

Research/ Review

# Challenges in Law Enforcement Against Corporate Tax Crimes: Evaluation of Global Instruments

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**Abstract:** Economic globalization has increasingly complicated efforts to enforce laws against multinational corporate tax crimes, particularly those involving cross-border tax avoidance and evasion. This study seeks to address two main research questions: first, what are the legal barriers to implementing global instruments such as the OECD Base Erosion and Profit Shifting (BEPS) project and the Financial Action Task Force (FATF) Recommendations in Indonesia? Second, what institutional obstacles hinder their enforcement? Employing a normative juridical method through an extensive literature review, this study identifies several challenges. On the legal side, Indonesia faces disharmony between domestic regulations and international standards, creating gaps that can be exploited by corporations. Weak sanctions and persistent legal loopholes further undermine the effectiveness of enforcement. On the institutional side, barriers include limited human resource capacity, insufficient expertise in international tax matters, and weak inter-agency coordination. Additionally, inadequate technological infrastructure limits the ability of authorities to monitor and analyze complex cross-border transactions effectively. These factors collectively reduce Indonesia's capacity to prevent and address multinational tax avoidance schemes. To overcome these challenges, the study recommends aligning national tax laws more closely with international frameworks, strengthening sanction regimes to deter violations, and closing loopholes that are routinely manipulated by corporations. Moreover, it emphasizes the need to enhance institutional capacity through specialized training, improved inter-agency cooperation, and the adoption of advanced digital technologies to support enforcement. By addressing these barriers holistically, Indonesia can improve its effectiveness in combating corporate tax crimes in the context of global economic integration.

**Keywords:** Corporate Tax Crime; FATF; Legal Harmonization; OECD BEPS; Tax Law Enforcement;

## 1. Introduction

The development of economic globalization has fostered increasingly close interconnections among nations, driving the flow of trade, investment, and capital mobility on an international scale. While this phenomenon has contributed significantly to economic growth, it has also created substantial opportunities for tax avoidance and evasion by multinational enterprises (MNEs). Through complex corporate structures and cross-jurisdictional financial strategies, MNEs often exploit legal loopholes and discrepancies between tax regimes to shift profits to jurisdictions with lower or zero tax rates (Christensen, 2017).

Tax avoidance by multinational corporations (MNCs) has emerged as a critical issue in global taxation systems, particularly for developing countries such as Indonesia. This practice

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not only reduces potential state revenue but also creates disparities in business competition and undermines the integrity of tax systems. In response, the OECD, in collaboration with G20 member states, initiated the Base Erosion and Profit Shifting (BEPS) Action Plan, comprising 15 actions aimed at addressing various tax avoidance strategies employed by MNCs.

These strategies typically include transfer pricing manipulation, the use of special purpose vehicles (SPVs), and the arrangement of internal costs to obscure the actual location of income generation. Such practices directly erode the tax base in source countries, ultimately diminishing state revenues and constraining public development financing (Iswahyudi, 2021). In the context of developing countries such as Indonesia, the impact is exacerbated by limited fiscal capacity and weak tax oversight infrastructure (Afida, 2022).

Consequently, the international community has developed global legal instruments to address these issues. The BEPS Action Plan, spearheaded by the Organisation for Economic Co-operation and Development (OECD) in partnership with the G20, outlines 15 policy measures designed to close the legal gaps exploited by MNEs. Additionally, the Financial Action Task Force (FATF) has issued 40 Recommendations focusing on anti-money laundering measures, including transparency in beneficial ownership (BO), which is highly relevant for cross-border tax monitoring.

However, the implementation of these instruments in Indonesia faces several obstacles. These include insufficient institutional capacity to manage and analyze global tax data, disharmony between national laws and international standards, limited effectiveness of automatic exchange of information mechanisms, and inadequate political will to advance comprehensive tax reform (Firdaus & Sulaiman, 2022). As an active member of the Inclusive Framework on BEPS, Indonesia has demonstrated commitment by adopting most of the action plans. By the end of 2024, the Directorate General of Taxes (DGT) reported that Indonesia had implemented 12 of the 15 BEPS actions, including interest deduction limitation rules in line with BEPS Action 4. Nevertheless, challenges remain, particularly in implementing BEPS Action 1 on the digital economy and in monitoring BEPS practices as outlined in Actions 11 and 12.

