



## Indonesia Tax Alert January 2025

### Indonesia implements Global Minimum Tax starting 1 January 2025

The Global Minimum Tax (GMT) or Pillar Two framework has now taken effect in Indonesia, supported with the issuance of Minister of Finance Regulation Number 136 of 2024 (PMK-136) regarding GMT. PMK-136 aligns with the OECD's Pillar Two Global Minimum Tax, implementing a 15% GMT rate for multinational enterprises (MNEs) that has been effective starting from 1 January 2025.

#### What is GMT and who will be affected by it?

The GMT is a once-in-a-lifetime global tax reform meant to end tax competition and profit shifting. It is aimed at ensuring that MNEs pay the right amount of taxes, that is at minimum 15%, regardless of where they operate. While an MNE group can operate in a low-tax, high-tax, or zero-tax country or in a country that offers tax incentives, the universal GMT rules would kick in to ensure the 15% tax is paid.

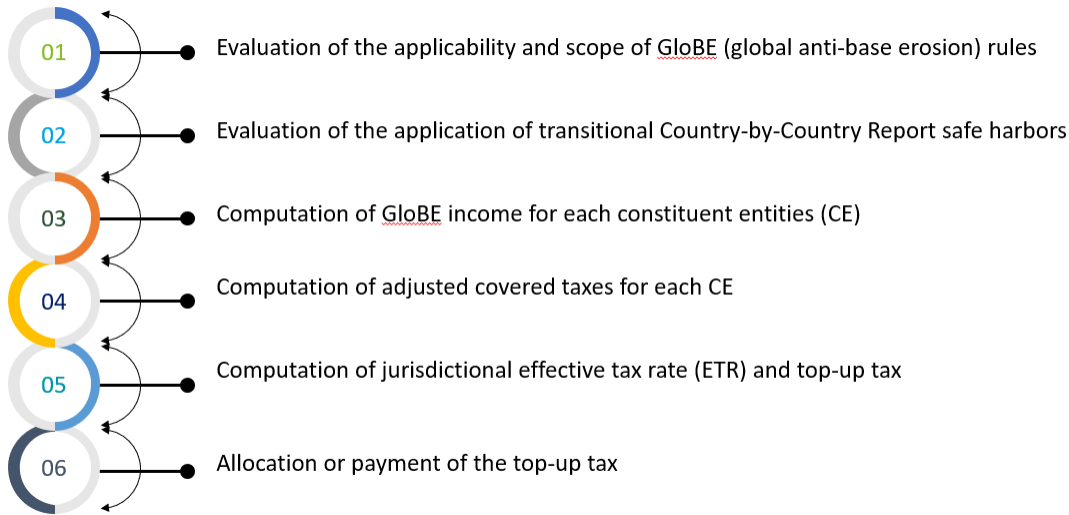
The GMT applies to MNEs operating in at least two jurisdictions and with an annual consolidated group revenue of at least EUR 750 million in at least two of the four immediately preceding fiscal years.

For Indonesia, there are two categories of MNEs that have to be fully aware of the impact of GMT:

- Indonesian-based MNEs operating overseas (i.e., an Indonesian group company with headquarters in Indonesia and has a subsidiary or operation outside of Indonesia); and
- Foreign-based MNEs operating in Indonesia (i.e., a foreign investment company (*penanaman modal asing* (PMA)) in Indonesia that is a subsidiary of a foreign MNE group).

### Key steps to assess the liability under the GMT rules

The GMT rules are complex and constitute a new set of international tax principles that have been agreed to be implemented by Inclusive Framework member jurisdictions (i.e., including Indonesia). The key steps an MNE group has to perform in order to determine its liability under the GMT rules are as follows:



### Jurisdictional effective tax rate and top-up tax charging mechanisms

The ETR is calculated for all CEs in each jurisdiction. If the ETR falls below the 15% global minimum threshold, an additional tax liability so called as “top-up tax” will be payable. For GMT purposes, the ETR is calculated through a complex formula, dividing “covered taxes” by GloBE income, which requires various accounting and tax adjustments.

PMK-136 establishes three primary charging mechanisms in accordance with the OECD Model Rules, as follows:

- Income inclusion rule (IIR)**—requires an Indonesian ultimate parent entity (UPE), intermediate parent entity, or partially owned parent entity, as applicable, to pay a top-up tax if it directly or indirectly owns entities in one or more foreign jurisdictions identified as low-tax jurisdictions, i.e., where the ETR is below 15%.
- Domestic minimum top-up tax (DMTT)**—requires all CEs in Indonesia to pay a top-up tax if the country’s ETR is below the 15% minimum threshold.
- Undertaxed payment rule (UTPR)**—requires all CEs in Indonesia to pay the allocated top-up tax if the top-up tax obligation in low-tax foreign jurisdictions has not been fully paid, either through the DMTT or the IIR applicable in those jurisdictions.

### Compliance obligation and filing due date

PMK-136 specifies the following local filing requirements:

No.	Filing requirement	Responsible party
1	GloBE information return (GIR)	Indonesian UPE
2	Notification	Indonesian CE
3	GloBE income tax return ( <i>SPT Tahunan PPh GloBE</i> )	Indonesian UPE
4	DMTT income tax return ( <i>SPT Tahunan PPh DMTT</i> )	Indonesian CE
5	UTPR income tax return ( <i>SPT Tahunan PPh UTPR</i> )	Indonesian CE

All the filings have to be submitted to the Directorate General of Taxes (DGT) within 15 months after the end of the UPE’s fiscal year. For the first fiscal year, a three-month extension applies, extending the deadline to 18 months. Consequently, for in-scope

MNE groups with a fiscal year ending on 31 December 2025, the first filings will be due by 30 June 2027. Any top-up tax liability according to IIR, DMTT, and UTPR must be settled in IDR currency in the following fiscal year.

Late top-up tax payment and reporting is subject to administrative penalty pursuant to the prevailing domestic law.

At this stage, PMK-136 does not provide specific details regarding registration for GMT purposes as well as the relevant forms for compliance procedures. It is anticipated that the relevant authorities will provide additional details in line with the standards established by the OECD.

### What is next for businesses within the scope of the GMT rules?

The two categories of MNEs mentioned earlier should start preparing for the GMT rules, including:

- Raising awareness of the GMT rules, which will be crucial for an effective and efficient implementation.
- Training the relevant team (e.g., tax, accounting, and reporting teams) to ensure better coordination.
- Assessing the impact of PMK-136 on the financial reporting standpoint, considering that one of the most critical questions is how the disclosure requirement should be accounted for in financial statements for fiscal year ended on 31 December 2024 and years ahead.
- Preparing to lodge the GMT filings regardless of whether or not there is a top-up tax. While the first GMT filing is only due 18 months after the fiscal year ends, it is highly necessary to understand the full impact of GMT on the financial reporting aspect as early as possible.

The GMT represents a significant transformation in Indonesian taxation landscape, urging affected businesses to act swiftly in addressing the challenges and seizing the opportunities that arise, while being aware of their obligations within the new regulatory environment and strategically managing potential risks and opportunities.

Deloitte Indonesia tax team is available to assist you and provide guidance to help navigate the complexities of these rules. Contact us today to take the necessary steps towards GMT readiness and compliance.

We will hold a webinar for awareness on **Wednesday, 22 January at 14:00 – 16:00 WIB**, please click the following link to register. We will send the invitation upon your registration.



<https://deloi.tt/4gWu8aF>

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