

BEPS Actions implementation by country

Indonesia

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Indonesia.



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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	Not yet known.	Not yet known
Hybrids (Action 2)	Common approach	Not yet known.	Not yet known
CFCs (Action 3)	Best practice	Indonesia already has CFC provisions. It is not yet known whether the rules will be amended.	Not yet known
Interest deductions (Action 4)	Common approach	A thin capitalization rule is based on a debt-to-equity approach (balance sheet test), as opposed to the fixed or group ratio recommended by Action 4.	1 January 2016
Harmful tax practices (Action 5)	Minimum standard	Not yet known.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Indonesia already has a rule to prevent treaty abuse.	N/A
Permanent establishment status (Action 7)	Revision of existing standard	Not yet known.	Not yet known
Transfer pricing (Actions 8-10)	Revision of existing standard	Regulations issued in 2013 require taxpayers to prove the role of parties in developing intellectual property, in line with the OECD transfer pricing guidelines, to align the allocation of taxable income with value creation. It is not	Not yet known

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yet known whether additional measures in line with Actions 8-10 will be implemented.

Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	<p>The Ministry of Finance introduced the three-tiered level of documentation effective for taxpayers with a tax year ending on or after 30 December 2016. The requirements are broadly in line with the Action 13 recommendations, with additional information requirements in both the master file and local file. The documents must be prepared in Bahasa, Indonesia and made available within four months from the end of the tax year. There are also new thresholds for determining the documentation requirements and the inclusion of domestic related parties within the scope of the transfer pricing rules.</p>	Regulation issued on 30 December 2016 (effective for tax year beginning 1 Jan 2016)
CbC reporting (Action 13)	Minimum standard	<p>CbC reporting has been introduced in line with Action 13 requirements, with certain additional details. The CbC report must be available within 12 months from the end of the tax year and must be filed with the annual corporate tax return for the subsequent tax year.</p> <p>Where the parent entity is located in a foreign jurisdiction, the resident taxpayer must submit the CbC report when the country of the parent entity:</p> <ul style="list-style-type: none">• Does not require the submission of a CbC report; or• Does not have an exchange of information agreement with the Indonesian government; or• Has an agreement but the CbC report cannot be obtained by the Indonesian government.	Regulation issued on 30 December 2016 (effective for tax year beginning 1 January 2016)

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Further implementing guidance is expected to be issued by the tax authorities in regard to the CbC filing

Indonesia signed the Multilateral Competent Authority Agreement on the exchange of CbC reports on 26 January 2017.

Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Not yet known.	Not yet known
Multilateral Instrument (Action 15)	Applicable across all four categories	Indonesia signed the Multilateral Instrument (MLI) on 7 June 2017.	MLI implementation date not yet known

Unilateral BEPS Actions

The introduction of a GAAR may be under consideration.

In the past, the Director General of Taxation has issued requests to its counterparts to obtain information on related party transactions with Indonesian taxpayers.

Other Tax Developments

None.



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