

Indonesia

Transfer Pricing Country Profile¹

May 2025

		SUMMARY	REFERENCE
The Arm's Length Principle			
1	Does your domestic transfer pricing framework ² make reference to the arm's length principle?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Article 18 para. 3 of Income Tax Law Number 7 Year 2021 (in Bahasa Indonesia) concerning the fifth amendment of Law Number 7 Year 1983 and Article 2 to 13 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
2	Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The OECD TPG has no direct legal force in Indonesia. It is used as an interpretative tool to supplement domestic rules. It plays a strong role in MAP, APA, and treaty-based disputes. Where local regulations (PMK-172/2023, PER-32/PJ/2011) exist, they take precedence over OECD guidance.	Article 3 and 5 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation) PER-32/PJ/2011 (Director General of Taxes Regulation No. PER-32/PJ/2011)
3	Does your domestic transfer pricing framework provide for a	<input checked="" type="checkbox"/> Yes	

¹ Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

² For purposes of transfer pricing country profiles, the term "domestic transfer pricing framework" refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

	<p>definition of related parties applicable for transfer pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework.</p>	<p><input type="checkbox"/> No</p> <p>A related party relationship exists when one party has the ability to control or influence another party, either directly or indirectly, through:</p> <ol style="list-style-type: none"> 1. Ownership (Direct or Indirect Shareholding $\geq 25\%$) <ul style="list-style-type: none"> - If one taxpayer directly or indirectly owns at least 25% of another taxpayer, or - If two or more taxpayers are directly or indirectly owned by the same party that holds at least 25% in each entity. 2. Control through Management or Family Relationship <ul style="list-style-type: none"> - If one or more companies are under the same control due to ownership, management, or familial relationships. - A family relationship (blood or marriage up to the second degree) between individuals who have control over the companies. 3. Special Relationship Based on Economic Dependence <ul style="list-style-type: none"> - Even if no direct ownership or management control exists, an entity may still be considered a related party if there is a strong economic dependency between them. - For example, exclusive supplier/buyer relationships or financing arrangements that limit independence. 	<p>Article 18 para. 4 of Income Tax Law Number 7 Year 2021 (in Bahasa Indonesia) concerning the fifth amendment of Law Number 7 Year 1983</p> <p>Article 2 Paragraph 1 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p> <p>Article 1 (2) of Director General of Taxes Regulation PER-32/PJ/2011 (Director General of Taxes Regulation No. PER-32/PJ/2011)</p>
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Transfer Pricing Methods

4	<p>Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties?</p>	<div><div><input checked="" type="checkbox"/> Yes</div><div><input type="checkbox"/> No</div></div> <p>If affirmative, please check those provided for in your legislation:</p> <table><tr><th>CUP</th><th>Resale Price</th><th>Cost Plus</th><th>TNMM</th><th>Profit Split</th><th>Other (If so, please describe)</th></tr><tr><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td><td><input checked="" type="checkbox"/></td></tr></table>	CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p> <p>PER-32/PJ/2011 (Director General of Taxes Regulation No. PER-32/PJ/2011)</p> <p>OECD Transfer Pricing Guidelines (as supplementary guidance)</p>
CUP	Resale Price	Cost Plus	TNMM	Profit Split	Other (If so, please describe)										
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>										

		transactions. TNMM is the most commonly applied method in practice. Profit Split is rarely used but applicable in complex cases. Alternative methods may be used if justified.	
5	Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods?	<p>Please check all that apply:</p> <p><input type="checkbox"/> Hierarchy of methods</p> <p><input checked="" type="checkbox"/> Most appropriate method</p> <p><input type="checkbox"/> Other</p> <p>Taxpayers must select the most appropriate transfer pricing method based on the nature of the transaction, available data, and comparability. Traditional transaction-based methods (CUP, RPM, CPM) are preferred over profit-based methods (TNMM, PSM) when reliable data is available. FAR analysis and comparability studies are mandatory. Alternative methods require strong justification.</p>	<p>Article 4 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p> <p>PER-32/PJ/2011 (Director General of Taxes Regulation No. PER-32/PJ/2011)</p> <p>OECD Transfer Pricing Guidelines (as supplementary guidance)</p>
6	Does your domestic transfer pricing framework contain specific guidance on commodity transactions?	<p><input checked="" type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed.</p> <p><input checked="" type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities</p> <p><input type="checkbox"/> No</p> <p>For transactions involving coal commodities, the regulation suggests the use of quoted price.</p>	<p>the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p> <p>PER-32/PJ/2011 (Director General of Taxes Regulation No. PER-32/PJ/2011)</p> <p>Article 5 of the Government Regulation No. 15 Year 2022</p> <p>Indonesia's Transfer Pricing Audit Practices and Tax Court Cases</p>
Comparability Analysis			
7	Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>The economically relevant characteristics for determining arm's length price are:</p> <p>a. the contractual terms, whether written or unwritten;</p>	<p>Article 7 Paragraph 1 and Article 8 Paragraph 3 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>

