

February 2018

▪ DGT Regulation No. 29/PJ/2017



Country-by-Country Report  
Procedures

DGT Regulation No. 29/PJ/2017

The Minister of Finance issued Regulation No. 213/PMK.03/2016 in December 2016 outlining transfer pricing documentation requirements. (See our January 2017 News Alert for a discussion of that regulation.) To provide further guidance, the Director General of Tax (“DGT”) issued Regulation No. 29/PJ/2017 on 29 December 2017 concerning procedures to manage the country-by-country report (“CbCR”). The CbCR contains aggregate information on each entity in a business group, such as revenue, profit and taxes paid. The information contained in the CbCR is based on information available at the end of the tax year.

A brief summary of those situations when an Indonesian taxpayer is required to submit a CbCR is provided in the following table.

STATUS	CRITERIA	TIMING FOR CbCR SUBMISSION
<b>Indonesian taxpayer is Parent Entity* of the Business Group</b>	At least IDR 11 trillion in gross turnover	12 months after end of FY
<b>Indonesian taxpayer is Constituent Entity; Parent Entity* is a foreign taxpayer</b>	Country where the Parent Entity is domiciled: – doesn’t require CbCR – has no QCAA with Indonesia	12 months after end of FY of Parent Entity
	– has QCAA, but CbCR cannot be obtained	Within 3 months after announcement of countries from which a CbCR cannot be obtained

\* Criteria for a Parent Entity are discussed in sections 2 and 3 below.

**1. General definitions**

**Business Group:** A group of companies conducting business where the parties have a special relationship.

**Parent Entity:** A member of a Business Group which directly or indirectly owns one or more members of the Business Group and it is required to prepare a consolidated financial statement based on the accounting standards in Indonesia, or if the Parent Entity is a foreign taxpayer, the accounting standards applicable in its country of domicile.

**Constituent Entity:** The Parent Entity and members of the Business Group which are included in the CbCR. An Indonesian taxpayer will be considered a Constituent Entity if it is:

- i. A company that is included in the consolidated financial statement of a multinational Business Group;
- ii. A member of a multinational Business Group excluded from the financial statement solely due to its size or materiality; or

- iii. A permanent establishment (“PE”) of a multinational Business Group member included in (i) or (ii) above and the PE prepares a separate financial statement for, e.g., tax reporting purposes.

**Qualifying Competent Authority Agreement (“QCAA”):** An agreement between the Government of Indonesia and another country which requires parties to exchange CbCRs automatically.

## **2. Where the Indonesian taxpayer is the Parent Entity of the Business Group**

A CbCR is required to be submitted by an Indonesian taxpayer if:

- i. It is the Parent Entity of a Business Group; and
- ii. It has consolidated gross turnover of at least IDR 11 trillion (approx. €750 million) in the relevant tax year.

A Parent Entity in this scenario:

- i. Is not owned directly or indirectly by a Constituent Entity in the Business Group; or
- ii. Is owned directly or indirectly by another entity, but that entity is not required to consolidate the financial statement of the Parent Entity.

The CbCR is to be submitted 12 months after the end of the fiscal year (“FY”).

## **3. Where the Indonesian taxpayer is a Constituent Entity and the Parent Entity is a foreign taxpayer**

If the Indonesian taxpayer is a Constituent Entity of a Business Group and the Parent Entity is a foreign taxpayer (as defined below), the Indonesian taxpayer has the obligation to submit the CbCR if the country where the Parent Entity is domiciled:

- a. Has no obligation to provide the CbCR;
- b. Has an agreement with the Indonesian government in relation to the exchange of tax information, but has no QCAA; or
- c. Has a QCAA, but the Indonesian government cannot obtain the CbCR from that country due to a delay in the automatic exchange of information or a systemic failure, such as a persistent failure to automatically provide the CbCR.

For (a) and (b), the Indonesian taxpayer must submit the CbCR within 12 months after the end of the FY of the Parent Entity; for (c), the Indonesian taxpayer must submit the CbCR within three months after the announcement of countries from which the CbCR cannot be obtained. At the end of every year, the DGT will announce the list of countries with which Indonesia has (i) an International Agreement, (ii) QCAA, and (iii) QCAA, but the CbCR cannot be obtained. If the CbCR is still not obtained, the Director of International Tax will formally request the taxpayer to submit the CbCR within 30 days.

A Parent Entity which is a foreign taxpayer as intended above, is a Parent Entity which meets the following criteria:

- i. It owns directly or indirectly one or more Constituent Entities;
- ii. It is required to prepare consolidated financial statements based on the accounting standards in its country of domicile;
- iii. It is not owned directly or indirectly by another Constituent Entity in the Business Group, or it is owned directly or indirectly by another entity, but the other entity is not required to consolidate the financial statement with the concerned entity; and
- iv. It has consolidated gross turnover for the relevant year equivalent to €750 million (exchange rate as of 1 January 2015) if the country of domicile does not require submission of a CbCR, or such other threshold determined by the concerned entity’s country of domicile.

If one of these four criteria is not met, the Indonesian taxpayer, as the Constituent Entity, is not required to submit the CbCR of the Parent Entity, even if one of the three conditions stated in a-c above exists.

#### 4. **Appointment of Surrogate Parent Entity**

A Parent Entity which is a foreign taxpayer can appoint another foreign Constituent Entity as a Surrogate Parent Entity ("Surrogate") to prepare the CbCR. In that event, the Indonesian taxpayer does not have to submit the CbCR if:

- i. It files notification of appointment of the Surrogate; and
- ii. The country where the Surrogate is domiciled (a) requires a CbCR and (b) has a QCAA with the Government of Indonesia and the CbCR can be obtained.

#### 5. **Notification and submission of CbCR**

Every Indonesian corporate taxpayer which is a Constituent Entity or has related party transactions must notify the DGT if it is required to submit a CbCR or not. The notification is done through a standard form which must be submitted no later than:

- a. For FY 2016: 16 months after the end of FY 2016
- b. For FY 2017 and after: 12 months after the end of the FY

The notification is submitted through the DGT's online system ("DJP Online"), or manually if DJP Online cannot be used.

If an Indonesian taxpayer is required to submit a CbCR, the CbCR must be submitted together with the notification. The CbCR must be accompanied by a work sheet in the form of softcopy using XML (Extensible Markup Language) format.

The receipt evidencing submission of the notification form must be attached to the corporate income tax return.

### Country-by-Country Report Procedures (cont.)

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