The OECD (2022) estimates that BEPS practices result in global tax revenue losses of USD 100–240 billion annually, equivalent to approximately 4–10% of global corporate income tax revenues. Developing countries, including Indonesia, are disproportionately affected due to their greater reliance on corporate tax as a source of public revenue.

The gap between international legal frameworks and domestic implementation raises critical questions: To what extent are global instruments such as the OECD BEPS and FATF Recommendations effective in curbing tax avoidance in developing countries? Furthermore, how do Indonesia's legal and institutional challenges influence the success of these instruments' implementation? These questions form the basis of this research, which seeks both to enrich academic discourse and to provide policy recommendations aimed at strengthening national tax governance in the face of global economic challenges.

Despite the existence of regulations, their implementation effectiveness remains in question. A study by Ibrahim and Sari (2023) indicates that Indonesia's interest deduction limitation rules have not been fully effective in preventing tax avoidance, recommending the adoption of a more robust approach aligned with BEPS Action 4. Moreover, the implementation of a global minimum tax presents new challenges, such as the potential reduction in the attractiveness of tax incentives traditionally used to attract foreign investment.

Within this context, it is essential to analyze how international and domestic legal frameworks regulate tax avoidance by MNCs, and to evaluate the effectiveness of the BEPS Action Plan and global tax reforms in Indonesia. Such an analysis will provide insight into the gap between normative legal expectations (*das sollen*) and actual implementation (*das sein*), while offering recommendations to strengthen the national tax system in the face of economic globalization.

Accordingly, based on the considerations outlined above, the author is motivated to conduct a study entitled:

**“Challenges in Law Enforcement Against Corporate Tax Crimes: An Evaluation of Global Instruments”**

### Research Questions

1). How effective are global instruments such as the OECD BEPS Action Plan and FATF Recommendations in addressing corporate tax evasion in Indonesia?, 2). What legal and institutional challenges does Indonesia face in implementing these global instruments?

### Research Objectives

1). To analyze the effectiveness of international legal instruments in addressing corporate tax avoidance and evasion, 2). To identify the legal and institutional challenges faced by Indonesia in their implementation and to provide strategic recommendations.

## 2. Literature Review

This research is significant in enriching the discourse in the fields of international taxation law and transnational economic law. From a theoretical perspective, it offers an in-depth understanding of the convergence between national legal systems and global legal frameworks. From a practical perspective, it serves as a foundation for formulating more adaptive and responsive national tax policies and legal regulations in response to global dynamics.

### 2.1 Theoretical Framework

#### a. Justice Theory

John Rawls introduced the concept of “justice as fairness”, emphasizing the equitable distribution of justice within a social system. Rawls’ principle of distributive justice asserts that institutions must be arranged to benefit the least advantaged, through two main principles: (1) equal liberty for all, and (2) socio-economic inequalities permissible only if they benefit the most vulnerable groups. This principle is relevant for assessing fairness in the global tax system, particularly in redistributing taxing rights between countries.

This theory is applied to the second research question, namely how global tax reforms and the BEPS Action Plan affect multinational corporations in Indonesia. Initiatives such as the Global Minimum Tax (GMT) aim to create a fairer global tax system and prevent the “race to the bottom” in tax rates. Rawls’ theory provides a moral and juridical basis for evaluating whether the post-BEPS global tax system truly embodies fairness among nations and market actors.

In this research, the theory is used in relation to the second research question, namely how global tax reform and the BEPS Action Plan affect multinational corporations operating in Indonesia. Global tax reforms such as the Global Minimum Tax (GMT) aim to create a fairer global tax system and prevent the “race to the bottom” in corporate tax rates. In this context, Rawls’ theory provides a moral and legal foundation to evaluate whether the post-BEPS global tax system truly reflects fairness among countries and among economic actors.

#### b. Corporate Criminal Liability Theory

According to Muladi and Arief, corporations as legal subjects may be held criminally liable if both *mens rea* and *actus reus* are present in the policies and collective activities of the company. This theory underpins the criminalization of systemic tax avoidance by MNCs.

