

## The Talented Mr. Golden Visa: Indonesia Temporary Tax Resident

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### ABSTRACT

This study builds on a growing body of research on the territorial taxation of foreign talents with specific skills or expertise by analyzing the compatibility with the immigration policy in Indonesia. It is claimed that both the Golden Visa and Temporary Tax Resident policies will attract skilled foreign workers and foreign investments in Indonesia. However, irrespective of the increase of foreign professional roles over the last 2 (two) years, the study found that combining both policies is yet to be optimum to increase the ease of doing business in Indonesia. This study employs a qualitative approach by examining relevant laws, regulations, published literature, and media articles; and running comparative studies with temporary resident policies in Australia, Japan, and Singapore. In finding the semi-worldwide Income Tax system as relevant to Indonesia and some recommendations to establish harmony between the immigration and tax policies, the study contributes to developing more consistent and competitive residency policies in Indonesia.

**Keywords:** Indonesia, expatriates, Golden Visa, territorial taxation

### 1. Introduction

The rising trend in global human mobility is now inevitable. People move across countries not only for a short visit, such as holiday or business travel. Oftentimes, it involves change of a citizenship or tax residency. Since jobs seek customers' discretion, the community's survival now depends less on the investment location (Ohmae, 2000). Numerous occasions indicate that investments follow people, not the other way around. Generally, many intensive globalization processes involve significant increases in human mobility. The number of international migrants, for example, increased from 75 million in 1960 to 281 million in 2010 (McAuliffe & Triandafyllidou, 2021; UNDESA, 2010). In Indonesia per se, 121.206 foreign workers, predominantly mainland Chinese, were granted for the Foreign Workers Utilization Plan (RPTKA) from January – September 2023 (Kementerian Ketenagakerjaan, 2023).

The surge of human resource mobility has encouraged policymakers to reconsider designing a public policy that can balance national welfare and economic competitiveness. The government, for instance, issued a Golden Visa for the OpenAI CEO in early September 2023, just days after the latest Regulation of The Minister of Law and Human Rights on Visa and Residence Permits. For being a central world figure in the field of

Artificial Intelligence (AI) technology, Sam Altman receives a privileged visa and may visit Indonesia for a more extended period without having to apply for the Indonesian Limited Stay Permit or ITAS (Humas Ditjen Imigrasi, 2023). Currently, the Indonesian government wishes to build a business ecosystem sustained by AI technology (Gideon, 2023). Indonesia's future target, to become the fourth largest economic power globally by 2050, may involve granting more Golden Visas to other influential figures carrying out significant investments or strategic roles in Indonesia (Kencana, 2023).

Earlier, the government has laid out changes in the Income Tax system to enhance the ease of doing business. While the youth literacy rate in Indonesia has reached 100% since 2015, only 36% of Indonesian children born today will be productive in adulthood (World Bank, 2023). Hence, foreign talents can be the answer to the problem of scarcity of skilled workers for the sake of bolstering the country's economy (Yun et al., 2009). Suppose the government wants to attract highly skilled foreign individuals to work and share knowledge and expertise with Indonesians. In that case, the availability of pro-expatriate employment and tax policies will be imperative. Responding to challenges in global economic competition, Indonesia, which implemented a

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worldwide income system for income received by individual taxpayers (Kohlhase & Pierk, 2020), was claimed to shift into a hybrid or semi-worldwide system (Saptono & Ayudia, 2021). The government realizes that the scope of taxation authority is an essential consideration in formulating Income Tax regulations (Schenk, 2009).

Therefore, this study seeks to map changes in Indonesia's Income Tax system prior to and after the enactment of the Omnibus Law. Also, the study aims to analyze whether the Golden Visa recipient is entitled to Income Tax exemption under the Indonesia Income Tax system, hence reflecting harmony between Indonesian immigration and tax policies and adding to professional workforce improvement in Indonesia.

## 2. Methods

This study employs a qualitative approach to address the issues mentioned above. Creswell (2014) suggested that qualitative research aims to explore and comprehend based on text and image data. To perform such an exploration, the writer gathers data and information from relevant laws, regulations, published literature, and media articles; and examines the information utilizing statutory and comparative approaches.

