

Thinking big can help keep your tax controversy small.

Today's global connectivity means it is easier for companies to be faced with multi-dimensional, multi-country tax controversy. How can you manage the risk?



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Companies must remain focused on transfer pricing controversy management in Indonesia, given recent tax audit trends and regulatory changes

The importance of an Indonesian taxpayer's local file as audit defense documentation and penalty protection has been highlighted again by heavy scrutiny of local files during recent audits by the Indonesian Tax Authority (ITA). The ITA has recently escalated tax audits for certain taxpayers to criminal investigations based on the contents of their local file. The ITA has been particularly focused on comparable companies' searches, where there was perceived to be an absence of functional comparability, as these were considered "potentially abusive." This development highlights how critical it is for taxpayers to develop and maintain robust documentation in the local file for both audit defense and penalty protection.

A new advanced pricing agreement (APA) regulation has also recently been released. This new regulation establishes a more comprehensive APA regime with: changes in criteria for taxpayers applying for an APA, shortened timelines for the APA process (including the timeline for taxpayer and competent authority responsiveness during the APA process) and established core transfer pricing principles that the ITA will apply during the APA process.

Read more about the regulations and how to manage these risks in [EY Global Tax Alert](#) and listen to a discussion from our recent webcast, [Tax Policy and Controversy Outlook 2020 — Asia-Pacific](#).

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