		<ul style="list-style-type: none"> b. the function performed, assets used, and risks assumed by each of the parties to the transaction; c. the characteristics of products (goods or services); d. the economic circumstances; and e. the business strategies pursued by the parties <p>The comparability analysis as referred to in paragraph (1) is carried out through the following stages:</p> <ul style="list-style-type: none"> a. understand the characteristics of Transactions Influenced by Special Relationships that are being tested based on the results of identifying commercial and/or financial relationships between Taxpayers and Affiliated Parties and determining the business characteristics of each party to the transaction; b. identify the existence of Independent Transactions that are reliable potential comparators; c. determine the party whose price indicators are tested in the event that the Transfer Pricing method used is a profit-based method; d. identify differences in conditions between the Transactions Affected by Special Relationships being tested and potential comparables; e. make appropriate accurate adjustments to potential comparators to eliminate the material impact of differences in conditions as referred to in letter d on transaction price indicators; and f. determine the Independent Transactions that serve as the selected comparison. 	
8	<p>Is there a preference in your jurisdiction for domestic comparables over foreign comparables?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p>	<p>Article 8 Paragraph 9 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>
		<p>In the event that more than one external comparables with the same level of comparability and reliability is available, the external comparables originating from the same country or jurisdiction as the tested party is selected and used as the comparables.</p>	

9	Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No In existing regulation, there is no explicit restriction to the use of secret comparables. However, in practice, secret comparables are never used in the audit, litigation, or dispute settlement.	
10	Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Transfer Price indicator value may be in the form of arm's length point or arm's length range. Arm's length point is a price indicator point formed from one comparable or more than one comparables that have the same price/profit level indicator value. Arm's length range is formed from two or more comparables that have different price indicator values, either in the form of: <ul style="list-style-type: none"> a. Minimum to maximum value (full range), in the case of only two comparables; or b. Interquartile range (Q1-Q3), in the case of three or more comparables. 	Article 12 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
11	Are comparability adjustments required under your domestic transfer pricing framework?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Yes, if there is a difference between uncontrolled transactions and the controlled transaction being tested, an appropriate adjustment of the candidate of comparable(s) to eliminate the material impact of the difference in condition to the price is a required step in the comparability analysis.	Article 8 Paragraph 3 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
Intangible Property			
12	Does your domestic transfer pricing framework contain guidance specific to the pricing of	<input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? <input checked="" type="checkbox"/> Yes	Article 9 Paragraph 1 and Article 13 Paragraph 3 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

	controlled transactions involving intangibles?	<input type="checkbox"/> No <input type="checkbox"/> No Comparable uncontrolled transaction method and tangible asset and intangible asset valuation are the appropriate methods for transactions involving intangibles such as royalty or transfer of intangible asset. For special transactions involving intangible, proofs should be submitted regarding: a. the existence of intangible assets economically and legally; b. types of intangible assets; c. value of intangible assets; d. parties who legally owns the intangible assets; e. parties who economically owns the intangible assets; f. the explanation on use or right to use intangible property; g. parties who contribute and carry out development, enhancement, maintenance, protection and exploitation activities of intangible assets; and h. economic benefits obtained by the use of intangible assets.	
13	Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Hard-to-Value Intangibles			
14	Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)?³	<input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Article 13 Paragraph 3 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