This study compares the immigration and tax regulations on the expatriate regime in Indonesia. Employing descriptive legal material and literature analysis techniques, the study compares the temporary resident policies in Australia, Japan, and Singapore. The use of qualitative research is due to the novelty of the study topic, data unavailability on the number of Taxpayers accessing temporary tax regimes in Indonesia (the Directorate General of Taxes receives the application manually across Indonesia), and the necessity to delve deeper into issues and provide recommendations.

## 3. Results and Discussion

### 3.1. Worldwide vs. Territorial Income Tax System

Fundamentally, two basic jurisdictional rules exist in taxing cross-border income: the residence principle and the source principle (Bird, 1987). The residence principle, applied in a Worldwide Income Tax system, places the taxation burden upon the taxpayer's "residency" status (Matheson et al., 2013). Article 4 para. (1) of Indonesia Income Tax Law ('IITL') provides that Indonesia Income Taxation works under the worldwide system since income from all over the world is taxable so long as it is derived by an Indonesia Resident Taxpayer (Wajib Pajak), generally by allowing credit offset for taxes already paid to the same country on the relevant income.

In a nutshell, when someone is said to be a Tax Resident in Indonesia (Subjek Pajak Dalam Negeri), regardless of his/her citizenship status, that individual shall pay Income Taxes on all income from wherever sources, either onshore, offshore, or even cyber. The taxation scope may not be restricted to mere Indonesia-sourced income. A foreign citizen should be ready to pay Income Taxes in Indonesia on all of his/her

income (including those derived from outside Indonesia) if, for example, he/she spends more than 183 days within 12 months in Bali, irrespective of the visit purposes.

Therefore, the definition of "Tax Resident" holds a significant role in a country carrying out a Worldwide Income Tax system. According to Article 2 para. (3) of IITL, an individual is a Tax Resident because of residence, domicile (the 183-day rule), and intention to reside in Indonesia. Furthermore, by virtue of Article 2 para. (2) of the Minister of Finance (MOF) Regulation No. 18/PMK.03/2021, the residency requirement is satisfied when an individual has a permanent home, center of vital interests, or habitual abode in Indonesia. The latest residence requirement details are almost similar to the tie-breaker criteria provided in the Residency article of Indonesia Tax Treaties, except that they do not have either Mutual Agreement Procedure or nationality prerequisite. These criteria of residents capture persons with significant ties to the country, so the tax collection processes can be effective (Arnold, 2019). It should be noted, however, that many conditions may cause someone to be a Tax Resident in Indonesia. Once the individual is a Tax Resident, his/her whole income is qualified to be taxed under IITL.

By contrast, the "pure" source principle, applied in a Territorial Income Tax system, imposes a tax on income that arises from domestic sources (Bird, 1987). The geographical location gives rise to taxation on income derived by residents and non-residents. Unlike the Worldwide Income Tax system that aims at equity and neutrality, the policy justifications for taxing individuals on income earned solely from sources within the country are simplification and repatriation boosts of income retained offshore (Matheson et al., 2013). First, focusing the tax administration on income derived within a country is more manageable than those never-ending efforts to locate and tax large pools of earnings spread globally. Second, the territorial tax system will reduce the overall tax burden and increase the Foreign Direct Investment outflows if the country partner's effective tax rate is below the domestic tax rate. Put simply, competitiveness is the main target of running a Territorial Income Tax system.

Indonesia, in fact, has been running a territorial tax regime for Indonesia-sourced income derived by non-residents since 1984. With an effect of Article 26 of IITL, non-resident, except Permanent Establishment, is only taxed in Indonesia solely on income, in whatever name and form, paid, apportioned to be paid, or on the due date of payment by a government institution, resident taxable entity, a person who organizes activities, Permanent Establishment, or representatives of a non-resident company. While an individual or entity is a Non Tax Resident (Subjek Pajak Luar Negeri), its income is taxable in Indonesia under the source principle stipulated in Article 26 of IITL. Considering the difference in tax incidence between Article 4 and Article 26 of IITL, what jurisdictional tax system does Indonesia employ then?

