

Tax News Flash

April 2020



Indonesia: Updated Advance Pricing Agreement regulations issued

The Directorate General of Taxation (“DGT”) issued a welcome update to the Advance Pricing Agreement (“APA”) regulations. The most important amendments are the simplification of the application process, extension of the validity of APAs including the possibility of a rollback, the abolishment of the annual compliance requirements and guidance on a new extension process. The DGT also included further administrative requirements and deadlines as well as guidance on the application of transfer pricing methodologies. The new regulations (22/PMK.03/2020) entered into effect as per 18 March 2020.

Simplification of the process

The taxpayer is now permitted to file the application for the APA directly while previously extensive information had to be provided during the pre-filing process.

Extension of validity

Bilateral and unilateral APAs will both be applicable for a period of five years. This is an improvement over the previous terms of three years for unilateral APAs and four years for bilateral APAs. The taxpayer may now apply for a rollback, which was not previously possible. The rollback applies to years prior to the ones covered by the APA, provided that facts and conditions remain the same and certain other conditions are met.

Annual compliance

Annual compliance reports are no longer necessary. However, the DGT retains the authority to evaluate the APA and, *inter alia*, to discuss the implementation of the APA, obtain further information and review the business activities of the taxpayer.

Extension process

APAs may now be extended for one consecutive period. Extension requests under the previous regulations were treated as a new request. However, now an extension may be granted if the facts and circumstances remain the same and other conditions are met.

Other

The DGT has offered further guidance on administrative matters. Some of these remain unchanged, such as the deadline for filing the APA application (six months before the start date of the APA), while some new measures have been introduced, such as a deadline for the response of the competent authority of the country of residence of the counterparty. Also, the new regulations contain guidance on the application of transfer pricing methodologies, including previously unavailable guidance on valuations.

KPMG Notes:

- The DGT took an important step in making APAs more attractive to taxpayers by extending the validity by allowing for rollbacks.
- If the APA is extended under the new extension process, the taxpayer may obtain an even longer period of certainty on the application of transfer pricing policies.
- The DGT has already issued APAs with various countries and a number of APAs are under negotiation, while a few have been rejected.

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