³ In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

		<input type="checkbox"/> No	
		<p>Indonesia does not have any provisions concerning HTVI at this moment.</p> <p>However, Indonesia uses the OECD TPG in practice when resolving tax disputes, including articles on HTVI if such transaction causes tax dispute. Indonesia has established a legal framework under the provisions of PMK-172.</p> <p>Transfer Pricing (TP) Method Provision</p> <p>As outlined in Article 9, Paragraph 1 of PMK-172, Indonesia recognizes the valuation of intangible assets as part of its Transfer Pricing (TP) framework. Any valuation related to HTVI falls under this provision.</p> <p>Additionally, Indonesia's internal technical module from the Directorate of Evaluation and Extensification provides further guidance on the application of these regulations.</p>	
15	<p>If your jurisdiction applies the HTVI approach, what are the conditions for the application of the HTVI approach?</p>	<p>At the moment, Indonesia has no laws concerning HTVI. However, any transactions involving intangible must pass preliminary stage.</p> <p>Preliminary Stage</p> <p>According to Article 8 of PMK-172, any transaction involving intangible property must undergo a preliminary stage. The key aspects of this stage include:</p> <ol style="list-style-type: none"> The existence of the intangible asset The type of intangible asset The value of the intangible asset The party that legally owns the intangible asset The party that economically owns the intangible asset The use or right to use the intangible asset The parties contributing to and engaging in the development, enhancement, maintenance, protection, and exploitation of the intangible asset The economic benefits derived from the use of the intangible asset 	<p>Article 8 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>

16	Are transactions falling within the scope of the HTVI approach subject to a transfer pricing analysis different from the one established in Chapters I and VI, or to other compliance requirements specifically applicable to transfer prices (e.g. domestic anti-abuse rules)?	Since Indonesia does not have any specific provisions concerning HTVI at the moment, the transactions falling within the scope of the HTVI approach subject to a transfer pricing analysis align with the one established in Chapter I and VI of the OECD TPG.	
17	What is the statute of limitations applicable to transactions falling within the scope of the HTVI approach in your domestic transfer pricing framework? Does this statute of limitations differ from those applicable to other transactions?	<p>In general, the statute of limitations applicable to intangible transactions in Indonesia, including those involving Hard-to-Value Intangibles (HTVI), is the same as that for all other transactions. PMK-172/2023 does not provide a separate or extended statute of limitations for HTVI transactions. Instead, it follows the general rules set forth in Indonesia's tax laws regarding the period in which transfer pricing adjustments can be made.</p> <p>According to Article 13(1) of Law No. 6 of 1983 on General Provisions and Tax Procedures (UU KUP), as amended by Law No. 7 of 2021 on the Harmonization of Tax Regulations, tax authorities in Indonesia may issue tax assessments, including transfer pricing adjustments, within five years from the end of the tax year in which the tax obligation arose.</p>	Law No. 6 of 1983 on General Provisions and Tax Procedures (UU KUP lastly amended by Law No. 7 Year 2021 on Harmonization of Tax Regulations.
18	Can taxpayers request a bilateral or multilateral advance pricing agreement (“APA”) for transactions falling within the scope of the HTVI approach under your domestic transfer pricing framework?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Yes. APAs are well-suited too for addressing Hard-to-Value Intangibles (HTVI) transactions, as they facilitate cooperation between taxpayers and tax authorities, reducing information asymmetry and ensuring a comprehensive review of the ex ante valuation. PMK-172/2023 allows for bilateral and multilateral APAs, which can provide certainty that covered HTVI transactions will not be subject to future adjustments, as long as the agreed terms and critical assumptions remain valid.</p>	Article 55 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
19	What measures exist or approaches have been adopted to avoid the use of hindsight (e.g. training of tax administrators, internal circulars/informative notes)?	PMK-172/2023 does not explicitly outline specific measures to prevent the use of hindsight in transfer pricing audits. However, the regulation emphasizes the arm's length principle and requires that transfer pricing documentation be prepared based on information available at the time of the transaction.	Article 17 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

20	Is it possible for your tax administration to make adjustments under the HTVI approach in open years amounts pertaining to closed years?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No See the explanation in the response to the question 17 above.	Article 13(1) of Law No. 6 of 1983 on General Provisions and Tax Procedures (UU KUP) lastly amended by Law No. 7 Year 2021 on Harmonization of Tax Regulations.
21	Does your domestic transfer pricing framework allow the tax administration to make corresponding adjustments under the HTVI approach in open years for amounts pertaining to closed years?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>Domestic legislation and regulations do not permit corresponding adjustments under the HTVI approach in open years for amounts related to closed years. PMK-172/2023 follows the general five-year statute of limitations under Article 13(1) of UU KUP, preventing transfer pricing adjustments once the period expires. However, adjustments may still be made for ongoing transactions affecting open years (e.g., royalty payments).</p> <p>If a Mutual Agreement Procedure (MAP) request is submitted under a tax treaty, corresponding adjustments could be considered through bilateral discussions. However, absent a MAP request, Indonesia's tax administration would not generally make such adjustments beyond the statutory period.</p>	
22	Is it possible for your tax administration to make several adjustments for one single HTVI transaction under the HTVI approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	-
Intra-group Services			
23	Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions?	<input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No <p>For special transactions involving intra-group service, proofs should be submitted that the service:</p> <p>a. has been delivered by the service provider and received by the service recipient;</p>	Article 13 Paragraph 1 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

