

8<sup>th</sup> IMF–Japan High–Level Tax Conference for Asian Countries | March 22, 2017



**PROGRESS IN BEPS  
IMPLEMENTATION IN  
INDONESIA**

DIRECTORATE GENERAL OF  
TAXES  
INDONESIA

# AGENDA

- 1 BEPS Action Plan – in brief**
- 2 Incorporating BEPS recommendation in Indonesia**
- 3 Countering BEPS in Indonesia – implementation progress**
- 4 BEPS recommendation – adopted and completed**
- 5 Countering BEPS in Indonesia – what to complete in near term**

## Coherence

**Hybrid Mismatch Arrangement (2)**

**Interest Deductions (4)**

**CFC Rules (3)**

**Harmful Tax Practices (5)**

## Substance

**Preventing Treaty Abuse (6)**

**Avoidance of PE Status (7)**

**TP Aspects of Intangibles (8)**

**TP/Risk and Capital (9)**

**TP/High Risk Transactions (10)**

## Transparency

**Methodologies and Data Analysis (11)**

**Disclosure Rules (12)**

**TP Documentation (13)**

**Dispute Resolution (14)**

**Digital Economy (1)**

**Multilateral Instrument (15)**

# INCORPORATING BEPS IN INDONESIA

**Applying changes in the domestic law**

**Digital Economy (1)**

**CFC Rules (3)**

**Harmful Tax Practices (5)**

**Hybrid Mismatch (2)**

**Interest Deductions (4)**

**Preventing DTA Abuse (6)**

**Transfer Pricing (8,9,10)**

**TP Documentation (13)**

**Dispute Resolution (14)**

**Amending tax treaties**

**Preventing DTA Abuse (6)**

**Av. PE Status (7)**

**Dispute Resolution (14)**

**Meeting the minimum standards**

**Harmful Tax Practices (5)**

**Preventing DTA Abuse (6)**

**Dispute Resolution (14)**

**TP Documentation (13)**

**Conducting study and review**

**Method & Analysis (11)**

**Disclosure Rules (12)**

# COUNTERING BEPS IN INDONESIA – IMPLEMENTATION PROGRESS

## NEXT PRIORITY

**Hybrid Mismatch (2)**

**Avoidance of PE Status (7)**

Signatory to MLI

**Method. & Data Analysis (11)**

Under review

**Disclosure Rules (12)**

Adopting MDR under dom. law

## ON PROGRESS

**DIGITAL ECONOMY (1)**

Payment Gateway, NAP

**CFC RULES (3)**

mostly BEPS Recommendation

~~Preventing Treaty Abuse (6)~~

Signatory to MLI, Strengthen dom. rules

(Per. 61/62)

**Transfer Pricing (8-10)**

Amending and tightening Indonesia TP reg.

**Multilateral Instrument (15)**

Signatory to MLI

**Dispute Resolution (14)**

Simplifying procedures, Timely resolution

## COMPLETED

**Interest Deduction (4)**

Obstacles under dom. law

**Harmful Tax Practices (5)**

Reviewed in 2016, none is harmful

**TP Documentation (13)**

inc. CBCR, CRS

# BEPS RECOMMENDATION – ADOPTED AND COMPLETED

## COMPLETED

## NOTES (INDONESIA)

### Interest Deduction (4)

1. Currently regulated under MOF Regulation No169/PMK.010/2015;
2. DER 4:1 (EBITDA could not be adopted)
3. Broad definition of interests to include financial costs and other borrowing costs; and
4. Some business are excluded from 4:1 ratio (bank, leasing,

### Harmful Tax Practices (5)

1. our regime has been reviewed by FHTP in 2016, none is harmful;
2. We are ready to exchange ruling (unilateral APAs and other rulings) as required.

### TP Documentation (13)

1. Consists of Masterfile, Local File and CBC Reporting (only for parent company with TO Rp11T in Indonesia);
2. CBC Reporting can be compulsory for subsidiaries in Indonesia; and
3. Indonesia has signed CBC Report MCAA

# WAY FORWARD – NEAR TERM

BEPS ACTION	CATEGORY	NOTES (INDONESIA)
DIGITAL ECONOMY (1)	Common Approach	building National Payment Gateway and also urging the use of one National Access Point.
CFC RULES (3)	Best Practice	indirect ownership, disregarding trust, minimizing double taxation, applies to all types of income.
Preventing Treaty Abuse (6)	Min. Standard	Signatory to MLI, restricting treaty benefits at source, high risk cases claims benefit via refund.
Transfer Pricing (8-10)	New Standard	respecting value creation and taking into account localities and where market that gives rise to income.
Multilateral Instrument (15)	Common Approach	at the initial stage, Indonesia will adopt minimum standard in its MLI. a wait and see approach.
Dispute Resolution (14)	Min. Standard & Best Practice	ensure that timely and effective resolution for treaty based-disputes can be reached.

