



Indonesia

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2010
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Which TP methods may be applied?	The most appropriate method based on the related-party transaction
Are any TP methods preferred over others?	No
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	CbCR/MF/LF implemented.
Reference to documentation and statements of local-government or tax authorities regarding OECD BEPS implementation status	Minister of Finance of Republic of Indonesia Regulation No 213/PMK.03/2016.
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general:	<p>In addition, there are further articles of law, legislative regulations, administrative circulars and case laws applicable to transfer pricing in general.</p> <p>The Special Relationship terms was introduced in Income Tax Law number 7 Year 1983 as amended in Law Number 36 Year 2008 Paragraph 18 number 3 (debt to equity ratio for entities with special relationship) and number 4 (the conditions/requirement to determine the existence of special relationship).</p> <p>Transfer pricing guidelines (PER 43/PJ/2010), as recently amended by PER 32/PJ/2011, provide that documents for the determination of fair price or fair profit must be made available by the taxpayer.</p> <p>The guidelines for Transfer Pricing Audit is regulated in PER - 22/PJ/2013 and DGT Circular number SE-50/PJ/2013.</p> <p>APA is regulated in DGT Regulation number PER - 69/PJ/2010 and Minister of Finance Regulation number 7/PMK.03/2015</p> <p>The exchange of information for MAP and APA is regulated in Circular number SE - 16/PJ/2017 about the request by information and/or proof regarding related financial information for the tax purposes.</p>

2. Master File (MF)	
	Yes
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	MF is required if the taxpayer meets certain thresholds in the previous fiscal year. The thresholds are as follows: affiliated party transaction and, either (i) gross revenue above IDR 50 billion (EUR 3,186,500); (ii) tangible goods affiliated party transaction above IDR 20 billion (EUR 1,274,600); (iii) transactions of intangible goods affiliated party transaction above IDR 5 billion (EUR 318,650); or (iv) any amount of related-party transaction with a related party in a tax jurisdiction with tax rate lower than the Indonesian corporate tax rate of 25%. Point (i) to point (iii) is the threshold for previous year while point (iv) is for the related fiscal year
Euro Equivalent	EUR 3,186,500
As from which year does this obligation exist?	Applies for fiscal years beginning on or after 1 January 2016 with previous year threshold
When does the Master File need to be available?	The master files must be available at the latest of 4 months of the end of the relevant tax year. However, the MF is not necessary to be filed with the tax return. It is based on request from tax office.
When does it need to be submitted?	Submission of MF is not required at the time. However, a specific form in the corporate tax return is required to state on which the MF was available. MF must be available when requested by DGT. 14 days upon request, usually in a tax audit.
Does the MF have to be prepared in the relevant local language ?	Yes (mandatory)
Is documentation in English permissible?	No
What are the possible consequences of not having the MF available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No
To which extent do the local rules differ from the OECD standard regarding the OECD content requirements for the MF as shown in the BEPS implementation overview chart?	Consistent with OECD requirement

3. Local File (LF)	
	Yes
What is the threshold requirement for the obligation to prepare a LF?	Threshold are the same as for MF LF is required if the taxpayer meets certain thresholds in the previous year. The thresholds are as follows: affiliated party transaction and, either (i) gross revenue above IDR 50 billion; (ii) tangible goods affiliated party transaction above IDR 20 billion; (iii) transactions of intangible goods affiliated party transaction above IDR 5 billion; or (iv) any amount of affiliated party transaction with an affiliated party in a tax jurisdiction with tax rate lower than the Indonesian corporate tax rate of 25%.
Euro Equivalent	EUR 2,971,940
As from which year does this obligation exist?	LF is required if the taxpayer meets certain thresholds as mentioned above in the previous year. Applies for fiscal years beginning on or after 1 January 2016.
When does the LF need to be available?	The LF must be available at the latest of 4 months of the end of the relevant tax year. The LF is not to be filed with the tax return. However, the LF is not necessary to be filed with the tax return. It is based on request from tax office.

When does the LF need to be submitted?	Submission of LF is not required at the time. However, a specific form in the corporate tax return is required to state on which the LF was available. LF needs to be available when requested by the DGT. 4 days upon request, usually in a tax audit.
Does the LF have to be prepared in the relevant local language?	Yes
Or is documentation in English permissible?	Yes, Based on regulation, the documentation should be in Bahasa. The English version usually only for internal report in the company's group.
What are the possible consequences of not having the LF available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	No
Other?	No
To which extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?	The deadline for MF & LF to be available is 4 months after the end of Fiscal Year. The responsibility of providing MF is merged with LF instead of CbCR.