		<ul style="list-style-type: none"> b. is required by the service recipient; c. provides economic benefits to service recipients; d. is not an activity for the benefit of shareholders; d. is not an activity that provides benefits to a party solely because the party is part of a business group (passive association); e. is not a duplication of activities that have been carried out by the Taxpayers themselves; f. is not a service that provides incidental benefits; and g. in the case of on call services, it is not a service that can be obtained immediately from an independent party without an existing “on call” contract. 	
24	Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services?	<input type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No	
		In practice, Indonesia encounters low value-adding services (LVAS) transactions in resolving international tax dispute cases and refers to the OECD TPG in the analysis. However, the regulation regarding LVAS is yet to be established.	
25	Are there any other rules outside your transfer pricing framework for pricing intragroup services?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Financial Transactions			
26	Does your domestic transfer pricing framework provide	<input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG? <input checked="" type="checkbox"/> Yes	Article 13 para 4 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation) regarding loan or borrowing cost.

	<p>guidance specific to financial transactions?</p>	<p><input type="checkbox"/> No</p> <p><input type="checkbox"/> No</p> <p>For special transaction involving loan or borrowing cost, proofs should be submitted that the loan:</p> <ul style="list-style-type: none"> a. form is in accordance with the substance and actual condition; b. is required by the borrower; c. is used to obtain, maintain, and collect income in accordance with income tax law; d. meets the characteristic of loan, including: <ul style="list-style-type: none"> 1. the creditor(s) recognize the loan economically and legally; 2. the existence of maturity date of the loan; 3. the existence of obligation to repay the loan principal; 4. there is payment(s) according to the payment schedule that has been set both for the principal loan and the yield; 5. when such loan is obtained, the borrower has the ability to: a) get the loan from an independent creditor; and b) repay the loan principal and loan yield as an independent debtor do; 6. based on a covenant made in accordance with applicable laws and regulations; 7. the existence legal ramification if the borrower fails to return the loan principal and / or the return; and 8. the existence of right to claim for lenders as an independent creditor has; and e. provides economic benefits to the loan recipient. <p>Furthermore, for other financial transactions, proofs should be submitted that the loan:</p> <ul style="list-style-type: none"> a. conformity of other financial transactions with substance and actual conditions; b. types of other financial transactions; c. economic and legal recognition by the parties involved in other financial transactions; d. motives, purposes, and economic rationale of other financial transactions; and e. expected benefits from other financial transactions. 	<p>Article 13 Paragraph 5 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation) regarding other financial transactions.</p>
27		<p><input checked="" type="checkbox"/> Yes</p>	

	<p>Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions? <i>(e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</i></p>	<p><input type="checkbox"/> No</p> <p>The Director-General of Taxes has the authority to reclassify debt as equity. This reclassification may be based on a comparison of the company's debt-to-equity ratio with that of independent parties or other relevant data. Consequently, interest expenses on such reclassified debt become non-deductible, and for shareholders, the payments are treated as dividends subject to taxation.</p> <p>Indonesia currently follows Minister of Finance Regulation Number 169/PMK.10/2015, which has provided guidance on thin capitalization rules since 2015 by establishing a prescribed debt-to-equity ratio for income tax purposes.</p> <p>Following the enactment of Tax Law Number 7 of 2021 on the Harmonization of Tax Regulations, Indonesia has committed to shifting its approach from thin capitalization rules to earnings stripping limitations in alignment with BEPS Action Plan 4. This transition, which will use a net interest/EBITDA threshold, is currently in progress.</p>	
Cost Contribution Arrangements			
28	<p>Does your jurisdiction allow cost contribution arrangements?</p>	<p><input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG?</p> <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> No</p> <p>For special transaction involving cost contribution agreement, proofs should be submitted that the cost contribution agreement:</p> <ul style="list-style-type: none"> a. is entered into as per the agreement between independent parties; b. is required by the parties entering into the agreement; and c. provides economic benefits to the parties entering into the agreement. 	<p>Article 13 para 8 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation) regarding cost contribution agreement</p>

