

TAX UPDATES

Issue 03 | March 2025

GLOBAL MINIMUM TAX PROVISIONS / PILLAR 2 OF BEPS 2.0 IN INDONESIA



The government has implemented the Global Minimum Tax provisions of 15% in accordance with Pillar 2 of BEPS 2.0 through Minister of Finance Regulation No. 136 Year 2024 (MoF Regulation 136/2024), which was promulgated on December 31, 2024 and came into effect on January 1, 2025. The Global Minimum Tax Provisions (Global Anti-Base Erosion Rules/GloBE) are additional tax provisions developed by the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS).

Global Minimum Tax (GloBE) is imposed on Domestic Tax Subjects and Permanent Establishments, which are Constituent Entities of Multinational Corporate Groups (MNC Groups), under the following criteria:

- The MNC Group's annual gross turnover is at least EUR 750,000,000 based on the Consolidated Financial Statements of the Primary Parent Entity; and
- The gross turnover value in point (a) is met in at least 2 of the 4 Fiscal Years prior to the Fiscal Year subject to GloBE.

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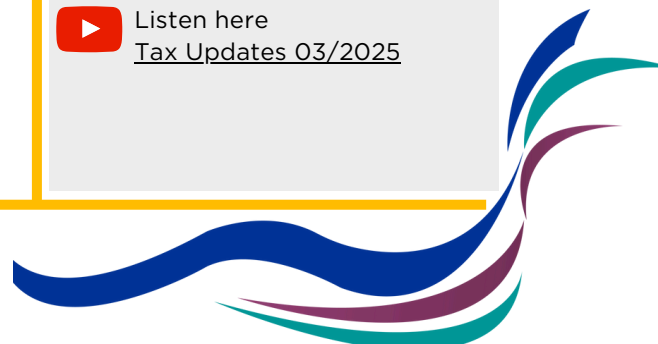
RELATED TAX REGULATIONS*:

- [Minister of Finance Regulation No. 136 Year 2024](#)

**All tax regulations are in Bahasa Indonesia*



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However, there are also Constituent Entities of the MNC Group that are excluded from GloBE, namely Government Agencies, International Organizations, Non-Profit Organizations, Pension Fund Entities, Investment Fund Entities that are Primary Parent Entities, and Real Estate Investment Fund Entities (real estate investment vehicles) that are Primary Parent Entities.

Global Minimum Tax (GloBE) Mechanism

1. Income Inclusion Rules (IIR)

IIR is a provision that imposes additional tax on Domestic Tax Subjects who are Primary Parent Entities in the event that other Constituent Entities of the MNC Group that are owned directly or indirectly are taxed at an Effective Tax Rate less than the Minimum Rate (<15%) in the country or jurisdiction where the other Constituent Entities carry out their business activities.

Additional tax based on the IIR is imposed on Domestic Tax Subjects who are:

- a. Primary Parent Entities;
- b. Intermediate Parent Entities; and/or
- c. Partially-Owned Parent Entities (POPE).

For additional taxes imposed on the Intermediate Parent Entity, an exception is given, in the event that:

- a. The Primary Parent Entity in another country or jurisdiction applies the Qualified IIR for the Fiscal Year; or
- b. An Intermediate Parent Entity in another country or jurisdiction, which applies the Qualified IIR, has a direct or indirect Control Interest in the relevant Intermediate Parent Entity for the Fiscal Year.

2. Undertaxed Payment Rules (UTPR)

UTPR is a provision that imposes additional tax in the event that the IIR provisions are not applied and/or the additional tax has not been fully imposed on Domestic Tax Subjects who are Constituent Entities of the MNC Group in the event that other Constituent Entities of the MNC Group are taxed at an Effective Tax Rate less than the Minimum Rate (<15%) in the country or jurisdiction where the other Constituent Entities carry out their business activities.

Additional tax based on UTPR is imposed on Constituent Entities in Indonesia that are part of the MNC Group (except for Investment Entities), after being reduced by the allocatable portion of the additional tax based on the IIR to the Parent Entity. However, the additional tax of a Constituent Entity becomes 0 (zero) if all Ownership Interests of the Primary Parent Entity in the Low-Taxed Constituent Entity are directly or indirectly owned by one or more Parent Entities that are required to apply the Qualified IIR.

