengthening their tax resources.



The Government Starts Planning Out 2026 with The State Budget Draft

The Ministry of Finance have started planning out the 2026 projected targets for the collected tax revenue as well as the budget for various government programs.

The targeted amount of 2026 taxation revenue is set at IDR2,692 trillion, with details such as the targeted tax revenue set at IDR2,357.7 trillion and the targeted customs and excise revenue set at IDR334.3 trillion.

This number is understood to have increased from the 2025 projected collected tax revenue.

> Read more [here](#), [here](#) & [here](#)

International Tax Highlights



Malaysia Plans to Implement Carbon Tax Starting From 2026

To reach their net zero goal, the Malaysian government plans on implementing the carbon tax, which have been long in discussion, starting from 2026.

> Read more [here](#)



New Zealand Starts Discussion To Remove Fuel Tax Imposition

Seen as no more a beneficial levy, the New Zealand government is starting talks on removing the fuel tax, which have been enacted and imposed since more than a century ago.

> Read more [here](#)



India Plans on Revising Current Crypto Tax Regulations

The Indian Authority Agency is planning to conduct a crypto tax reform, where the Central Board of Direct Taxes will be issuing a questionnaire concerning current crypto tax regulations.

> Read more [here](#)

August 2025

Monthly Tax Revenue

The government has reported again the collected amount of tax revenue, this time until the first semester of 2025 period. After being absent for the past few months, does the government came bearing good news? Or do they bring precautions for everyone to know?

First Semester of 2025 Resulted In IDR831.3 T of Collected Tax Revenue



The government has unveiled the number of collected tax revenue until the first semester of 2025, where it reportedly reached IDR831.3 trillion. This number is known to be lower when compared to the collected amount in previous year.

The number decreased 16.72% when compared to the collected amount of tax revenue in 2024, with unknown concrete reasonings behind it. This number also reportedly only able to fulfill around 38% of the total targeted tax revenue, making the government work twice as more to ensure that the targeted tax revenue in the 2025 State Budget is fulfilled.

In addition, the collected amount of tax revenue until Mid-August reportedly only reached IDR996 trillion or around 45.41% of the targeted tax revenue amount in the 2025 State Budget.