Transfer Pricing Documentation

29	<p>Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <p><input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input type="checkbox"/> Other</p> <p>Taxpayers must apply the Arm's Length Principle in the exercise of rights and the fulfilment of obligations in the field of taxation related to Uncontrolled Transactions Influenced by a Special Relationship.</p> <p>Article 16 para (1) and (2) of the Minister of Finance Regulation Number 172 Year 2023 (in unofficial English translation)</p> <ol style="list-style-type: none"> 1. The Taxpayers referred to in Article 3 paragraph (1) must maintain and retain documents containing data and/or information to support that the transactions conducted with related parties conform to the Arm's Length Principle. 2. Documents containing data and/or information to support that the transactions conducted with related parties conform to the Arm's Length Principle referred to in paragraph (1) shall be Transfer Pricing Documentation which consists of: <ol style="list-style-type: none"> a. master file; b. local file; and c. country-by-country report 	<p>Article 3 para (1) of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>
30	<p>Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for</p>	<p>Timing for availability:</p> <ol style="list-style-type: none"> a. Masterfile and local file: 4 months after the fiscal year ended; b. CbCR: 12 months after fiscal year ended. 	<p>Article 18 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>

	preparation or submission, languages, etc.)	<p>Timing for submission:</p> <p>a. Masterfile and local file: on request by Directorate General of Taxes (DGT);</p> <p>b. CbCR: together with the submission of subsequent year's tax return and taxpayer is obliged to submit CbCR and its notification electronically, at the latest, 12 months after the fiscal year ended.</p> <p>Indonesia has fully adopted the guidance of the OECD Transfer Pricing Guidelines into the Domestic Tax Regulation.</p> <p>Transfer Pricing Documentation must be made in the Indonesian language, unless a permission has been obtained from the Minister of Finance to make it in the foreign language.</p>	
31	Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?	<p><input checked="" type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Indonesia has penalties on failure of submitting or late to submitting the CbCR on time. The Penalties are:</p> <p>1. The Annual Tax Return is considered incomplete (so the Annual Tax Return is considered not being submitted in accordance with Article 3 paragraph (7) of the General Provisions and Tax Procedures Law). The penalty for not submitting the annual corporate income tax return is IDR 1 000 000 Article 7 paragraph (1) of the General Provisions and Tax Procedures Law.</p> <p>If a written warning has been issued, further inspection will be carried out. If the result of the examination results in a transfer pricing correction, an Underpaid Tax Assessment Letter Article 13 paragraph (1) letter b will be issued with a penalty in the form of an increase of 50% Article 13 paragraph (1) jo. Article 13 paragraph (3) of the General Provisions and Tax Procedures Law.</p>	Article 28 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
32	Does your domestic transfer pricing framework provide for exemption from transfer pricing documentation obligations?	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>A taxpayer who meets the following criteria is exempt from transfer pricing documentation obligation:</p> <p>a. annual gross turnover in the preceding taxable year no more than IDR 50 billion;</p>	Article 16 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

		<p>b. annual value of related party transaction in the preceding taxable year: 1. no more than IDR 20 billion for tangible goods transaction; or 2. no more than IDR 5 billion for each of service provision, interest payment, utilization of intangible goods, or any other related party transactions; or</p> <p>c. have no related party transaction in a country or jurisdiction with income tax rate lower than the income tax rate as referred to in Article 17 of Income Tax Law.</p> <p>For Income Tax Rates as stated in the Income Tax Law, the rate has been changed in to the new rates in the Tax Harmonization Law Number 7 of 2021. The rates are mentioned in Article 17 point 1 Tax Harmonization Law Number 7 of 2021:</p> <p>a. Domestic individual taxpayers as follows:</p> <ol style="list-style-type: none"> 1. up to IDR 60 000 000 (sixty million rupiahs) 5% (five percent) 2. above IDR 60 000 000 (sixty million rupiahs) up to IDR 250 000 000 (two hundred and fifty million rupiah) 15% (fifteen percent) 3. above IDR 250 000 000 (two hundred and fifty million rupiah) up to IDR 500 000 000 (five hundred million rupiah) 25% (twenty five percent) 4. above IDR 500 000 000 (five hundred million rupiah) up to IDR 5 000 000 000 (five billion rupiah) 30% (thirty percent) above IDR 5 000 000 000 (five billion rupiah) 35% (thirty five percent) <p>b. Domestic corporate taxpayers and permanent establishments: 22% (twenty two percent) which will come into effect in the fiscal year 2022.</p> <p>The current APA regulation no longer requires a taxpayer to submit a separate Annual Compliance Report, but it requires taxpayers to prove their APA compliance through TP documentation. Therefore, a taxpayer that has an APA agreement with DGT is no longer exempt from transfer pricing documentation for the specific transaction that is covered in the APA.</p>	
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Administrative Approaches to Avoiding and Resolving Disputes