4. Country-by-Country Reporting	Yes
What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?	<p>If the taxpayer is the ultimate parent, the CbC Report should also be prepared if:</p> <p>Taxpayer earns a consolidated gross revenue of equal or more than IDR 11,000,0000,000,000 in that particular year</p> <p>no restriction for only MNE companies. Local companies with consolidated gross revenue as above is also required to prepare CbCR.</p>
Euro Equivalent	EUR 6,538,260
As from which year does this CbCR obligation exist?	For fiscal years starting in 1 January 2016.
When and how do the tax authorities need to be notified who the reporting entity is?	<p>The reporting Entity is already determined in Minister of Finance Regulation number 213/PMK.03/2016. And further in Regulation of Directorate General of Tax number 29/PJ/2017. The threshold and requirement is as explained above.</p> <p>The Indonesian Taxpayer which has a related-party transaction must submit a notification to DGT to acknowledge its status of mandatory or not in providing the CbCR and which entity is appointed as surrogate parent using standardised form as attached in Regulation of Directorate General of Tax number 29/PJ/2017.</p> <p>The notification should be submitted at the latest by:</p> <p>a. 16 months after the end of a tax year for the 2016 Tax Year; or b. 12 months after the end of a tax year for the 2017 Tax Year onwards.</p>
If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?	<p>The CbCR together with notification should be submitted at the latest by:</p> <p>a. 16 months after the end of a tax year for the 2016 Tax Year; or b. 12 months after the end of a tax year for the 2017 Tax Year onwards.</p> <p>The receipt of CbCR and Notification will be attached to the next fiscal year corporate tax return.</p>

Are there any deviating submission deadlines for the secondary mechanism?	No
Does your country have a requirement that the financial figures of the group need to be aligned with?	No. No information on the regulation.
Does your country have a requirement that the financial years of the group need to be aligned with?	No
Where is the CbCR to be submitted ?	CbCR is to be submitted electronically to the Indonesian DGT if the company is filing its Tax Return electronically. Otherwise, the CbCR is submitted directly to the Tax Office.
How is the CbCR to be submitted, specifically, is there any prescribed standard?	<p>CbCR is to be submitted with the notification before submission of Corporate Income Tax. the receipt will be attached in the Corporate Income Tax based on Regulation of Directorate General of Tax number 29/PJ/2017.</p> <p>The CbCR is submitted in the prescribed digital format (XML file).</p> <p>For primary and secondary filling rule: Submissions are to be made as attachments to the next fiscal year corporate tax return. The companies may not need to submit the CbCR in primary filing mechanism if Indonesia and the countries which the Parent entity reside is conducting the AEOI. also, if the EOI is already active.</p>
What are the (possible) consequences of not having the required CbCR available?	<p>As the receipt of CbCR should be attached in the Corporate Income Tax Return, Tax Office may refuse the submission of Corporate Income Tax Return without CbCR receipt since it is considered incomplete. This will cause delay in Corporate Income Tax Return and fines of IDR 1,000,000.</p> <p>If the Tax Authority issue reprimand letter regarding the request by CbCR, DGT may issue Underpaid Tax Assessment Letter with penalty of 50%</p>
What are the possible consequences of not having the CbCR available?	
Penalties?	Yes
To which extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?	Indonesia required additional form (working paper of CbCR) which content is the details data per entity of form CbC 1 and 2
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	Yes
Did your country enter into other information exchange agreements, such as on a bilateral basis?	Yes
Please specify the country involved and date the agreement came into force.	<p>As of 7 December 2016, the member of Multilateral Competent Authority Agreement on the Exchange of CbCR (CbC MCAA) are 50 countries</p> <p>The activated exchange relationships with Indonesia are 46 countries.</p>
Can a taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?	Yes

5. TP disclosure in tax return or transfer pricing specific returns	
Does a taxpayer need to disclose information regarding TP documentation in his tax return?	Yes. Using specific form as regulated in MoF Regulation Number 213/PMK/2016 and specific form in the Tax Return (Form 3A)
What would be the filing deadline?	The summary as regulated in MoF Regulation Number 213/PMK/2016 must be submitted at the latest of 4 months after the end of the relevant tax year, as attachment of the Tax Return
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	There is no specific regulation for this condition. the Indonesian Tax Office may proceed to review the affiliated party transaction in tax audit and will resulted in interest penalty on underpayment of 2% per month is applicable (with a maximum of 48%).
What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	There is no specific regulation for this condition.
Does a taxpayer need to file TP-specific returns?	No

6. Benchmarking	
Is there any local guidance or requirement with regard to the preparation of a benchmark study?	Yes.PER-22 authorises the use of public data (either foreign or domestic) commercial databases, the London Metal Exchange, and other databases as source of external comparables. In practice, the Indonesian tax authorities generally use the BvD database, including Osiris and Oriana. Other guidance are: <ul style="list-style-type: none"> - steps to identify the characteristics of transaction, - steps to identify the entity characterisation - the financial ratio - the Methods to be used - provide the tools of FAR analysis and comparability analysis. - explanation of related-party transactions (intra-group services, intangible property, loan) - explanation of primary, secondary and corresponding adjustment)
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	Yes (same as above).
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	No
Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	No

7. Year-end adjustments	
Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	Intercompany financing, intangible property, losses, and compliance with OECD BEPS.
Based on your experience, are joint or multilateral audits initiated and carried out?	No
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes
Are there any restrictions?	<p>APA is regulated in DGT Regulation number PER - 69/PJ/2010 and Minister of Finance Regulation number 7/PMK.03/2015 APA is only applied for 3 years or 4 years in case of APA in relation with MAP.</p> <p>There are only 2 Taxpayer recorded to have obtain APA. Both of the related party's country is Japan</p>

Your contact person:

Ms. Sri Wahyuni Sujono
 sri.wahyuni@sfconsulting.co.id
 T: + 622 157944548