The theory posits that corporations can be held liable for actions undertaken by their organs or agents within their authority. In modern legal systems, this is based on the doctrines of vicarious liability or identification theory, whereby the corporation’s intent (*mens rea*) and unlawful acts (*actus reus*) are embedded in the collective actions of its management.

This theory is highly relevant to the first research question, which examines how tax avoidance by MNCs is regulated from the perspective of transnational economic

criminal law. In practice, MNCs engage in systemic and structured tax avoidance through transfer pricing schemes, hybrid mismatch arrangements, and the use of entities in low-tax jurisdictions.

#### **c. Law Effectiveness Theory (Soerjono Soekanto)**

This theory is used to measure the gap between legal norms (*das sollen*) and social reality (*das sein*). In the context of this research, it is applied to assess the effectiveness of implementing BEPS and the global minimum taxation in Indonesia. According to Soerjono Soekanto, legal effectiveness can be assessed by the extent to which legal norms are applied and complied with in society. This effectiveness depends on five factors: the legal norms themselves, law enforcement officials, public legal awareness, supporting facilities, and legal culture.

This theory is utilized to analyze the theory–practice gap in this study. Although Indonesia has formally adopted BEPS and global tax reform (the *norma*), implementation in practice remains suboptimal due to limitations in enforcement capacity, institutional readiness, and an underdeveloped fiscal legal culture.

#### **d. Good Governance and Fiscal Transparency Doctrine**

According to the United Nations Development Programme (UNDP, 1997), the concept of good governance encompasses the principles of accountability, transparency, participation, and the rule of law. In the context of taxation, good governance entails the presence of effective oversight mechanisms, public access to information, and the openness of beneficial ownership data. The Organisation for Economic Co-operation and Development (OECD) emphasizes that fiscal transparency is key to preventing BEPS practices and improving tax compliance.

#### **e. Rechtsstaat Theory (Rule of Law)**

Tax reform must operate within a framework that upholds the rule of law, legal certainty, justice, and the protection of citizens' rights. The enforcement of law against tax avoidance by MNCs constitutes part of the actualization of the principle of fair taxation under the rule of law. The Rechtsstaat Theory underscores that all actions by both the government and citizens must be based on law. The main principles of the rule of law include supremacy of the law, legal certainty, protection of human rights, and the principle of legality.

This research grounds its urgency in the principle that taxation is an instrument of the state that can only be imposed and enforced on the basis of law. However, when tax avoidance by MNCs is not addressed through criminal law instruments or when fiscal injustice occurs, the very principle of the rule of law is undermined.

## **2.2 Principles of International Taxation**

### **a. Arm's Length Principle (ALP)**

The Arm's Length Principle constitutes a central tenet of the OECD Transfer Pricing Guidelines, stipulating that transactions between affiliated enterprises must be conducted as if they were undertaken between independent parties under comparable circumstances. A violation of this principle often serves as a *modus operandi* for tax avoidance through transfer pricing arrangements.

### **b. Principle of Nexus and Significant Economic Presence**

This principle establishes taxation rights based on a significant economic presence rather than solely on physical presence. It forms the conceptual foundation of BEPS Action 1, which addresses the tax challenges posed by the digital economy. The principle responds to the limitations of the traditional “physical presence” rule in

international taxation, recognizing that companies can generate substantial profits within a jurisdiction without maintaining a physical establishment there.

The OECD, through BEPS Action 1 and the Pillar One proposal, has introduced a “new nexus” approach based on “significant economic presence” to allocate taxing rights to market jurisdictions. This principle is especially relevant to the Indonesian context, where multinational digital companies derive substantial revenues from Indonesian users without being subject to proportional taxation. It intersects directly with Indonesia’s implementation of taxation on electronic transactions (Perdagangan Melalui Sistem Elektronik – PMSE) and the Digital Services Tax (DST), representing the “das sein” (practical reality) of tax law in the country.

### c. Global Minimum Tax (BEPS Pillar 2)

The Global Minimum Tax (GMT) principle, embedded within OECD/G20 Pillar Two of global tax reform, is grounded in the pursuit of global fiscal equity. Its primary objective is to prevent a “race to the bottom” in tax competition among jurisdictions through the adoption of excessively low corporate tax rates, thereby ensuring a fair and balanced competitive environment in the global digital economy.