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3. Domestic Minimum Top-up Tax (DMTT)

DMTT is a provision that imposes additional tax on Domestic Tax Subjects who are Constituent Entities of MNC Groups that have an Effective Tax Rate less than the Minimum Rate (<15%).

Additional tax based on DMTT is applied to each Constituent Entity of MNC Groups, whether owned in part or as a whole by other Constituent Entities in the MNC Group in question, without taking into account the inclusion ratio.

Indonesia is required to meet the qualifications set by the OECD/G20 Inclusive Framework (IF) on BEPS to use the DMTT (Qualified DMTT/QDMTT).

GloBE Profit/Loss

Calculation of GloBE Profit/Loss is done based on the net profit/loss of financial accounting of a Constituent Entity, which must be subject to general adjustments, elective adjustments, and special adjustments.

The net profit/loss of financial accounting of a Constituent Entity must be adjusted to reflect the requirements of the provisions related to:

- a. Restructuring of the body and ownership structure; and
- b. Tax neutrality and distribution regime.

Calculation Method

Constituent Entities of MNC Groups with Net GloBE Profit calculate the Effective Tax Rate (ETR) per jurisdiction for each Fiscal Year. It is calculated using the formula as follows:

$$\text{Effective Tax Rate (ETR) per jurisdiction} = \frac{\text{Adjusted Covered Tax (calculated per jurisdiction)}}{\text{Net GloBE Income (calculated based on Financial Reports per jurisdiction)}}$$

Meanwhile, the **Additional Tax per jurisdiction** is calculated as follows:

$$(\text{Percentage of Additional Tax} \times \text{Excess Profit}) + \text{Additional Current Top-up Tax}^* - \text{Qualified Domestic Minimum Top-up Tax (QDMTT)}$$

$$\begin{aligned} \text{Additional Tax Percentage} &= \text{Minimum Rate (15\%)} - \text{ETR Per Jurisdiction} \\ \text{Excess Profit} &= \text{Net GloBE Income} - \text{Substance Based Income Exclusion (SBIE)**} \end{aligned}$$

*) Additional Current Top-up Tax: the amount of additional tax added in the current year related to a recalculation that resulted in an underpayment of additional tax in the previous year.

**) Substance Based Income Exclusion (SBIE): cumulative amount of additional tax exemptions on Net GloBE Income, calculated based on a certain percentage of salary costs and the recorded amount of tangible assets for each Constituent Entity in that country or jurisdiction.

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Safe Harbour

Safe harbour is the determination of additional tax for Constituent Entities as zero (0). Constituent Entities of the MNC Group can apply the Safe Harbor provisions if they meet the following tests:

- a. de-minimis;
- b. routine profit; or
- c. Effective Tax Rate.

The de-minimis test is met in cases where the Constituent Entity has an average GloBE income of the MNC Group in a country or jurisdiction of less than EUR 10,000,000.00 and an average net GloBE income of the MNC Group of less than EUR 1,000,000.00 or there is a net GloBE loss for the MNC Group in a country or jurisdiction, in the current Fiscal Year and the 2 previous Fiscal Years.

The routine profit test is met in cases where the Constituent Entity has a GloBE income of the MNC Group in a country or jurisdiction for a Fiscal Year equal to or less than the amount of the SBIE.

The Effective Tax Rate test is met in cases where the Constituent Entity has an Effective Tax Rate of the MNC Group in a country or jurisdiction of at least 15% for a Fiscal Year.

Tax Administration & Reporting Obligations

The Annual Income Tax Return, in order to implement GloBE, consists of:

- a. GloBE Annual Income Tax Return
(submitted by each Primary Parent Entity of the MNC Group which is a Domestic Tax Subject to report the calculation and/or payment of tax, taxable objects and/or non-taxable objects, and/or assets and liabilities in accordance with GloBE)
 - b. DMTT Annual Income Tax Return
(submitted by Constituent Entities as a Domestic Tax Subject to report additional tax obligations based on DMTT)
 - c. UTPR Annual Income Tax Return
(submitted by Constituent Entities as Domestic Tax Subjects to report additional tax obligations based on UTPR)
- all of which must be submitted by no later than 4 months after the end of the Fiscal Year.