The tax system inevitably becomes somewhat quasi-constitutional to allow the government's redistribution activities. The Worldwide Income Tax system is vital to collecting state revenues optimally, but the Territorial Income Tax system has better popularity for encouraging competitive business. Therefore, many countries/jurisdictions combine elements of both systems to overcome such dilemmas (Clausing, 2015; Fleming et al., 2018). Such a hybrid taxation system is generally referred to as a Semi-Worldwide or Semi-Territorial Income Tax system, which is claimed to be more relevant to the global economy nowadays (Clausing, 2015). Contextualizing Indonesia's Income Tax law, a Semi-Worldwide Income Tax system has indeed been running since 1984 instead of a pure worldwide one. However, Article 4 para. (1) of IITL could be said to execute a pure Worldwide Income Tax system for adhering to a broad definition of income. If two Tax Residents have equal amounts of income, whether obtained for consumption or investment purposes, they both must be subject to the same tax burden in Indonesia regardless of where the income comes from.

Nevertheless, the latest para. 1(a) of Article 4 of IITL exempted such a pure system. Despite the condensed numbering style, para. 1(a) of Article 4 of IITL expresses Indonesia's recent intention to shift to a more territorial system, even in the law provision that reflects the purest Worldwide Income Tax system. Can we assume that Indonesia is now adopting a Semi-Territorial Income Tax system? There are three essential messages inferred by para. 1(a), 1(b), and 1(c) of Article 4 of IITL. First, not every Indonesian Resident Taxpayer is subject to worldwide Income Taxation. Foreign citizens qualifying the criteria (tax residency, special expertise/qualification, and four years of tax residency period) are entitled to tax exemption on offshore income. The shift to a Territorial Income Tax system happens when these foreign talents are only taxed on Indonesia-sourced income. Consequently, Article 4 of IITL considers geographical location now rather than only "Tax Resident" status.

Second, the "four years" period is calculated from the tax residency starting year instead of the mere visit date. Hence, transcribing from the rule of subjective tax liability provided in Article 2A para. (1) of IITL, the clock can start from the date of arrival or intention to reside in Indonesia. Deciding the exemption period based on tax residency commencement year is a smart move. Considering the absence of an integrated system between the tax administration and immigration database, the verification process will be more seamless if the Indonesian tax authority relies on its own system.

From the Taxpayer's point of view, the regulatory design is more objective because foreigners who have stayed more than 183 days but less than four years in Indonesia (when the new regulation is issued) can still access the territorial system, certainly in a shorter implementation period. For instance, a foreign citizen who has been an Indonesian Resident Taxpayer since 2019 can benefit from the

exemption for the remaining two years and two months, although he/she is registered long before the Temporary Tax Resident regime. However, the decision to use "fiscal year" rather than "date" shorten the four-year implementation period. Two foreign citizens registered as Tax Residents (consecutively) on January 2021 and December 2021 will have the same remaining time to take advantage of the Territorial Income Tax System as of 31 December 2021, that is for the similar three years.

Third, the territoriality offered still has safeguard measures to keep Indonesia's taxation base and anticipate cross-border profit shifting. Indonesia has yet to fully relinquish its taxing rights for a more competitive economic atmosphere. Article 4 para. (1b) of IITL still deems foreign-sourced income as derived in Indonesia when essentially connected to any jobs, services, or activities in Indonesia, although it is paid offshore. The arrangement has a similar objective with to the Force of Attraction rules in most of Indonesia's Tax Treaties, namely preventing aggressive tax avoidance. Furthermore, Article 4 para. (1c) of IITL prohibits Temporary Tax Residents from accessing Indonesian tax treaties, assuming they opt for the territorial regime.

It is too premature to conclude whether Indonesia has moved to a Semi-Territorial Income Tax system. While the provision design looks tempting for attracting investments, the fiscal year basis for calculating the four-year period and safeguard measures are some indications that Indonesia wishes to preserve its state revenue. Thus far, the Semi-Worldwide Income Tax System is relevant to describe Indonesia's ongoing system.

Nonetheless, the "Foreign Citizen" (Warga Negara Asing) clause implies novelty in the IITL. The word Foreign Citizen is not commonly used in Indonesian tax provisions. First, this is inconsistent with the Tax Resident terminology, so further references are needed. Second, Law No. 12 of 2006 concerning Citizenship ("Citizenship Law") does not define foreigners. Article 7 of the Citizenship Law, for example, merely defines "Every person who is not an Indonesian citizen as a foreign citizen". However, several mentions of "foreign citizen" are implicitly understood as not being Indonesian citizens, and such an approach is then used to define foreign citizen in the MOF Regulation No. 18/PMK.03/2021.

