



INDONESIA

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1. INTRODUCTION

a. Forms of Legal Entity

The typical legal structures found in an M&A context in Indonesia include:

- ❖ Corporate taxpayers (commonly known as Perusahaan Terbatas or “PT”) with capital, which is divided into shares;
- ❖ Registered foreign companies, established or domiciled abroad;
- ❖ Taxpayers that have not yet gone public, but intends to conduct an initial public offering of shares;
- ❖ Taxpayer that has gone public (commonly known with additional Terbuka or “Tbk” behind the name of the listed company), in that all entities resulting from the business expansion have conducted an initial public offering of shares;
- ❖ Corporate taxpayers performing a separation of a sharia business unit;
- ❖ Resident corporate taxpayers, a business entity resulting from an expansion that obtains additional capital from a foreign investor of at least IDR500 billion;
- ❖ A state owned enterprise taxpayer receiving additional capital from the state of the Republic of Indonesia, when a business expansion is conducted related to the establishment of a holding company of a state owned enterprises;
- ❖ A permanent establishment conducting activities in the banking business; and
- ❖ Joint ventures.

b. Taxes, Tax Rates

The main taxes imposed in Indonesia, in the context of M&A, are taxes on land and building transfers, duty on the acquisition of land and building rights (“BPHTB”), and Corporate Income Tax (“CIT”) on the gains from the sale of assets. In accordance with the VAT provisions, the delivery of taxable goods in the context of a merger is not subject to VAT.

Tax on Land and Building Transfers

A transfer of land and buildings will give rise to final income tax on the deemed gain on the transfer/sale to be charged to the transferor company. The final tax is set at 2.5% of the gross transfer value (tax base). However, for transfers of simple houses and apartments conducted by taxpayers engaged in the property development business, the tax rate is 1%.



Corporate Income Tax (“CIT”)

The Corporate Income Tax (“CIT”) rate is a flat rate of 22%. Public companies that satisfy a minimum listing requirement of 40% and other conditions, are entitled to a tax reduction of 3% off the standard rate, giving them an effective tax rate of 19%. Small enterprises, (i.e. corporate taxpayers with an annual turnover of not more than IDR50 billion), are entitled to a 50% discount on the standard tax rate, which is imposed proportionally to the taxable income of the part of the gross turnover of up to IDR4.8 billion.

Duty on Land and Building Rights (“BPHTB”)

In a land and building transfer, the acquirer is liable for BPHTB at a maximum of 5% of either the market (transaction) value or the government determined value (“NPOP”), whichever is greater. The tax due is determined by applying the applicable rate of a maximum of 5% to the relevant NPOP, minus an allowable non-taxable threshold.

Value Added Tax (“VAT”)

The VAT rate in Indonesia increased from 10% to 11% on 1 April 2022 and will rise to 12% by 1 January 2025. However, the transfer of assets as a result of M&A is not subject to VAT.

c. Common divergences between income shown on tax returns and local financial statements

Taxable business profits are calculated on the basis of normal accounting principles, modified by certain tax adjustments. Generally, a deduction is allowed for all expenditures incurred to obtain, collect and maintain taxable business profits. The fiscal adjustments can create either a temporary or permanent difference to the taxable income.



2. RECENT DEVELOPMENTS

Transfer Pricing

Transactions between related parties must be in accordance with the arm's length principle. If this principle is not followed, the Directorate General of Taxes ("DGT") is authorised to recalculate the taxable income or deductible costs arising from such transactions, applying the principle.

The number of tax audits with transfer pricing as the key focus has continued to increase, following the issue of regulations related to transfer pricing. The DGT has issued detailed guidelines that broadly follow the Organisation for Economic Co-Operation and Development ("OECD") principles. Transactions under particularly close scrutiny include payments of royalties and technical or management services fees, inter-company services, royalty and financing transactions, and exports to related parties.

Should a taxpayer have no documentation available to substantiate these transactions, there is a high risk the payments will be denied in full.

Under Harmonisation of Tax Regulations Law (commonly known as UU Harmonisasi Peraturan Perpajakan or UU HPP, "UU HPP"), discrepancies from transfer pricing adjustments would be considered as taxable dividends in accordance with the prevailing tax laws and regulations.

COVID-19

The Indonesian government, through various regulations, provided several tax incentives in response to COVID-19. The one that may be most relevant in an M&A context is the 50% reduction of monthly tax instalments that is valid for the January 2022 to June 2022 fiscal periods.

A 50% reduction of monthly tax instalments will be provided to taxpayers whose business codes ("KLU") are in the list of MoF number 3/PMK.03/2022. To enjoy this incentive, the taxpayer has to submit a notification letter to the tax office through the DGT's online channel.



3. SHARE ACQUISITION

a. General Comments

In a merger, the surviving company will acquire the shares of the transferor company. Meanwhile, an acquisition will involve a legal entity in the form of company or other entity or an individual, to acquire all the shares or majority of the shares from the seller.

If the sale price is higher than the original price of shares, this results in a capital gain for the transferor company or the seller.

From a buyer's perspective:

The buyer or the surviving company receives the shares owned by the transferor company along with the liabilities and tax payables. It is common for the buyer to conduct tax due diligence to provide the buyer with information about the inherent tax liabilities and any outstanding tax disputes.

From a seller's perspective:

The seller or the transferor company transfers its shares to the surviving company.

The income from the difference between the transferred price and the original price of shares transferred can be considered as capital gain received by the transferor company.

In a share acquisition, the capital gain received by the seller is subject to CIT at a rate of 22%. If the seller is an individual then the capital gain received by the seller is subject to Individual Income Tax at a maximum rate of 35%.

b. Tax Attributes

Under the regulations of business mergers, carried forward losses of the transferor company will be expire at the time of acquisition.

c. Tax Grouping

There is no tax grouping in Indonesia.

d. Tax Free Reorganisations

There are no Tax Free Reorganisations in Indonesia.

e. Purchase Agreement

This section is left intentionally blank.



f. Transfer taxes on share transfers (including mechanisms for disclosure and collection)

The proceeds from sales of shares listed on the Indonesian stock exchange are subject to a final Withholding Tax (“WHT”) at 0.1% of the gross sales consideration. An additional tax of 0.5% applies to the share value of founder shares at the time an initial public offering takes place, irrespective of whether the shares are held or sold. The shareholder may elect not to pay this tax, in which case the actual gain will be subject to CIT at the time the shares are sold. In addition, a nominal stamp duty of 10,000 Indonesian Rupiah is imposed on any notarial deeds, documents evidencing or recording the receipt of money and securities instruments.

g. Share Purchase Advantages

The share purchase is a straight forward action which requires a share valuation from the independent appraisal to determine the share price.

h. Share Purchase Disadvantages

The main disadvantage of the share purchase is to work out of any commercial liabilities and tax liabilities which transfer to the buyer. In the event of a tax audit, the tax liabilities may increase and the dispute resolutions may take up to five years until the taxpayer receive the final decision.



