

Are Business Group Members Obligated to Attach TP Doc in Tax Return?

Director General of Taxes (DGT) regulation states Transfer Pricing Documentation (TP Doc) is a mandatory attachment to Corporate Income Tax Return (CITR) for companies or entities that perform affiliated transaction.

TP Doc is a package consisting of Master File, Local File, and Country by Country Report (CbC Report).

This obligation is stated in DGT Regulation No. PER-02/PJ/2019 concerning Procedures for Submitting, Receiving, and Processing Tax Return, issued and valid starting from January 23, 2019.

Article 12 paragraph (5) of PER-02/PJ/2019 confirms that one of the causes of CITR to be deemed incomplete is when the information and/or documents required in Annex II have not been entirely enclosed in the submission of Annual CITR. A number of CITR attachments required—based on annex II of PER-02/PJ/2019 point J number 14—are master file, local file, and/or CbC Report.

The obligation for business groups to compile and submit the TP Doc is regulated in Minister of Finance Regulation Number 213/PMK.03/ 2016. The regulation confirms that the deadline for submitting master file and local file is no later than four months after the fiscal year ends, while for CBC Report submission is no later than 12 months after the end of the fiscal year.

The proving will be sufficient only by attaching the summary of master file and local file when submitting the Annual CITR. The complete document is only submitted by request of DGT. Meanwhile, for CbC Report, notification and/or CbC Report working paper must be submitted by the parent or member of the business group to DGT no later than 12 months from the end of the fiscal year and the receipt to be attached in CITR.

The closest interpretation to the issuance of PER-02/PJ/2019 is not only related to the summary of master file and local file that must be attached to the CITR. The three documents must also be submitted along with CITR reporting.

Meanwhile, for CBC Report, the provisions in PER-29/PJ/2017 are still relevant and can be used in line with the issuance of PER-02/PJ/2019. The Taxpayers simply attach the receipt or electronic receipt from the submission of notification and/or CbC Report working paper. This is in accordance with Article 4 paragraph (5) of PER-29/PJ/2017 explaining that the receipt can be used as a substitute for CbC Report that must be attached to the CITR.

Regarding the TP Doc obligation, the consequence that may arise from the issuance of PER-02/PJ/2019 is that CITR is considered incomplete if the TP Doc is not included in the CITR. If so, the CITR will not be accepted by the tax authority, thus may result in a fine of CITR late submission amounting to IDR1,000,000, under General Taxation Provisions and Procedures Law No. 28 of 2007 Article 7 paragraph (1).

Besides, if the availability of the TP Doc exceeds the specified time limit, the submitted documents cannot be considered by the tax authority. Furthermore, the tax authorities will carry out the transfer pricing analysis in case of an audit.

TAXPAYER CRITERIA	CITR ATTACHMENT		
	MASTER FILE*	LOCAL FILE*	CBC REPORT **
Parent entity or holding company is located in Indonesia with consolidated turnover value of the current year at least IDR11 billion for 1 (one) year.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Corporate tax payer with the turnover gross value of prior fiscal year is more than IDR50 billion	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The related party transaction value of the prior year is more than IDR20 billion in the form of tangible goods;	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
The related party transaction value of the prior year is more than IDR5 billion for each service	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Related party (both parent and subsidiary business) is located in countries applying lower income tax rate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Members of business group whose parent company is located in country that does not require CBC reporting			<input checked="" type="checkbox"/>
Members of business group whose parent company located in a country that does not have any agreement with Indonesia on exchange of tax information			<input checked="" type="checkbox"/>
Members of business group whose parent company located in a country that has an agreement with Indonesia on exchange of tax information, but the CBC report cannot be obtained			<input checked="" type="checkbox"/>
DEADLINE	4 months after the end of the fiscal year		12 months after the end of the fiscal year

* Summary & document (master file and local file)

** Receipt or electronic receipt of notification and/or CbC Report working paper submission

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