TERMS OF REFERENCE

Business process of tax filing and social security contributions in Indonesia: Lessons from international practices (Home-based)

1. OVERVIEW

Type of Contract:	External collaboration contract (individual) or service contract (corporate)
Organization Unit:	CO-Jakarta
ILO Office:	Jakarta
Contract period:	20 June to 30 September 2022

2. BACKGROUND

The Social Protection Programme at the ILO Country Office for Indonesia and Timor-Leste assists in improving social protection policies and its implementation in Indonesia.

Workers gain income from different sources. Income from work for wage earners may be decomposed into wage and non-wage components that include basic wage, fixed-allowances, overtime pay, bonus, monthly wage, weekly wage, daily wage, piece rate and others. Workers may also gain income from employers' liability schemes such as compensations during sick leave and maternity leave. Workers receive these incomes from employers. Moreover, workers may receive social security benefits from social insurance schemes or social assistance schemes. These schemes may be implemented by different institutions. Once workers have realised these payments, they are often obliged to assess which income components to declare and to file personal income tax at the tax authorities. In Indonesia, different laws and regulations stipulate these issues and different institutions implement related services.

Concerning extension strategies of social insurance coverage, it may be important, among many other measures, to coordinate business processes and data sharing among authorities that are responsible for enforcing labour standards, collecting personal income tax, collecting social insurance contributions, and targeting poor households and individuals for social assistance schemes. For example, it may help improve compliance with tax filing and mandatory social insurance contributions if a registration process of social insurance, labour relations and tax filing were carried out by a single institution or were integrated into a one-stop shop where different institutions jointly establish a single front-end service station to accept a one-time registration with all these services and then to execute their respective tasks at each institution. It may also help close coverage gaps between contributory and non-contributory social protection schemes if respective institutions share data on households or individuals who are exempted from tax or social insurance contributions, and/or entitled to receiving social assistance benefits because of poverty. Moreover, for enforcing the collection of tax and social insurance contributions, in some countries, tax authorities collect both personal income tax and social insurance contributions and transfer the collected social insurance

contributions to social security institutions, while in other countries, authorities require employers to pay estimated amounts of social insurance contributions in advance and settle them in the following year. There may be more different approaches across the world.

In this context, diversity of employment relationship may add more complexity. Many workers make living in various forms of informal employment including agricultural workers, construction workers, workers in micro-enterprises, family-owned businesses, or the digital platform, workers with multiple employers or with employers residing in foreign countries, or home-based individual contractors.

In some countries, the labour authorities redefine employment relationship to cover these non-standard forms of employment by labour standards and social insurance schemes. Yet, tailored measures may be also required to consider their specific characteristics. For example, social security institutions in some countries partner with digital platformers to facilitate collective registrations of their platform workers to social insurance schemes but they might be exempted from paying employer's contributions. In case of workers with several employers or with employers residing in foreign countries, potential issues may be how national authorities define employment relationship, which employer is the principal employer to pay social insurance contributions and how to enforce the payment of tax and social insurance contributions.

In Indonesia, for wage earners or employees, contributions are calculated in accordance with specified proportions of insurable earnings, employers pay both worker's and employer's portions to social security institutions and deduct the worker's portions from payrolls. A death benefit scheme (JKm) and an employment injury insurance scheme (JKK) are financed solely by employers; an old-age saving scheme (JHT), a pension scheme (JP) and a health insurance scheme (JKN) are financed by employers and workers; and an unemployment insurance scheme (JKP) is financed by employers and the Government.

For non-wage earners or self-employed, contributions are defined as an absolute or fixed amount instead of specified proportions of insurable earnings, except JHT. Non-wage earners are eligible to participate only in JKm, JKK, JHT and JKN, which are financed solely by workers unless they are entitled to a subsidized membership for JKN (JKN-PBI). JKm sets a fixed amount of contribution, while JKK define different fixed amounts depending on specified income ranges. JHT adopts a certain proportion of monthly income. JKN adopts three different amounts depending on room classes for hospitalization care.

Local manpower offices, BPJS Employment, BPJS Health, Ministry of Social Affairs and the tax authority are responsible for labour relations, contributory schemes including JKm, JKK, JHT, JP and JKP, JKN and tax collections, respectively.

As part of ILO's contributions to the policy dialogues in Indonesia, the Social Protection Programme is looking for an external collaborator on the abovementioned consultancy.

3. OBJECTIVE AND SCOPE

This consultancy aims to identify existing business processes of tax and social security administrations in Indonesia. Applicable conditions may be different among wage earners (employees), non-wage earners (self-employed) and other categories of workers.