4. ASSET ACQUISITION

a. General Comments

Article 10 paragraph 3 of Law No.36 of 2008 on Income Tax - as amended by Law No.7 of 2021 - states that the acquisition value or transfer of assets during a liquidation, merger, consolidation, expansion, division or acquisition shall be the amount that should be incurred or received based on the market price, unless otherwise stipulated by the Minister of Finance.

Under this article, in principle, if there is any transfer of assets, the value of the transferred assets shall be based on the market price. Such transfers may be conducted for business expansion in the form of a merger, consolidation, expansion, division or acquisition. In addition, such transfers may be conducted for business liquidation or other reasons. The difference between the market price and the remaining book value of the transferred property shall be the income on which tax may be levied.

From a buyer's perspective:

The acquirer, or the surviving company, will receive transferred assets from the transferor company.

A transfer of land and building rights will typically also give rise to duty on the acquisition of land and building rights (Bea Pengalihan Hak atas Tanah dan Bangunan, "BPHTB") liability for the surviving company as the party receiving or obtaining the rights.

The acquisition of rights over land and buildings transferred in the context of a business merger is subject to BPHTB at a rate of 5% on the transfer value.

From a seller's perspective:

The difference between the sales price and the remaining book value of the transferred assets (other than land and building) shall be the income of the surviving company subjected to Corporate Income Tax ("CIT") at a rate of 22%.

Transfers of assets in the form of land and buildings are subject to Final Income Tax at a rate of 2.5% on the transfer value. Final Tax is imposed on the transferor company or the seller.

b. Purchase Price Allocation

The value of the transferred assets in the framework of merger or acquisition shall be the amount based on the market price, unless otherwise stipulated by the Minister of Finance.

Market value of the assets may be stipulated by an appraisal service provider licensed by the Government. If the market value stipulated by the appraiser clearly does not reflect the actual condition, the Director General of Taxation shall recalculate the market value or fair value of such assets.

Transfers of assets in business mergers, consolidations, splits, or acquisitions must generally be dealt with at market value. Gains resulting from this kind of restructuring are assessable, while losses are generally claimable as a deduction from income.



c. Tax Attributes

In general, gains resulting from the transfer of assets are subject to CIT at a rate of 22%. Likewise, losses arising from the transfer of assets are tax deductible. The gain or loss from the transfer is calculated from the proceeds minus the book value of the asset.

Transfers of assets in the form of land and buildings are subject to Final Income Tax at a rate of 2.5% on the transfer value. Final Tax is imposed on the transferor company / the seller.

The acquisition of rights over land and/or buildings is subject to BPHTB. BPHTB is based on the Tax Object Acquisition Value (Nilai Perolehan Objek Pajak/NPOP), which in most cases is the higher of the market (transaction) value or the Sales Value of Taxable Object (Nilai Jual Objek Pajak, "NJOP") of the land and building rights concerned. The tax due on a particular event is determined by applying the applicable duty rate of a maximum of 5% to the relevant NPOP, minus an allowable non-taxable threshold. The non-taxable threshold amount varies by region. The minimum is IDR80 million, except in the case of an inheritance, which starts at IDR300 million. The Government may change the non-taxable threshold as per regulations.

d. Tax Free Reorganisations

A tax neutral merger or consolidation, under which assets are transferred at book value, can be conducted but is subject to the approval of the DGT. Upon submission of the request to the DGT, the taxpayer shall complete a certain list of documents and pass a business purpose test.

e. Purchase Agreement

This section is left intentionally blank.

f. Depreciation and Amortisation

Depreciation or amortisation of assets which are received by taxpayers who use book value for the transfer of assets in the context of a merger, consolidation, expansion, or takeover, after obtaining approval of the Director General of Taxation, shall be performed based on the remaining useful life as indicated in bookkeeping of the party which transfers the assets.

Expenses related to business establishment or expansion can either be claimed as an expenses during the year or amortised. Pre-operational expenses with a useful life of more than one year should be capitalised and amortised accordingly.



g. Transfer Taxes, VAT

Article 1A paragraph 2 letter d of Value Added Tax (“VAT”) Law No.42 of 2009, as last amended by Law No.7 of 2021, stipulates that delivery of taxable goods in the framework of a business merger, consolidation, expansion, spin-off or acquisition is not included in the definition of delivery of taxable goods. Thus, the transfer of assets in the context of merger and acquisition is not subject to VAT.

h. Asset Purchase Advantages

The historical risks and liabilities of the company are transferred to the acquirer company. Transfers of assets in the context of merger and acquisition are not subject to VAT as described above.

i. Asset Purchase Disadvantages

An acquirer potentially faces the greater duty liability of a business sale. The transferor company is likely to strongly favour a share sale, and this may impact the commercial negotiation of the deal.



5. ACQUISITION VEHICLES

a. General Comments

There are no restrictions on the buyer side. However, a foreign investor shall be evaluated by the Indonesian Investment Coordinating Board (Badan Koordinasi Penanaman Modal or “BKPM”) on the proposed investment during the establishment of a foreign investment company. If a foreign company wishes to acquire an existing Indonesian company, the foreign company shall verify whether the line of business of the existing Indonesia company is open for foreign investment.

b. Domestic Acquisition Vehicle

This section is left intentionally blank.

c. Foreign Acquisition Vehicle

This section is left intentionally blank.

d. Partnerships and joint ventures

The formation of a joint venture (“JV”) is a co-operative effort carried out by two or more companies. The JV development process produces a new business entity whose position is separate from the type of business of the companies involved in it. The new entity formed by the JV can be in the form of a limited liability company, corporation, or partnership. Each party who is a member of a JV is responsible for losses, costs, or profits that occur as a result of the JV’s business activities.

