

Taxpayer profitability reviews, data requests and transfer pricing audits

The Indonesian Tax Office have recently begun undertaking industry wide profitability reviews of taxpayers – and using this information to assess whether the taxpayer’s profit is consistent with the profitability of other taxpayers within the same type of business (KLU).

If the results of the profitability review are inconsistent with the others in the KLU, then the ITO would typically request further information relating to the taxpayer’s related party transactions and/or the functional profile of the company – with a view to proceeding to a transfer pricing focused review or tax audit.

In audits, the ITO has frequently requested documentation that supports the arm’s length nature of the taxpayers transfer prices, which is required under Government Regulation GR 80/2007.