GMT applies to multinational enterprises (MNEs) with consolidated annual revenues of at least EUR 750 million, ensuring that such entities are subject to a minimum effective tax rate of 15% in every jurisdiction where they operate. This framework comprises two primary mechanisms: 1). Income Inclusion Rule (IIR) – Grants the jurisdiction of the parent company the right to impose a top-up tax if its foreign affiliates are subject to an effective tax rate below the minimum threshold. 2). Undertaxed Payments Rule (UTPR) – Allows other jurisdictions to levy additional taxes if the parent jurisdiction does not apply the IIR.

Indonesia has responded to this principle through Minister of Finance Regulation (PMK) No. 136/2024, which regulates the GMT framework and the imposition of a top-up tax on the income of multinational entities whose effective tax rate falls below 15%.

The overarching aim of GMT is to curb profit-shifting to low-tax jurisdictions, commonly referred to as tax havens, and to create a “level playing field” enabling all countries to attract investment without resorting to aggressive tax rate reductions. This, in turn, optimizes tax revenues from mobile and intangible economic activities within the digital economy.

From the “das sollen” (normative ideal) perspective, GMT represents a concrete instrument of global tax reform. However, its implementation in Indonesia still exhibits notable gaps (“das sein”), particularly in administrative readiness, fiscal authority capacity, and corporate taxpayers’ understanding of the new regime. This research examines the alignment of Indonesia’s legal framework with Pillar Two and its implications for compliance and tax planning among multinational corporations.

### d. Tax Avoidance vs Tax Evasion Doctrine

The distinction between lawful tax avoidance and unlawful tax evasion remains a recurring subject of legal debate. In this study, aggressive tax avoidance by MNEs is considered a “grey area” that should be subject to criminalization under economic criminal law approaches.

In the realm of international taxation, the dichotomy lies in the fact that tax avoidance exploits legal loopholes, whereas tax evasion constitutes a direct violation of applicable law. The OECD recognizes that aggressive tax avoidance becomes unacceptable when it involves structures devoid of economic substance, constituting an abuse of law.

In the Indonesian context, restrictions on tax avoidance are embedded in the principle of “substance over form” and the doctrine of beneficial ownership. This research investigates the threshold between legitimate tax planning and aggressive tax avoidance by MNEs, exploring the circumstances under which such practices may be classified as transnational economic crimes subject to corporate criminal liability. Furthermore, it highlights the need for specific criminal law provisions targeting tax avoidance practices with systemic economic impacts.

### 3. Proposed Method

In the preparation of this journal, the author applies a legal research methodology in the form of a normative juridical approach. This research focuses on an in-depth examination of existing legal sources, both binding and doctrinal in nature. The scope of the study encompasses legal principles and doctrines, norms and rules contained in statutory regulations, scholarly opinions (doctrines), as well as legal concepts and ideas that have developed in the literature.

Through this method, the analysis is carried out by examining the applicable legal framework and linking it with theoretical concepts, thereby providing a comprehensive understanding of the issues under investigation. The normative juridical approach enables the researcher to conduct an in-depth assessment of positive legal products, which in this context include laws, implementing regulations, international treaties, as well as international instruments such as the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action Plan and the Financial Action Task Force (FATF) Recommendations, and to assess their conformity with the law enforcement practices in Indonesia.

The international instruments referred to include, among others, the OECD BEPS Action Plan issued in 2015, the FATF Recommendations (latest edition 2023), and the Common Reporting Standard (CRS) initiated by the OECD. Academic literature, books, and research findings addressing the subject of tax law, economic criminal law, international law, and cross-border economic crimes are also incorporated into this research. Furthermore, the study also draws from selected scholarly articles published in reputable journals such as the OECD Tax Papers, Journal of Money Laundering Control, International Tax Review, as well as policy publications from the World Bank and the International Monetary Fund (IMF).

In addition, this research makes use of various legal dictionaries for definitions, as well as several encyclopedias, regulatory indexes, and glossaries of technical terms in the fields of taxation and international finance.