Domestic and foreign investment made in the form of a limited liability company is carried out by taking a share of shares at the time of establishment of the limited liability company.

Joint ventures are considered to have investment activities from both foreign and domestic capital. Joint venture activities involving foreign capital are considered as Foreign Investments (“PMA”). On the other hand, joint venture activities involving domestic companies are considered as Domestic Investment (“PMDN”).

In Indonesia, there is no law that explicitly discusses the regulation of joint ventures. However, implicitly, joint ventures are covered by Law No.25 of 2007 concerning Investment.

Merger activity in Indonesia is not typically undertaken using unincorporated JVs or partnerships in which there is a co-operation or establishment of a new business activity or project that takes place within a certain period of time.

e. Strategic vs Private Equity Buyers

This section is left intentionally blank.



6. ACQUISITION FINANCING

a. General Comments

An acquisition funded by a loan is subject to a debt to equity Ratio (“DER”) of 4:1. A taxpayer that obtains a loan and would like to use the relevant interest as a deduction is required to submit the DER calculation report. If the loan is from overseas, the taxpayer has to attach a report on the foreign loan along with the Corporate Income Tax (“CIT”) return submission.

b. Foreign Acquirer

Shareholders in a Limited Liability Company (“PT”) may decide to sell all or part of their shareholding to foreign investors or foreign companies. However, the status of the legal entity must be changed to become a Foreign Investment Company (“PMA”).

The legal position of a non-PMA company after its shares are purchased or acquired by a Foreign Citizen (“WNA”) or a Foreign Legal Entity is that the non-PMA company turns into a PMA company, but only after the administrative requirements have been met, including an application for a change of status to the Head of BKPM.

The foreign investor must be in the form of a legal entity and it must meet one of the criteria specified in the Investment Law.

In addition to the minimum authorised capital requirement of IDR10 billion, a PT or PMA is also required to deposit 25% of the capital, or IDR2.5 billion, as paid-in capital. This paid-in capital can then be used for all PT and PMA business activities.

c. Debt

Other than the requirement of a debt to equity ratio (DER) of 4:1 as referred to above, taxpayers that have foreign private debts must report the amount of those debts to the Director General of Taxation. If the taxpayer does not deliver a report, the costs of the loan payable on the foreign private debts cannot be deducted in calculating taxable income.

Debts shall be taken as the average balance of debts in one fiscal year or in part of a fiscal year, calculated based on the average balance of debts at the end of every month in the related fiscal year or average balance of debts at the end of every month in part of the related fiscal year. The balance of debts shall cover the balance of long term debts or balance of short term debts including the balance of account payable, which is charged with interest.

If a loan is procured from a related party, the taxpayer also has to ensure that interest charged is on an arm’s length basis. Otherwise, the interest can be deemed to be a dividend distribution.



i Limitations on Interest Deductions

In the event that the debt to equity ratio of a taxpayer exceeds 4:1, the interest that can be deducted for income tax purposes as a part of the costs of the loan shall be limited to the amount of interest up to the debt to equity ratio. For taxpayers who show zero or a deficit in their equity balance, the entire borrowing costs are not tax deductible.

Interest expenses on loans used to buy shares where dividends to be received are not subject to income tax are also not deductible.

ii Related Party Debt

In the case of a loan that is procured from a related party, the taxpayer also has to ensure that the interest charged is on an arm's length basis. Otherwise, the interest can be deemed to be a dividend distribution.

iii Debt Pushdown

It is not common practice in Indonesia to achieve debt pushdown, for example by borrowing to distribute dividends, since it may reduce the debt to equity ratio.

d. Hybrid Instruments

This section is left intentionally blank.

e. Other Instruments

This section is left intentionally blank.

f. Earn-outs

This section is left intentionally blank.



7. DIVESTITURES

a. Tax Free

Generally, transfers of assets in relation to business mergers, consolidations, expansions, or acquisitions, must be conducted at market value. Gains resulting from this kind of restructuring are assessable, while losses are generally claimable as a deduction from income.

However, a tax neutral merger, consolidation, or acquisition under which assets are transferred can be conducted at fiscal book value, subject to the approval from the Directorate General of Taxes (“DGT”). The Taxpayer shall submit the request letter at the latest of six months after the effective date. The DGT shall issue the approval or the rejection at the latest of one month after the request letter is considered complete.

Assets, including cash, received by an entity in exchange for shares or capital contributions are considered as income that is exempted from income tax.

b. Taxable

Sales of shares listed on the Stock Exchange are subject to Final Income Tax. Sales of non-founders’ shares are subject to 0.1% of the gross transaction amount. Sales of founders’ shares are subject to 0.1% of the gross transaction amount and an additional 0.5% tax rate from the share price at the Initial Public Offering.

Please also refer to point 3.f above.

c. Cross Border

Taxpayers are required to withhold Income Tax on sales of shares in a non-listed company in Indonesia to non-Indonesian tax residents.

Indonesia’s Double Taxation Agreements (“DTAs”) provide for tax benefits in the form of Withholding Tax (“WHT”) rates on dividends, interest, royalties and branch profits received by tax residents of its treaty partners.

The WHT rate could be reduced in accordance with the applicable DTA provided that the foreign party or non-resident provides a valid Certificate of Domicile (“CoD”) as stipulated in the Attachment of DGT Regulation No.PER-25/PJ/2018, to the ITO through the Indonesian party paying the income. Without this document, the party is not entitled to the tax benefit and tax is withheld at a rate of 20%.



8. FOREIGN OPERATIONS OF A DOMESTIC TARGET

a. Worldwide or Territorial Tax System

Indonesian tax residents are taxed on their worldwide income, with certain exceptions for qualifying individual tax residents. Non-Indonesian tax residents are taxed only on income sourced from Indonesia, including income attributable to permanent establishments (“PE”) (Bentuk Usaha Tetap (PEs)) in Indonesia.

b. CFC Regime

Certain income of Controlled Foreign Companies (“CFCs”) is subject to deemed dividend rules in Indonesia.

