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Tax & Customs Update

Entrepreneurs Are Obligated to Create Wage Structure and Scale

Government gives time limit until 23 October 2017 for all entrepreneurs operating in Indonesia to create wage structure and scale. Entrepreneurs who ignore this government instruction will be subject to administrative sanctions, starting from written warning to business suspension.

This instruction is stipulated in Minister of Manpower Regulation (Permenaker) Number 1 Year 2017 on Wage Structure and Scale, effective since 21 March 2017. This policy states that entrepreneurs are obliged to form wage structure and scale by considering level, position, work period, education, and competency. Entrepreneurs are also obliged to inform the wage structure and scale to all employees on 23 October 2017 at the latest.

Wage structure and scale are wage level composition from the lowest to the highest level or vice versa, containing wage nominal ranging from the lowest to the highest based on the value or the level of position. In creating wage structure and scale, the entrepreneurs shall refer to basic wage.

The entrepreneur criteria determined in Permenaker Number 1 Year 2017 cover individual, partnership or legal entity running the company, both self-owned or owned by other party, employing at least 10 (ten) people or labors. This entrepreneur criteria refer to Article 108 Law Number 13 Year 2003 on Manpower.

Wage structure and scale are determined by the head of company in the form of Decision Letter. Wage structure and scale shall be attached during the registration, extension or renewal of Contractual Bargaining Agreement (CBA) or Company Regulation by presenting it to the related official.

This Permenaker is also equipped with wage structure and scale attachment by using 3 (three) methods such as Simple Ranking Method, Two Points and Factor Point Method.

Sanction

For entrepreneurs who fail creating the wage structure and scale as well as do not inform its employees shall be subject to administrative sanction regulated in Permenaker Number 20 Year 2016 on Procedure of Administrative Sanction Imposition and Government Regulation Number 78 Year 2015 on Wages. Administrative sanctions are as follows:

- a. Written warning;
- b. Restriction of business activity;
- c. Temporary termination of production tools partially or entirely; and
- d. Suspension of business activity.

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