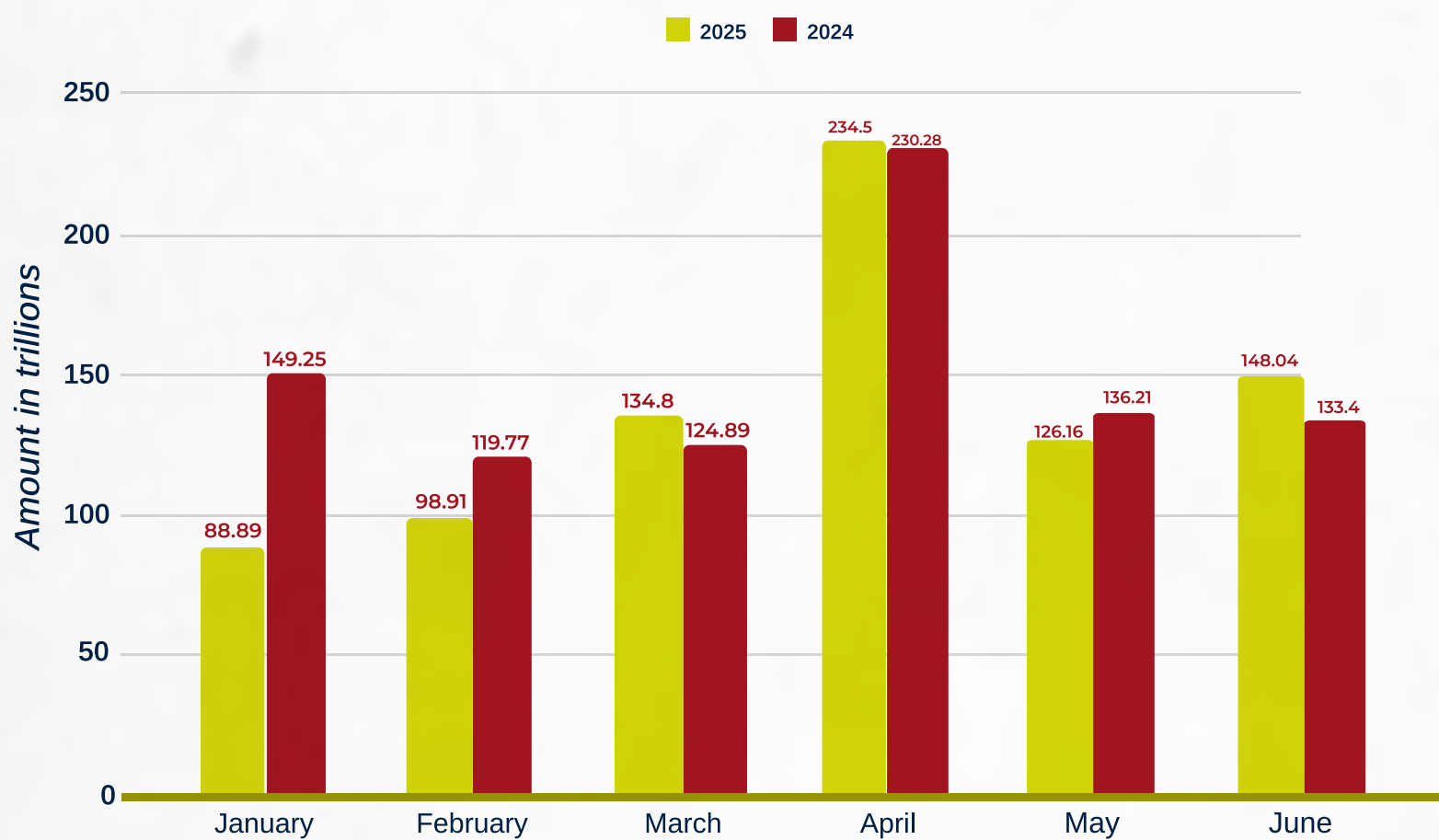
Although the government claims no concrete factors have been found

directly linked to the low amount of tax revenue collection in 2025, there are several predicted reasoning behind the slow collection. First, the implementation of the new tax administrative system, the Core Tax Administration System or Coretax, in early 2025. The implementation itself did not run smoothly, but rather, faces several challenges as data integration and server maintenance were frequently needed.

Furthermore, the decision to impose a 12% VAT rate with a special tax basis imposition rate also resulted in a lower amount of tax collection when compared to the targeted amount in the 2025 State Budget. The government also mentions the amount of high tax refund, resulting in a slower growth for the tax collection process.

In order to ensure the targeted amount is reached, the government plans on optimizing the implementation of Coretax and the supervision of Taxpayers in fulfilling their tax obligations.

Collected Tax Revenue Amount



With the absence of growth within the economic landscape, the projected amount of tax revenue in 2025 is shown to not be able to reach the targeted amount based on the 2025 State Budget document.

How does the numbers compare to 2024's tax revenue collection?

Collected Amount of Tax Revenue Until June 2025

> [Read more here](#)

Tax Calendar

September 2025



Tax Calendar

September 2025

MON	TUE	WED	THU	FRI	SAT	SUN
1	2	3	4	5 Mawlid al-Nabi	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5
6	7	8	9	10	11	12

Reminders

- 5 September 2025 Mawlid al-Nabi
- 15 September 2025 Payment Deadline – August 2025 Art. 4(2), 15, 21/26, 22, 23/26 Income Tax, and 25 Income Tax, SME Final Income Tax, and Self-Assessed VAT
- 20 September 2025 Submission Deadline – Value Added Tax Invoices
- 22 September 2025 Filing Deadline – August 2025 Art. 4(2), 15, 21/26, 22, 23/26, and 25 Income Tax
- 30 September 2025 Payment and Filing Deadline – August 2025 Value Added Tax

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