A CFC is defined as:

- (i) Direct CFC: A non-listed foreign company in which at least 50% of its paid-in capital is contributed by an Indonesian taxpayer; or at least 50% of its paid-in capital is collectively contributed by an Indonesian taxpayer with other Indonesian taxpayers.
- (ii) Indirect CFC: A non-listed foreign company in which at least 50% of its paid-in capital is contributed/collectively contributed by:
 - ❖ An Indonesian taxpayer and other direct CFCs and/or indirect CFCs;
 - ❖ An Indonesian taxpayer and other Indonesian taxpayers through direct CFCs and/or Indirect CFCs; or
 - ❖ Direct CFCs and/or indirect CFCs.

The ownership threshold that is used to determine the CFC status is the ownership percentage at the end of the Indonesian taxpayer’s fiscal year, which is based on either the percentage of paid-up capital or the percentage of paid-up capital with voting rights. The period of recognition of deemed dividends by Indonesian taxpayers is four months after the due date of income tax return filing for the CFC. If the CFC does not have an obligation to file its Income Tax return, the period of recognition of deemed dividends will be seven months after the end of the tax year.

The only situation in which the rules do not apply is when the CFC’s shares are listed on a stock exchange.

c. Foreign Branches and Partnerships

A company is considered as a resident of Indonesia for tax purposes by virtue of being incorporated or domiciled in Indonesia. A foreign company carrying out business activities through a PE in Indonesia will generally have to meet the same tax obligations as a resident taxpayer. A foreign corporate carrying certain business activities in Indonesia over the PE time test within a period of 12 months shall be regarded to exist in Indonesia through a PE and has to register for an Indonesian tax identification number (“NPWP”).

The taxable business profit of a PE is calculated on the basis of normal accounting principles as modified by certain tax adjustments. Generally, a deduction is allowed for all expenditures incurred to obtain, collect and maintain taxable business profits. A timing difference may arise if an expenditure recorded as an expense for accounting cannot be immediately claimed as a deduction for tax.



d. Cash Repatriation

The following are examples of offshore income that may be exempted from income tax if it is reinvested or used for business activities in Indonesia within three years :

- Income received by an Indonesian taxpayer from a PE abroad;
- Dividends paid by foreign companies; and
- Active business income received by an Indonesian taxpayer from abroad (not from a PE of foreign subsidiary).

For after-tax income from a PE and dividends paid from the non-listed subsidiary, the minimum reinvestment amount is 30% of the profit after tax. Otherwise, the difference between the 30% threshold and the reinvested portion will be subject to income tax.

In principle, dividend income received by a resident taxpayer from a domestic liability company (generally referred to as Perseroan Terbatas or “PT”) is taxable as ordinary income for the taxpayer receiving the dividend. However, it becomes non-taxable if the recipient is a domestic corporate taxpayer or a domestic individual taxpayer whose dividends are reinvested in Indonesia within a certain period. Where the recipient is not resident in Indonesia, a WHT rate of 20% applies, subject to variation under tax treaties.



9. OTHER GENERAL INTERNATIONAL TAX CONSIDERATIONS

a. Special Rules for Real Property, including Shares of “Real Property-Rich” Corporations

As per point 4.c above, transfers of assets in the form of real property such as land and buildings in the context of M&A are subject to Final Income Tax at a rate of 2.5% on the transfer value.

b. CbC and Other Reporting Regimes

Indonesia has implemented the country by country (“CbC”) reporting obligation.

Taxpayers under the following criteria must prepare transfer pricing documentation, namely Master file, Local file and CbC report:

- ❖ A taxpayer constituting a parent entity of a business group with consolidated gross income in the tax year in question of at least IDR11 trillion;
- ❖ A domestic taxpayer who is a member of a business group where the parent entity of the business group is a foreign tax subject, where the country or jurisdiction in which the parent entity is domiciled:
 - (a) Does not obligate the delivery of CbC reports;
 - (b) Does not have any agreement with the Government of Indonesia on the exchange of taxation information; or
 - (c) Has an agreement with the Government of Indonesia on the exchange of taxation information, but the CbC reports cannot be obtained by the Government of Indonesia from such country or jurisdiction.

The Master file and Local file must be available if requested by the DGT, while the summary must be attached to the CITR of the tax year concerned. The notification of the CbC reporting obligation and the CbC report itself (if required) must be submitted to the tax office within 12 months of the end of a tax year.



10. TRANSFER PRICING

Since 2010, the Directorate General of Taxes (“DGT”) has issued guidelines and regulations to provide greater certainty to business on transfer pricing rules.

The DGT is authorised to adjust taxpayers’ incomes or expenses, where transactions with related parties are not in accordance with “fair and common business practices”. A related party transaction is deemed to exist in the following circumstances:

- (a) Where a taxpayer directly or indirectly holds 25% or more of the capital of another taxpayer, or where a company holds 25% or more of the capital of two taxpayers, in which case the latter two taxpayers are also considered as related parties;
- (b) Where there is a control through management or the use of technology, even though ownership relations are not present; or
- (c) Where there is a family relationship, either biological or by marriage, in vertical and/or horizontal lineage of the first degree.

Corporate taxpayers are required to disclose their related party transactions in a separate attachment to the Corporate Income Tax (“CIT”) return which includes various information, such as the type of transactions, nature of relationship, a questionnaire on documentation prepared to support the arm’s length principle implementation, as well as transactions with parties from so called, “tax haven” countries.

Indonesia adopts the OECD transfer pricing model and related party transactions are subject to arm’s length requirements and substantiation. If the arm’s length principle is not followed, the DGT is authorised to recalculate the taxable income or deductible costs arising from such transactions applying the principle.

Under the General Tax Provisions and Procedures Law, the Government requires specific transfer pricing documentation to prove the arm’s length nature of related party transactions.

In principle, the Indonesian transfer pricing rules put the onus on taxpayers to undertake a transfer pricing analysis with regard to their transactions with related parties, to ensure that the transactions conform to the arm’s length principle. This involves, inter alia, conducting a comparability analysis and determining the comparable transactions; identifying the most appropriate transfer pricing method; and applying the arm’s length principle based on the result of the comparability analysis and the most appropriate transfer pricing method. The rules also outline specific requirements for intragroup services and intangible transactions.