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In addition to being required to submit the GloBE Annual Income Tax Return, each Primary Parent Entity that is a Domestic Tax Subject is also required to submit the GloBE Information Return (GIR) to the Director General of Taxes (DGT) by no later than 15 months after the end of the Fiscal Year. In the event that the Primary Parent Entity of the MNC Group is not a Domestic Tax Subject, then the Constituent Entity in Indonesia is required to submit the GIR to the DGT if the following conditions are met:

- a. MNC Group appoints the Constituent Entity in Indonesia as the Reporting Constituent Entity; or
- b. The Reporting Constituent Entity is domiciled in a country or jurisdiction that does not have a qualifying competent authority agreement in force with Indonesia for the Reporting Tax Year.

Furthermore, each Constituent Entity of the MNC Group located in Indonesia must submit a Notification to the DGT by no later than 15 months after the end of the Fiscal Year. However, in the case of a Constituent Entity located in Indonesia that has submitted a GIR, it is not obligatory to submit a Notification. Upon submission of the GIR and Notification, the DGT provides a receipt that must be submitted as an attachment to the GloBE Annual Income Tax Return.

The due date for the payment of additional tax payable is by no later than the Fiscal Year after the GloBE imposition year, which is carried out in the Indonesian Rupiah currency.

First Year Exception

GIR for the first Fiscal Year of the MNC Group that meets the requirements must be submitted to the DGT by no later than 18 months after the end of the Fiscal Year, while the submission period for the GloBE Annual Income Tax Return; DMTT Annual Income Tax Return; and UTPR Annual Income Tax Return, for the first Fiscal Year. During which, the MNC Group that meets the requirements may extend for a maximum of 2 months.

Validity Period

Additional tax provisions based on IIR and DMTT in accordance with MoF Regulation 136/2024 will come into effect on January 1, 2025, while additional tax provisions based on UTPR will only come into effect on January 1, 2026.

(RED/T3/ALC)

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NEW TAX REGULATIONS

ISSUED ON FEBRUARY TO MARCH 2025

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- 1 **The Minister of Finance Regulation Number 17 Year 2025 dated February 19, 2025**
Investigation of Criminal Acts in the Field of Taxation
- 2 **The Minister of Finance Regulation Number 18 Year 2025 dated February 27, 2025**
VAT on the Delivery of Domestic Scheduled Commercial Air Transportation Economy Class Service Borne by the Government for Fiscal Year 2025
- 3 **The Minister of Finance Decision Number 3/KM.10/2025 dated February 26, 2025**
Interest Rates as the Basis for Calculation of Administrative Sanctions in the Form of Interest and Granting of Interest Compensation for the Period of March 1, 2025 to March 31, 2025
- 4 **The Director General of Taxation Decision Number KEP-67/PJ/2025 dated February 27, 2025**
Policy on the Elimination of Administrative Sanction on the Late Payment of Tax Payable and Submission of Tax Return in connection with Coretax Implementation
- 5 **The Director General of Taxation Announcement Number PENG-15/PJ.09/2025 dated February 19, 2025**
An Addition of Multi-Factor Authentication (MFA) Feature through Mobile Authenticator on DJP Online Application
- 6 **The Director General of Taxation Announcement Number PENG-18/PJ.09/2025 dated February 27, 2025**
Policy on the Elimination of Administrative Sanction on the Late Payment of Tax Payable and Submission of Tax Return in connection with Coretax Implementation

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The Director General of Taxation Announcement Number PENG-19/PJ.09/2025 dated February 28, 2025

Revision of Announcement of the Director of Counseling, Services, and Public Relations Number PENG-18/PJ.09/2025

(RED/T3/ALC)

PB TAXAND CONTACTS :

<https://www.pbtaxand.com/menu/page/partner>

DISCLAIMER

The information contained in this document is intended only to be a guide. It must not be relied on in, or applied to, specific situation without previously seeking proper professional advice.

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