33	Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?	<p>Please check those that apply:</p> <p><input checked="" type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement or cooperative compliance programmes</p> <p><input checked="" type="checkbox"/> Advance Pricing Agreements (APA)</p> <p><input checked="" type="checkbox"/> Unilateral APAs</p> <p><input checked="" type="checkbox"/> Bilateral APAs</p> <p><input checked="" type="checkbox"/> Multilateral APAs</p> <p><input type="checkbox"/> International Compliance Assurance Programme (ICAP)</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input type="checkbox"/> Other</p> <p>For further information, please refer to Mutual Agreement Procedure Profiles.</p>	Indonesia OECD MAP Profile
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Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities

34	Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and distribution activities in the relevant Annex of Chapter IV of the TPG?⁴	<p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> Other</p>	
		Currently, it is under consideration and being evaluated	

⁴ In the case of jurisdictions that do not apply the simplified and streamlined approach (i.e. they responded “no” to question 34), it is not necessary to respond to questions 35, 36 and 38 and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

37	Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>However, as of February 2025, there is neither regulation nor official policy announcement concerning the application of the simplified and streamline approach.</p>	
Safe Harbours and Other Simplification Measures			
39	Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Other Legislative Aspects or Administrative Procedures			
40	Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>The corresponding adjustment is only performed through the Mutual Agreement Procedure. However, domestic corresponding adjustment is possible for a domestic taxpayer who is a counterparty in a transaction with another domestic taxpayer provided that the transaction has been adjusted by the tax auditor</p>	Article 40 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)
41	Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Other	

		<p>Indonesia does not have specific transfer pricing provisions that explicitly stipulate year-end adjustments. However, under Article 4 of the General Provisions and Tax Procedures Law (UU KUP), taxpayers are required to apply the self-assessment system, which must reflect the facts and circumstances.</p> <p>Furthermore, Article 4 of PMK-172/2023, the application of the Arm's Length Principle shall be carried out at the time of the transfer price is determined and/or when the Transaction Influenced by a Special Relationship occurs (ex-ante basis).</p>	
42	<p>Does your domestic transfer pricing framework provide for secondary adjustments?</p>	<p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p>Based on the Article 37 of the Minister of Finance Regulation No. 172/PMK.010/2023, in the event that a discrepancy is found between the value of Transactions Influenced by a Special Relationship which does not comply with the Arm's Length Principle and the value of Transactions Influenced by a Special Relationship which comply with the Arm's Length Principle, this discrepancy constitutes an indirect distribution of profits to Affiliated Party which is treated as dividends.</p> <p>The indirect sharing of profits to Affiliated Party which is treated as dividends is subject to income taxes pursuant to the provision of laws and regulations in the field of taxation.</p>	<p>Article 37 of the Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)</p>

Attribution of Profits to Permanent Establishments

43	Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain?	<input checked="" type="checkbox"/> Article 7 as it read before 2010. <input checked="" type="checkbox"/> 71 tax treaties <input type="checkbox"/> Article 7 as it reads after 2010. <input type="checkbox"/> If so, please indicate in how many treaties: <input type="checkbox"/> Other	Tax treaties signed by Indonesia
44	For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Indonesia does not follow AOA for PE profit attribution in all its 71 tax treaties. Indonesia tax treaties follow the “directly attributable” approach, meaning profits are allocated to a permanent establishment based on income and expenses directly connected to it.	
45	Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.	<input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments <input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments <input type="checkbox"/> Yes, they do not follow the AOA <input checked="" type="checkbox"/> No	
		Indonesia implements three methods in the attribution of profit to Permanent Establishment as stated in the Income Tax Law Article 5 paragraph 1 and in the Indonesian Tax Treaties: 1. The principle of Attribution Income is that the income from the business or activity of the permanent establishment is from assets owned or controlled; 2. The principle of force of attraction income is that the tax object on Permanent Establishment also includes head office profits from the sale of goods or other transactions that has the same type as those carried out by the Permanent Establishment in the source country; 3. The principle of effectively	

		connected income, income received or earned by the head office, as long as there is an effective relationship between the permanent establishment and the assets or activities that provide the said income.	
Other Relevant Information			
46	Other legislative aspects or administrative procedures regarding transfer pricing	N/A	
47	Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>)	N/A	The Minister of Finance Regulation Number 172 of 2023 (in unofficial English translation)

For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>