Although there are no specific transfer pricing regulations related to mergers, if the merger transaction is required to use the prevailing market value, the value should be based on the arm’s length price.



11. POST-ACQUISITION INTEGRATION CONSIDERATIONS

a. Use of Hybrid Entities

This section is left intentionally blank.

b. Use of Hybrid Instruments

This section is left intentionally blank.

c. Principal/Limited Risk Distribution or Similar Structures

Taxation rights and obligations of a taxpayer that transfers assets in the context of a merger or acquisition for a tax period, part of a fiscal year, and/or a fiscal year prior to merger or acquisition, shall be transferred to a taxpayer that receives the transfer of assets in the context of a merger or acquisition.

d. Intellectual Property

In accordance with the DGT Regulation No. PER-32/PJ/2011, the transfer of an intellectual property between related parties must comply with the arm's length principle. The company must determine the arm's length of the transaction value by applying the most appropriate transfer pricing method.

Under the Income Tax Law No.36 of 2008, as most recent amended by Law No.7 of 2021, intellectual property is classified as intangible assets with a useful life more than one year. It should be amortised using the straight line or the double declining balance method. The amortisation rates specified in categories 1, 2, 3, and 4 are based on the useful life of the property. Classification into an appropriate category is determined on the basis of the nearest useful life. If an intangible asset has a useful life of more than 20 years, the amortisation can be carried out using the straight line method using a 20 year period or the actual useful life based on the taxpayer's bookkeeping.

e. Special Tax Regimes

The depreciation or amortisation of assets which are received shall be performed based on the remaining useful life as indicated in bookkeeping of the party which transfers assets.



12. OECD BEPS CONSIDERATIONS

The Indonesian Government signed the Multilateral Convention in Paris on 7 June 2017. In December 2019, Indonesia became one of the countries to sign the Multilateral Instrument (“MLI”), together with 92 other countries. In this ratified document, Indonesia has 47 tax treaties to be covered by the convention. In general, the MLI would not terminate the pre-existing tax treaties. Instead, it would aim to accomplish a synchronised and integrated application of the MLI provisions and bilateral tax treaties related to BEPS. The MLI will modify automatically some articles in tax treaties, while some will remain unchanged. There are minimum standard articles that should be followed or modified by countries signing the MLI.

This MLI came into force on 1 August 2020. Indonesia submitted notification to OECD (as the depositary of the MLI) to confirm the completion of internal procedures for the tax treaty on 26 November 2020.

13. ACCOUNTING CONSIDERATIONS

A taxpayer that receives a transfer of assets in the context of a merger, consolidation, expansion, or takeover shall record the acquisition value of the assets in accordance with the book value as indicated in the bookkeeping of the transferor.

The book value shall be:

- (a) The acquisition value reduced by accumulated depreciation or accumulated amortisation, for assets which are depreciated or amortised; or
- (b) The acquisition value for assets which are not depreciated or amortised.

Depreciation or amortisation of assets received shall be performed based on the remaining useful life as indicated in the bookkeeping of the party that transfers assets.

In the event that there are accounts payable or receivable between the taxpayer that transfers assets and the taxpayer that receives the assets in the context of a merger, consolidation, or takeover, they shall be recorded by offset. Incomes on the nullification of accounts payable, and the costs of nullification of accounts receivable, shall not be booked.



14. OTHER TAX CONSIDERATIONS

a. Distributable Reserves

This section is left intentionally blank.

b. Application of Regional Rules

The major income tax incentives available for Indonesian corporate taxpayers are:

Tax holiday facility

A tax holiday is available for a new investment or business expansion in certain pioneer industries. The Ministry of Finance (“MoF”) may provide an avenue for a Corporate Income Tax (“CIT”) reduction of 50% or 100% of the CIT due for 5-20 years from the start of commercial production, depending on the investment value.

After the period for which the CIT reduction is granted, the taxpayer will be given a CIT reduction of 25% or 50% of CIT payable for the following two fiscal years, depending on the investment value.

This facility is provided to firms in pioneer industries, which provide additional value and high external benefits, introduce new technologies, and have strategic value for the national economy. Currently this facility is available for business sectors with specific Indonesian Standard Classification of Business Field (“KBLI”) as listed in regulations. Business sectors outside this list may also apply by using the self-assessed quantitative scoring system to justify their status as a pioneer industry.

Tax allowance facility

A tax allowance facility is applicable for the new investment or expansion of a corporate taxpayer’s main business activities. This facility is available to companies with a specified minimum level of capital investment in certain industry sectors, or those operating in certain designated business areas or in certain geographic locations where the necessary requirements are satisfied.

The tax allowance facility includes:

- ❖ A reduction in taxable income of up to 30% of the total investment amount of tangible fixed assets, including land used for primary business activities, pro-rated at 5% for six years of the commercial production, provided that the assets invested are not transferred out within six years;
- ❖ Accelerated depreciation and/or amortisation;
- ❖ Tax loss carry forward which may be extended for up to 10 years, and
- ❖ A reduced Withholding Tax (“WHT”) rate of 10% (or lower if treaty relief is available) on dividends paid to a non-resident.

To obtain the facility, the applicant must meet the following criteria:

- ❖ High investment value or export purpose;
- ❖ High absorption of manpower; or
- ❖ High local content.



Super Tax Deduction facility

A Super Deduction Tax is given to industries in Indonesia involved in vocational education programmes, including research and development activities to generate innovation.

Domestic corporate taxpayers can obtain two types of incentives depending on the type of activity carried out. Domestic corporate taxpayers who organise internships will get a tax deduction of a maximum of 200% of the total costs incurred for these learning activities. Meanwhile, for domestic corporate taxpayers conducting certain research and development activities, the business entity will receive a maximum gross income reduction of 300% of the amount incurred.

CIT facilities in special economic zone (“SEZ”)

SEZ business entities can obtain a reduction of corporate income tax of 100% of the total tax stated in the investment provisions of IDR100 billion to IDR500 billion. This incentive is given for 10 tax years. However, if a business entity invests between IDR500 billion and IDR1 trillion, the CIT reduction facility is given for 15 years. A business entity can obtain a reduction of CIT for 20 years if the investment value is more than IDR1 trillion.