More concretely, the paper will at least but not be limited to:

a. Identify a business process of filling personal income tax of workers;

- A registration process including required documents, steps and other conditions by different categories of workers
- An arrangement of declaration, payment, and deduction of personal income tax from payrolls by different categories of workers and/or different income sources/components (e.g. income from work, employer's liability schemes, social insurance benefits, social assistance benefits)

b. Identify a business process of social security contributions
   - A registration process including required documents, steps and other conditions by different categories of workers (i.e. registered by employers for wage earners, by themselves for non-wage earners, collective registrations for construction workers and platform workers)
   - An arrangement of declaration, payment, and deduction of social insurance contributions from payrolls

c. Identify a business process of tax filing or deduction of social security benefits;
   - Social insurance benefits here may take several forms including periodic or lump-sum payments, or reimbursement. These benefits are paid by BPJS Employment or the BPJS Health through an employment injury insurance scheme (JKK), a death benefit scheme (JKm), an old age saving scheme (JHT), a pension insurance scheme (JP), an unemployment insurance scheme (JKP), and a health insurance scheme (JKN).
   - Social assistance benefits here may include a conditional cash transfer scheme (PKH), cash transfer schemes for poor student (PIP and KIP) and a cooking oil cash assistance scheme (BLT).

d. Identify a business process of tax filing or deduction of employer's liability schemes;
   - Employers are liable to pay on employment termination including severance pay (Uang Pesangon, or UP), long service pay (Uang Penghargaan Masa Kerja, or UPMK), compensation pay (Uang Penggantian Hak, or UPH), separation pay (Uang Pisah, or SP) and termination pay for fixed-term employees (PKWT).
   - Employers are also liable to pay on sick leaves, maternity or paternity leaves, and to provide religious pay (THR).

e. Identify a business process of granting exemption of tax or social insurance contributions, and tax deduction for social insurance contributions; and
   - Exemptions due to low income or vulnerable household characteristics (i.e. linkage with PKH, PIP, KIP, JKN-PBI, and exemption of personal income tax and social insurance contributions to JKm, JKK, JHT, JP and JKP)
   - Timeline (including frequency of assessments) and steps

f. Analyse challenges and potential improvements in the abovementioned business processes.
   - Efficiency and effectiveness of the current business processes (i.e. burdens of workers and employers to deal with different institutions)
   - How to improve/integrate the business process of tax and social security administrations
   - How such improvements could contribute to extending social security coverage

- Challenges and improvements for specific categories of workers mentioned in the background section

4. OUTPUTS

Output 1: Outline and list of interviewees

- Discuss and agree on outlines with the ILO.
- Develop a list of stakeholders that the external collaborator needs to interview if necessary.

Output 2: Draft report

- Conduct desk-reviews to draft report (and interview if necessary).
- Submit a draft report to the ILO for inputs. It may take a few weeks for the ILO to provide inputs.

Output 3: Advanced daft report

- Incorporate the ILO's inputs to Output 2.
- Submit an advanced draft report. It may take a few weeks for the ILO to provide inputs.

Output 4: Presentation

- Present draft findings at a tripartite meeting to obtain inputs and to have the contents validated. The ILO will organize an online meeting and invite worker's, employer's and government's representatives.

Output 5: Final report

- Incorporate the ILO's inputs to Output 3 and inputs from the stakeholders at the abovementioned meeting.
- Keep the final report informative but concise with no longer than about 15,000 words and relevant appendix in a WORD format. The ILO will provide the external collaborator with a standard template for the report.

5. TIMELINE AND PAYMENT

The ILO will pay the external collaborator up on satisfaction of delivered outputs.

PAYMENT	DELIVERABLE	AMOUNT	TIMELINE
1	Output 1	10%	20/06/2022
2	Output 2	30%	31/07/2022
3	Output 3	30%	31/08/2022
4	Output 4	10%	31/08/2022
5	Output 5	20%	30/09/2022
	GRAND TOTAL	**100%**	

6. QUALIFICATION

Requirement:

- An advanced university degree in a relevant field such as laws, development studies, social policy, and other social sciences.
- Experience in legal reviews or policy-oriented research in the field of social security.
- Knowledge about social insurance including at least unemployment insurance, pension, and employment injury insurance and health insurance.
- Knowledge about tax policies.
- Excellent drafting skills in English.

Advantage:

- Knowledge about social policies, labour issues and tax policies in Indonesia.

7. APPLICATION PROCESS

Applicants must email the following information to Mr Ippei Tsuruga (tsuruga@ilo.org) by 12 June 2022 with a subject "Application: Business process of tax filing and social security contributions in Indonesia":

a. Curriculum Vitae; and

b. Fee (in total).

The ILO will assess applicants' ability, experience, and proposed fee for the selection of the external collaborator. The ILO will contact a selected or shortlisted candidate only and will not provide any clarifications to those who are not selected.