The Foreign Citizen term differentiates a Temporary Tax Resident from Non Tax Resident. Replacing the term Foreign Citizen with Non Tax Resident will confuse residence-based taxation based on the worldwide system. Why would Indonesian government care about taxing a Non Tax Resident's offshore income? Thus, the use of Foreign Citizen is necessary for classification purposes. However, based on global tax practices, providing a separate term or definition for foreign expatriates entitled to the territorial Income Tax system will improve legal certainty (Sharkey, 2014; ATO, 2023). To reduce practical complexity (and simplify pronouncing matter), the government should use direct and specific

terminology in Article 4 para. (1a) of IITL, for example: “Temporary Tax Resident” or “Expatriate Resident”.

### 3.2. Golden Visa Policy vs. Temporary Tax Resident Regime

The policies of the Golden Visa were issued on August 2023, with an effect of the Minister of Law and Human Rights (MLHR) Regulation No. 22 Year 2023 concerning Visas and Stay Permits. Unlike regular visa holders, foreign citizens holding a golden visa can stay longer in Indonesia and gain access to a more efficient administration of immigration (Shaid, 2023). First, the recipient can stay in Indonesia for five or ten years. Second, the recipient deserves facilities such as priority inspection routes at the Immigration Checkpoint determined by the Minister, priority services at the Immigration Office, or priority services from related agencies, ministries/institutions based on cooperation agreements. However, according to Article 1 of MOF Regulation No. 82 Year 2023, a candidate Golden Visa holder must still pay multiple administration fees on Visa, Immigration Permit and Reporting Changes in Civil and Immigration Status.

Article 185 para. (1) of MLHR Regulation No. 22 Year 2023 provides that a Golden Visa will be granted due to capital investment, family unification, repatriation, and second house. To get a Golden Visa, a foreign individual investor shall place a minimum investment of USD 350,000 (for a five-year stay) or USD 700,000 (for a ten-year stay) in Indonesia. The investment amounts need to be increased when the individual aims at establishing a company in Indonesia, as they hit USD 2,5 million for a five-year stay and USD 5 million for a ten-year stay (Nugroho, 2023). Unfortunately, to date, such a standard of investment amount has not been provided in any issued regulation, although the Directorate General of Immigration has delivered many promotional campaigns in various media.

Family unification, as one of the reason to grant Golden Visa stipulated in Article 187 of the MLHR Regulation No. 22 Year 2023, is satisfied when a foreign citizen joins a husband/wife who has a Limited Stay Permit or Permanent Stay Permit, an unmarried child under 18-year-old of age joins his/her father and/or mother who holds a Limited Stay Permit or Permanent Stay Permit, or a stranger joins a child who holds a Limited Stay Permit or Permanent Stay Permit. Based on Article 188 of the MLHR Regulation No. 22 Year 2023, repatriation may be a reason to grant a Golden Visa for a former Indonesian citizen who will live without any Guarantor and an heir at most two-degree-relations of former Indonesian citizen without any Guarantor in Indonesia. Furthermore, Article 189 of the MLHR Regulation No. 22 Year 2023 defines second-home activities as second-home, special skills, world figures, and elderly foreign citizens aged 60 years or more. There is no further explanation of these criteria, so multiple interpretations are possible.

With an effect of Law No. 11 Year 2020 on Job Creation (“Omnibus Law”), a foreign citizen who is a Tax Resident is subject to Income Tax

only on income derived in Indonesia under two conditions: (1) he/she has specific skills required in the law; and (2) the exemption applies for 4 (four) years since he/she becomes a Tax Resident. While the Explanatory section does not provide much detail on the new article, including a new provision in the Ease of Doing Business regulation cluster indicates that the government is attempting to adjust various regulatory aspects to improve the investment ecosystem. The tax exemption, now provided in Article 4 para. (1a) IITL, aims to optimise foreign expatriates' role in enhancing Indonesia's economy by relieving the likelihood of double taxes (Wildan, 2020).

In fact, such a Temporary Tax Resident regime is not unusual in the area of international taxation. Some countries have these procedures in place to exclude temporary residents from some parts of worldwide Income Taxation. Temporary residents are individuals who are residents in a country by reason of the location of their homes, families, and employment, but aim to be residents for a short length of time, usually less than five years (Arnold, 2019). As tax residents, they should be subject to all taxation on foreign source income, including on major economic interests overseas, since they are only temporarily absent from their home nations. Therefore, imposing worldwide Income Taxation on temporary residents might pose pressing consequences, discouraging talented individuals from working in the country for a short-term.