After the end of the incentive period, the government still provides a 50% reduction on the CIT payable for the next two tax years. In addition to a 100% CIT discount, the government also offers income tax facilities for investment in certain business fields and/or certain areas.

This incentive is provided in the form of a 30% reduction in net income from the total investment for six years, accelerated depreciation and amortisation, the imposition of income tax on dividends paid to foreign taxpayers of 10%, and compensation for losses for 10 years.

Reinvestment of branch profits

After-tax profits are subject to a WHT of 20%, regardless of whether the profits are remitted to the home country. However, a concessional WHT rate may be applicable where a tax treaty is in force. The branch profit tax may be exempted if a PE reinvests the profits entirely in Indonesia within the same year, or no later than the following year in certain investment options within a certain period.

Tax facility for venture capital company investment in small and medium enterprises

The dividends received by a venture capital company from capital participation in a micro, small, or medium sized enterprise, of which the shares are not traded on the Indonesian Stock Exchange, with certain requirements, are non-taxable.



c. Tax Rulings and Clearances

A tax merger or consolidation, under which assets are transferred, can be conducted at book value with the approval of the DGT.

The merger or acquisition at book value can be conducted by maintaining the survival of the company that has no remaining fiscal loss or has the smaller remaining fiscal loss. In case the surviving entity and the dissolving entity have no remaining fiscal losses, the taxpayer could choose which will be the surviving entity between the two merging companies.

A taxpayer which performs a transfer or which receives a transfer of assets in the context of a merger or acquisition by using book value shall be obligated to meet the following conditions:

- (i) It files an application to the Director General of Taxation no later than six months after the effective date of the merger, consolidation, expansion, or takeover, by attaching the reasons and purposes of the merger, consolidation, expansion, or takeover;
- (ii) It meets the conditions of the business purpose test; and
- (iii) It obtains a fiscal certificate from the Director General of Taxation for every related resident corporate taxpayer and permanent establishment (“PE”).

15. MAJOR NON-TAX CONSIDERATIONS

This section is left intentionally blank.



16. APPENDIX I - TAX TREATY RATES

Jurisdiction	Dividends % [A]	Interest % [B]	Royalties % [C]	Footnote Reference
Algeria	15	15	15	
Armenia	10 / 15	10	10	[1]
Australia	15	10	10 / 15	[2]
Austria	10 / 15	10	10	[3]
Bangladesh	10 / 15	10	10	[4]
Belarus	10	10	10	
Belgium	10 / 15	10	10	[5]
Brunei	15	15	15	
Bulgaria	15	10	10	
Cambodia	10	10	10	
Canada	10 / 15	10	10	[6]
China	10	10	10	
Croatia	10	10	10	
Czech Republic	10 / 15	12.5	12.5	[7]
Denmark	10 / 20	10	15	[8]
Egypt	15	15	15	
Finland	10 / 15	10	10 / 15	[9], [10]
France	10 / 15	10 / 15	10	[11], [12]
Germany	10 / 15	10	10 / 15	[13], [14]
Hong Kong	5 / 10	10	5	[15]
Hungary	15	15	15	
India	10	10	10	
Iran	7	10	12	
Italy	10 / 15	10	10 / 15	[16], [17]
Japan	10 / 15	10	10	[18]
Jordan	10	10	10	
Kuwait	10	5	20	
Laos	10 / 15	10	10	[19]



Jurisdiction	Dividends % [A]	Interest % [B]	Royalties % [C]	Footnote Reference
Luxembourg	10 / 15	10	12.5	[20]
Malaysia	10	10	10	
Mexico	10	10	10	
Mongolia	10	10	10	
Morocco	10	10	10	
Netherlands	5 / 10 / 15	5 / 10	10	[21], [22]
New Zealand	15	10	15	
North Korea	10	10	10	
Norway	15	10	10 / 15	[23]
Pakistan	10 / 15	15	15	[24]
Papua New Guinea	15	10	10	
Philippines	15 / 20	10 / 15	15	[25], [26]
Poland	10 / 15	10	15	[27]
Portugal	10	10	10	
Qatar	10	10	5	
Romania	12.5 / 15	12.5	12.5 / 15	[28], [29]
Russia	15	15	15	
Serbia	15	10	15	
Seychelles	10	10	10	
Singapore	10 / 15	10	8 / 10	[30], [31]
Slovakia	10	10	10 / 15	[32]
South Africa	10 / 15	10	10	[33]
South Korea	10 / 15	10	15	[34]
Spain	10 / 15	10	10	[35]
Sri Lanka	15	15	15	
Sudan	10	15	10	
Suriname	15	15	15	
Sweden	10 / 15	10	10 / 15	[36], [37]
Switzerland	10 / 15	10	10	[38]



Jurisdiction	Dividends % [A]	Interest % [B]	Royalties % [C]	Footnote Reference
Syria	10	10	15 / 20	[39]
Taiwan	10	10	10	
Tajikistan	10	10	10	
Thailand	15 / 20	15	15	[40]
Tunisia	12	12	15	
Turkey	10 / 15	10	10	[41]
Ukraine	10 / 15	10	10	[42]
United Arab Emirates	10	7	5	
United Kingdom	10 / 15	10	10 / 15	[43], [44]
United States	10 / 15	10	10	[45]
Uzbekistan	10	10	10	
Venezuela	10 / 15	10	20	[46]
Vietnam	15	15	15	
Zimbabwe	10 / 20	10	15	[47]

Footnotes

[A]	The Indonesian domestic withholding tax rate (“WHT”) for dividends paid to non-resident recipients is 20%. The tax rate may be lowered subject to the applicable tax treaty benefits.
[B]	The Indonesian domestic WHT rate for interest, including premiums, discounts and guarantee fees paid to or earned by non-resident recipients is 20%. Interest income from bonds paid to or earned by non-resident recipients is subject to a WHT rate of 10%. This rate is applicable to bonds issued by the government and non-government agencies, including sharia bonds. The tax rate may be lowered subject to the applicable tax treaty benefits.
[C]	The Indonesian domestic WHT rate for royalties paid to non-residents is 20%. The tax rate may be lowered subject to the applicable tax treaty benefits.
[1]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the equity capital of the paying company.
[2]	Royalties - maximum rate of 15%. 10% rate applies to the gross amount of royalties for the use of, or the right to use, industrial, commercial or scientific equipment, the supply of scientific, technical industrial or commercial knowledge, and the supply of ancillary assistance relating to such equipment.
[3]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.



Footnotes

[4]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 10% of the capital of the paying company.
[5]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[6]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[7]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 20% of the capital of the paying company.
[8]	Dividend - maximum rate of 20%. 10% rate applies to the gross amount of the dividends paid to a company (excluding a partnership) which holds directly at least 25% of the capital of the paying company.
[9]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[10]	Royalties - maximum rate of 15% of the gross amount of royalties for the use of, or the right to use, any patent, trademark design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, information concerning industrial, commercial, or scientific experience. 10% rate applies to the gross amount of royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting.
[11]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[12]	Interest - maximum rate of 15%. 10% rate applies to the amount of interest paid by a bank, a financial institution or by an enterprise the activities of which are mainly carried on in the fields of agriculture, plantation, forestry, fishery, mining, manufacturing, industries, transportation, low cost housing projects, tourism and infrastructure and the amount of interest paid to a bank or to another enterprise.
[13]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (excluding a partnership) which holds directly at least 25% of the capital of the paying company.
[14]	Royalties - maximum rate of 15% of the gross amount of royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting, any patent, trademark, design or model, plan, secret formula or process. 10% rate applies to the gross amount of royalties for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
[15]	Dividend - maximum rate of 10%. 5% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[16]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[17]	Royalties - maximum rate of 15% of the gross amount of royalties. 10% rate applies to the gross amount of royalties for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.
[18]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the voting shares of the paying company.



Footnotes

[19]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 10% of the capital of the paying company.
[20]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[21]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a pension fund that is recognised and controlled according to the statutory provisions of one of the two countries and the income of which is generally exempt from tax in the country according to whose statutory provisions it is recognised and controlled. 5% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[22]	Interest - maximum rate of 15%. 5% rate applies to interest paid on a loan made for a period of more than two years or is paid in connection with the sale on credit of any industrial, commercial or scientific equipment.
[23]	Royalties - maximum rate of 15% of the gross amount of royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, and films or tapes for television or radio broadcasting. 10% rate applies to the gross amount of royalties for the use of, or the right to use, any patent, trademark design or model, plan, secret formula or process, or any industrial, commercial, or scientific equipment, information concerning industrial, commercial, or scientific experience.
[24]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[25]	Dividend - maximum rate of 20%. 15% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[26]	Interest - maximum rate of 15%. 10% rate applies to interest paid by a company in respect of public issues of bonds, debentures or similar obligations.
[27]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 20% of the capital of the paying company.
[28]	Dividend - maximum rate of 15%. 12.5% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[29]	Royalties - maximum rate of 15% of the gross amount of royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work. 12.5% rate applies to the gross amount of royalties for the use of, or the right to use, any patent, trademark design or model, plan, secret formula or process, or for information concerning any industrial, commercial or scientific experience, or for the use of, or the right to use, industrial, commercial or scientific equipment, cinematograph films or tapes for television or broadcasting.
[30]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[31]	Royalties - maximum rate of 10% of the gross amount of the royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, or films or tapes used for radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process. 8% rate applies to the gross amount of royalties for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.



Footnotes

[32]	Royalties – maximum rate of 15% of the gross amount of the royalties for the use of, or the right to use, any copyright, patent, software, design or model, plan, secret formula or process, trademark or other like property or right, the use of, or the right to use, any industrial, commercial or scientific equipment, the supply of scientific, technical, industrial or commercial knowledge or information, and the supply of ancillary assistance relating to such property, equipment or knowledge. 10% rate applies to the gross amount of royalties for the use of, or the right to use, any copyright of motion picture films, films or tapes for television or radio broadcasting.
[33]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 10% of the capital of the paying company.
[34]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[35]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which holds directly at least 25% of the capital of the paying company.
[36]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[37]	Royalties – maximum rate of 15% of the gross amount of the royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process. 10% rate applies to the gross amount of royalties for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
[38]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 25% of the capital of the paying company.
[39]	Royalties – maximum rate of 20% of the gross amount of the royalties for the use of, or the right to use, any patent, trademark, design or model, plan, or any industrial or scientific equipment, or for information concerning industrial or scientific experience. 15% rate applies to the gross amount of royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, or tapes for television or radio broadcasting.
[40]	Dividend - maximum rate of 20%. 15% rate applies to the gross amount of the dividends if the company paying the dividends engages in an industrial undertaking.
[41]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (excluding partnership) which holds directly at least 25% of the capital of the paying company.
[42]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 20% of the capital of the paying company.
[43]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company that controls, directly or indirectly, at least 15% of the voting power of the paying company.
[44]	Royalties – maximum rate of 15% of the gross amount of the royalties for the use of, or the right to use, any copyright of literary, artistic or scientific work, including cinematograph films, and films or tapes for radio or television broadcasting, or any patent, know-how, trademark, design or model, plan, secret formula or process. 10% rate applies to the gross amount of royalties for the use of, or the right to use, any industrial, commercial or scientific equipment.



Footnotes

[45]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company which owns directly at least 25% of the voting stock of the paying company.
[46]	Dividend - maximum rate of 15%. 10% rate applies to the gross amount of the dividends paid to a company (other than a partnership) which holds directly at least 10% of the capital of the paying company.
[47]	The Tax Treaty is not effective yet.