Before issuing the Omnibus Law, the government imposes a double compliance burden on foreign expatriates living temporarily in Indonesia if they meet the “Tax Resident” criteria stipulated under Article 2 para. (3) of IITL. The domicile principle is considered burdensome for foreign citizens who come from countries with a worldwide income principle and work in Indonesia for a specific time. In the event that they have been in Indonesia for more than 183 days in 12 months, expatriate talents are required to report all income received from Indonesia and outside Indonesia to the Directorate General of Taxes.

First, the obligation to report Income Tax in more than one country or tax jurisdiction burdens foreign expatriates in terms of costs and time. Second, assuming that foreign expatriates have paid tax on income received outside Indonesia to the government in a different country/jurisdiction, double taxation may have occurred on the same income (legal double taxation). Third, implementing the Tax Treaty tie-breaker rule to address the problem of dual tax residents of expatriates with limited (or no) personal and economic ties to Indonesia tends to be impractical.

Hence, the Golden Visa policy will be an attractive offer combined with the Temporary Tax Resident regime. However, do all Golden Visa recipients deserve the Income Tax exemption under the Indonesia Temporary Tax Resident policy? The latest answer would be “not entirely”. While both approaches pursue the ease of doing business for a more robust national economy, the Golden Visa policy has a broader scope of targeted individuals. Since capital investments

are the main agenda, foreign individual investors (e.g., company owners, CEOs, etc.) may have bigger opportunities to obtain a Golden Visa, irrespective of their documented skills. Also, foreign citizens aiming at family unification or repatriation back to Indonesia are included in the scheme. By contrast, the Temporary Tax Resident regime has a specific target on highly skilled individuals. Article 8 of MOF Regulation No. 18/PMK.03/2021 provides that the following “special skills” evidence should be submitted to the Directorate General of Taxes:

- a. copy of RPTKA ratified by the Minister in charge of manpower or research permit issued by the Minister in charge of research, showing that the foreign individual occupies (at least) one of 25 positions provided in Annex II of the MOF Regulation;
- b. copy of Tax Identity Number (NPWP) to prove that the foreign individual is registered as a Tax Resident;
- c. copy of valid passport;
- d. copy of visa and limited stay permit card;
- e. certificate of expertise issued by an institution appointed by the Indonesian Government or the government of the home country, education diploma, and/or work experience of at least 5 (five) years.

Table 1. Comparison between Golden Visa and Temporary Tax Resident policy in Indonesia

Item	Golden Visa	Temporary Tax Resident
General objective	To support the economy.	To increase the ease of doing business.
Specific objective	To attract foreign investments.	To eliminate legal double taxation on offshore income.
Targeted individuals	a. foreign individual investors; b. foreign citizens who wants to live together with their family; c. former Indonesian citizens or their heir (at most two-degree-relations); and d. foreign citizens who want to make Indonesia their second home.	Foreign citizens who are Tax Residents and have special skills.
Implementation period	5 (five) or 10 (ten) years.	4 (four) years.

Based on Annex II of the MOF Regulation No. 18/PMK.03/2021, most of the 25 positions entitled to tax exemption are more experts than CEO-material. The regulation inferred that investors are not the primary target of the Temporary Tax Resident policy, but the skilled workers. The reasons for targeting experts or professionals partly align with the composition of

roles dominating the temporary worker market in Indonesia. Based on the Data of RPTKA Validation, as pictured in **Figure 1**, foreign citizens working in Indonesia during January-September 2023 are primarily professionals and advisors or consultants. Since professionals and advisors are more prone to double taxes, number-wise, they are given the privileges of Income Tax exemption using the “special skills” criteria. Consequently, even a foreign investor who can bring millions of Dollars may still have to satisfy the “special skills” requirements to access the Temporary Tax Resident policy. Ergo, there will likely be Golden Visa holders who cannot take advantage of the Income Tax exemption under the Indonesia Temporary Tax Resident regime since they do not qualify for the specific requirements.

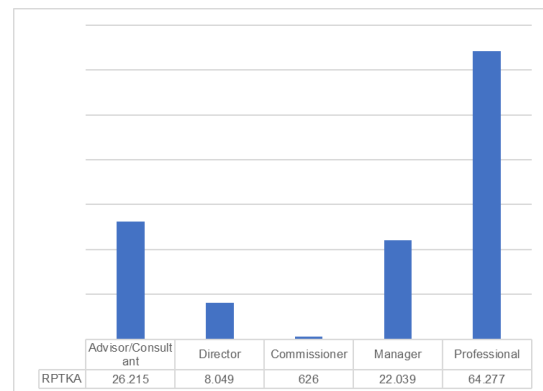


Figure 1. Issued RPTKA during January – September 2023 (Source: Satu Data Ketenagakerjaan)

Nevertheless, expanding the Temporary Tax Resident policy to foreign investors and other people who receive Golden Visa may violate the new tax regime’s primary purpose, which is to eliminate legal double taxation. If foreign investors, for instance, stay in Indonesia for less than 183 days, they cannot be deemed Tax Residents. The Worldwide Income Tax system does not apply to them, so granting Income Tax exemption has no benefits at all. Also, giving the exemption to other Golden Visa holders who intend to live in Indonesia for more than four years contradicts the “temporary” purpose. These individuals have intended to change their home country to Indonesia, so there is only a slight possibility of being subject to tax in two countries or jurisdictions. A foreign individual living in Indonesia for more than four years should not be claimed as Temporary Tax Residents, as they have established significant personal and economic ties to Indonesia.

### 3.3. Overview of Professional Workforce Improvement

According to data of RPTKA validation during 2019-2023 available in Satu Data Ketenagakerjaan (2023; 2023; 2022), the total number of foreign citizens working in Indonesia declined in 2020 and 2021, right after the Temporary Tax Resident policy was implemented. The COVID-19 pandemic was argued to contribute to the decline (Annur, 2021; ANTARA, 2022). However, the total number had

increased by 26.3% in 2022 and continued to grow gradually.

The highest increase was shown in professional jobs, indicating the rising attractiveness of the roles. For the last five years, professional roles have dominated the foreign workforce trend in Indonesia. While it is imperative to conduct further analysis of factors determining such increases, the Temporary Tax Resident policy might have one of them. Bucovetsky (2003) and Wildasin (1994) found that fiscal policy might induce cross-border migration, encouraging tax competition to attract high-skilled individuals among countries. In Indonesia, escaping double tax payments and administrative burdens is part of the advantages of being a Temporary Tax Resident.

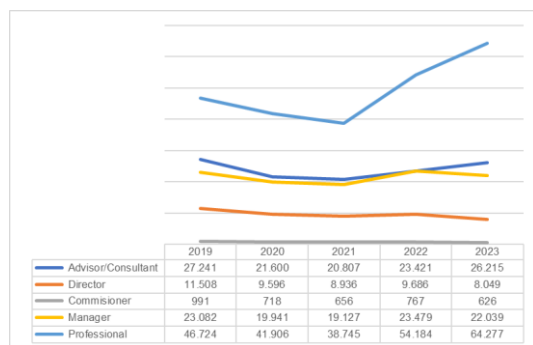


Figure 2. Foreign Workforce Trend in Indonesia (Source: Satu Data Ketenagakerjaan)

### 3.4. Expatriate Regime in Different Countries

#### 3.4.1. Australia

Article (1) Section 768-910 of the Income Tax Assessment Act (ITAA) 1997 treats non-Australian source income received by temporary residents as non-assessable and non-exempt. Unlike Indonesia, Australia's temporary resident status is granted under the Migration Act. With an effect of Section 995-1 of ITAA 1997, a foreign citizen may become a temporary resident if he/she individual holds a temporary visa, has no access to the Social Security Act 1991 as an Australian resident, and does not have an Australian resident spouse. In other words, the Australian immigration and tax policies are harmonized to provide consistent objectives.

The Immigration Department will review the applicant's temporary visa eligibility. Generally, evaluation is carried out based on the qualifications of expertise and recommendation from a sponsor. After an application is approved, the Australian temporary residents are given the option of not paying tax on the ordinary and statutory income derived from a source other than an Australian source. Since they are subject and liable to tax in Australia, temporary residents are entitled to benefits under the Australia Tax Treaty network, unlike in Indonesia. The exemption period refers to the length of a temporary visa, which usually lasts for a maximum of 4 (four) years (Department of Home Affairs, 2023).