17. APPENDIX II - GENERAL CORPORATE ENTITY TAX DUE DILIGENCE REQUESTS

Nº.	Category	Sub-Category	Description of Request
1	Tax Due Diligence	General	<p>Merger plan approved by the board of commissioners of each company and approved by the general meeting of shareholders of each company that contain at least the following:</p> <ul style="list-style-type: none"> (a) name and domicile of each company planning to conduct the merger (b) the reasons and explanation from the BOD of each company and the requirements for the merger (c) the procedures for the valuation and conversion of the transferor company's shares into the shares of the surviving company (d) the draft amendment of the articles of association of the transferor company, if any (e) the financial statement covering the last three financial years of each company intending to conduct the merger (f) continuing or winding-up plans for the business activities of the companies conducting the merger (g) the pro forma balance sheet of the company receiving the merger pursuant to the generally accepted financial accounting standards applicable in Indonesia (h) the settlement procedure for the status, rights and obligations of the members of the BOD, BOC, and the employees of each company conducting the merger (i) the settlement procedure for the rights and obligations of the merging company toward third parties (j) the settlement procedure for the rights of the shareholders who do not agree to conduct the merger (k) the names of the BOD and BOC members and the salary, honorarium and other allowances for the BOD and BOC members of the surviving company (l) an estimate of the duration of the merger implementation (m) report on the conditions, developments, and the results achieved by each company conducting the merger (n) the main activities of each company conducting the merger and the changes that have occurred during the current financial year (o) details of problems which have arisen during the current financial year affecting the activities of each company conducting the merger
2	Tax Due Diligence	General	Copy of Taxpayer Identity: Tax ID, Type of Business, Certificate of Registration ("SKT"), Taxable enterprise confirmation letter and VAT centralisation letter of the transferor and acquirer company.
3	Tax Due Diligence	General	USD Bookkeeping Approval Letter from the Indonesian Tax Office ("ITO") for each company (if the company maintain the bookkeeping in USD currency).



Nº.	Category	Sub-Category	Description of Request
4	Tax Due Diligence	General	Details of any private binding ruling or advance opinion requests, decisions of the Tax Office in relation to any such ruling or advance opinion requests and objection or appeals against any ruling or assessment that have been instituted or are being contemplated by the transferor company.
5	Tax Due Diligence	General	Copies of any material correspondence with the Tax Office or other government agency responsible for Tax (audit notifications, information requests, objections, amended assessments etc.) during the last five financial years.
6	Tax Due Diligence	General	Chart/scheme of composition of organisation before and after merger/acquisition accompanied by composition of ownership of shareholders.
7	Tax Due Diligence	Income Tax	Copies of tax opinions, tax advice and tax position papers on structure, key transactions and significant issues.
8	Tax Due Diligence	General	Details of any loans advanced by or to the transferor company involving any shareholder (or their associates) of the transferor company or the parent of the transferor company.
9	Tax Due Diligence	General	Copy of independent appraisal report for assets of the transferor company.
10	Tax Due Diligence	General	Copy of announcement of merger/acquisition plan already published in Indonesian language daily newspapers circulating nationally.
11	Tax Due Diligence	Income Tax	Copy of financial statement audited by Public Accountant Office of the transferor company and the surviving company for five completed tax years.
12	Tax Due Diligence	Income tax	Details of any dividends paid by the transferor company.
13	Tax Due Diligence	Income tax	Copy of Tax Assessment Letter, Tax Court Decision, Tax Objection Decision, and Tax Dispute Decision for the transferor and acquirer company.
14	Tax Due Diligence	Income tax	Copies of transfer pricing documentation including Local file, Master file, and CbC report for each company for five completed tax years.
15	Tax Due Diligence	Income tax	Copies of final and signed income tax returns and its attachment with tax acknowledgment for each company for five completed tax years.
16	Tax Due Diligence	Income tax	Details of any intra-group dealings (including loan agreements, management agreements and group services agreements) or dealings with non-resident counterparties in relation to the application of transfer pricing which involves the transferor company.
17	Tax Due Diligence	Withholding Tax	Evidence of dividend, royalty and interest WHT compliance in relation to any payments to non-residents of Indonesia.
18	Tax Due Diligence	Employment taxes	Copies of Employee Income Tax Returns (Income Tax Art. 21) lodged by the transferor company for the past 12 months.
19	Tax Due Diligence	Employment taxes	Copies of the 1721-A1 form of the employees of the transferor company.
20	Tax Due Diligence	Employment taxes	Details of any employee share schemes (e.g. share plans, option plans, bonus plans) or other incentive arrangements available to employees (or their associates) of the transferor company.



Nº.	Category	Sub-Category	Description of Request
21	Tax Due Diligence	International tax	Details of any overseas operations or investments of the transferor company (including any foreign permanent establishments, assets or personnel based overseas, details of how cash from these operations or investments is repatriated back to Indonesia and the Indonesian tax treatment of income derived offshore).
22	Tax Due Diligence	Stamp duty	Evidence that all agreement, notarial deed, land deed, and documents stating an amount of money with a nominal value of more than IDR5 million which mentions a receipt of money or contains acknowledgment that a debt has been fully or partly paid or calculated have been duly stamped.
23	Tax Due Diligence	General	Copy of document of merger/acquisition plan in the context of merger and acquisition conducted using book value.
24	Tax Due Diligence	Income Tax	Copy of the current tax fixed asset register for the target.
25	Tax Due Diligence	Income Tax	Copy of financial statement already audited by Public Accountant Office of the taxpayer transferring asset and the taxpayer receiving asset for the period that expires one day before the effective date in the context of merger or acquisition conducted using book value.
26	Tax Due Diligence	Income Tax	Copy of financial statement of pro forma per effective date of merger / acquisition reviewed/ analysed/ assessed by independent experts.
27	Tax Due Diligence	Income Tax	Projection of incomes and income tax payable before and after merger/acquisition in the context of merger or acquisition conducted using book value.
28	Tax Due Diligence	General	Explanation letter on details of calculation of estimated elimination inter-company (reciprocal accounts) conducted in the context of merger/acquisition in the context of merger or acquisition conducted using book value.
29	Tax Due Diligence	General	Copy of Approval Letter for Decision Letter on Principal Licence of merger/acquisition, or similar documents issued by authorised institution.
30	Tax Due Diligence	General	Registration of deed of merger/acquisition and deed of amendment to Articles of Association in List of Company in the context of merger or acquisition conducted using book value.
31	Tax Due Diligence	Income Tax	Statement letter and checklist in the context of business purpose test for merger/acquisition in the context of merger or acquisition conducted using book value.
32	Tax Due Diligence	Income Tax	List of compensation of losses of income tax of corporate taxpayers for the last five completed tax years for the transferor and surviving company.
33	Tax Due Diligence	Land tax	Copies of all land and building tax filings lodged by the transferor company for the past 12 months.



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