#### 3.4.2. Japan

Since 1957, Japan has had a distinct classification for Temporary Tax Resident or an individual who has no intention to live there permanently, namely Non-Permanent Resident Taxpayer (Way, 1963; Dabner, 2001). Specifically, a Non-Permanent Resident Taxpayer is an individual of foreign nationality who has become a Resident Taxpayer and has resided or domiciled in Japan for a maximum of five years within ten years (NTA, 2022). Like Indonesia, Japan requires foreigners to satisfy Resident Taxpayer status comprising domicile (jusho) or residence (kyosho) possession before earning the temporary tax relief.

Non-Permanent Resident Taxpayers pay Income Tax on any Japanese-source income, as well as offshore income paid in Japan and offshore income paid abroad but remitted to Japan. The Income Tax nexus used for taxing Non-Permanent Resident Taxpayers' offshore income is payment and remittance. Even if the income is derived from a source other than a Japanese source (and paid outside the country), it will give rise to Income Tax in Japan as long as the amount is transferred to Japan each year. Rather than using the term "derived from", the Japanese government opts for "paid in" and "remitted to". Unlike the method taken by Indonesia and Australia, the remittance feature used in Japan's tax provision is more challenging to define and enforce (Dabner, 2001).

#### 3.4.3. Singapore

Singapore's Not Ordinarily Resident (NOR) scheme was removed from the 2019 budget, and the final NOR concession will only be valid until the 2024 year of assessment (Sovereign, 2019). An individual who is a Resident Taxpayer in Singapore in any year of assessment, but was a Non-Resident Taxpayer for all the three years prior to that year of assessment, may qualify as NOR. Assuming he/she qualifies for certain qualifying conditions, NOR who works as an employee will not be taxed on the portion of his/her Singapore employment income based on the number of days spent away from Singapore for business purposes (IRAS, 2023). The decision to end the almost-two-decades NOR scheme indicated that Singapore might have a sufficient number of foreign talents for the time being (GrantThornton, 2019) and the government is now making headway toward an equitable and seamless tax administration (PwC, 2019).

## 4. Conclusion

Intensive globalization processes involve a significant increase in human mobility. The surge of human resource mobility has encouraged policymakers to reconsider designing a public policy that can balance national welfare and economic competitiveness. The government issued the new Regulation of the MLHR No. 22 Year 2023 on Visa and Residence Permit which allows foreign citizens holding a Golden Visa to stay longer in Indonesia and gain access to a more efficient immigration administration.



Also, the government has laid out changes in the Income Tax system to attract skillful expatriates to work in Indonesia. With an effect of the Omnibus Law<sup>3</sup>, Indonesia offers a Temporary Tax Resident regime for foreign a citizen who is a tax resident, under two conditions: (1) he/she has specific skills required in the law; and (2) the exemption applies for 4 (four) years since he/she becomes a tax resident. Under the Temporary Tax Resident regime, they are subject to territorial taxation since Income Tax applies only to income derived in Indonesia. Put simply, the Golden Visa policy will be an attractive offer combined with the Temporary Tax Resident regime.

The study found that such policy changes have not made Indonesia apply a "pure" or "semi" Territorial Income Tax System. While the Temporary Tax Resident provision design looks tempting for attracting investments, the fiscal year basis and safeguard measures indicate that Indonesia wishes to preserve its state revenue. Thus far, the Semi-Worldwide Income Tax system is relevant to describe the Income Tax system in Indonesia.

Although the available Temporary Tax Resident policy might have positively correlated to the increase of foreign professional roles in Indonesia for the last 2 (two) years, the combination of both policies is yet optimum to increase the ease of doing business. Some Golden Visa holders are not entitled to Income Tax exemption under the Temporary Tax Resident regime for not qualifying the "special skills" requirement. Even if the criteria is met, foreign talents still have to lodge the "Application Letter for The Imposition of Income Tax Only on Income Derived from Indonesia" according to MOF Regulation No. 18/PMK.03/2021 to access the territorial Income Tax system.

If the government projects a more effective system, it is imperative to establish harmony between the immigration and tax policies. Learning from the experience of Australia, Japan, and Singapore, Indonesia could have provided distinct and specific, but similar, term for Temporary Tax Residents in both the Immigration Law and Income Tax Law. Rather than asking targeted foreign talents to deal with repetitive administration systems, the tax authority could have just left the entire verification process to the Immigration body to minimize red tape.

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