The collection of research materials is carried out through library research, involving a review of applicable laws and regulations, international instruments, scholarly literature, and policy reports from official institutions. These sources are accessed through international legal and taxation databases such as the OECD iLibrary and the FATF publication archives. The analysis is conducted by systematically elaborating the content of legal provisions, comparing them with international standards, and then assessing the conformity and effectiveness of their implementation in Indonesia, including identifying several challenges encountered in the enforcement of laws against corporate tax crimes.

### 4. Results and Discussion

In the era of globalization, cross-border corporate structures have become increasingly complex, enabling multinational corporations to exploit legal loopholes and mismatches between different national tax systems. This phenomenon has elevated the importance of global legal instruments aimed at enhancing tax transparency, curbing base erosion, and preventing illicit financial flows. Among the most significant frameworks are the Organisation for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action Plan and the Financial Action Task Force (FATF) Recommendations, which collectively shape the foundation of modern international tax governance. Understanding their actual effectiveness and particularly in the Indonesian legal and enforcement context is crucial to evaluating whether these tools can successfully deter corporate tax evasion.

#### 4.1. International Instruments in Addressing Tax Avoidance

The effectiveness of global legal frameworks such as the OECD BEPS Action Plan and the FATF Recommendations in combating tax evasion by multinational corporations has been the subject of extensive academic literature and policy reports. These instruments play a vital role in promoting cross-border law enforcement, improving tax transparency, and strengthening mechanisms for international cooperation. However, their actual effectiveness largely depends on national-level implementation and the capacity of domestic enforcement authorities to adapt and align with these global principles.

The OECD BEPS initiative is fundamentally designed to address tax avoidance practices that exploit gaps and mismatches in international tax rules, particularly through profit shifting to low-tax or no-tax jurisdictions (Shen, 2023). The fifteen BEPS Actions provide a comprehensive framework for fostering fairness and transparency in the global tax system. Nevertheless, the practical effectiveness of BEPS implementation varies significantly across jurisdictions (Shelepov, 2017).

For instance, Country-by-Country Reporting (CbCR) has emerged as a critical tool in assessing corporate tax behavior. Yet, empirical evidence suggests that increased transparency does not always correlate with improved corporate tax compliance (Christensen, 2017). This indicates that such global frameworks may be insufficient without robust domestic enforcement mechanisms (Erdem & Odabaş, 2024).

Moreover, the BEPS project operates within a soft law framework, raising questions about the binding force of its principles (Dourado, 2015). Although the OECD encourages member states to incorporate its recommendations into national legislation, differences in legal structures, institutional capacity, and political will often result in inconsistent outcomes (Ibrahim & Sari, 2023; Kurilov, 2019).

In the context of transfer pricing regulations, inconsistencies in interpretation and enforcement across jurisdictions create legal gaps that can be exploited by multinational corporations (Ouelhadj & Bouchetara, 2021). This diversity of approaches underscores the necessity of harmonizing inter-jurisdictional practices to build a fairer and more reliable system for tackling tax avoidance and evasion (Hong & Wen, 2024).

Another significant dimension is the enforcement of cross-border tax compliance. Jurisdictions that implement stringent enforcement mechanisms and maintain active international cooperation agreements tend to experience lower levels of tax avoidance (Cho, 2020). Research indicates that countries actively adhering to BEPS frameworks exhibit improved tax compliance due to stricter oversight and heightened accountability (Afida, 2022).

The Automatic Exchange of Information (AEOI) under the Common Reporting Standard (CRS) further enhances cross-border financial transparency by facilitating the exchange of taxpayer information between jurisdictions. This mechanism acts as a deterrent to offshore tax evasion by reducing opportunities to conceal assets abroad (Popescu, 2020).

Meanwhile, the FATF Recommendations contribute significantly by emphasizing anti-money laundering (AML) and counter-terrorism financing (CTF) measures, which indirectly reinforce global tax transparency. FATF requires financial institutions to conduct due diligence on clients and report suspicious activities that may be linked to cross-border tax crimes (Brauner, 2019).

The synergy between the OECD BEPS framework and the FATF Recommendations illustrates that modern tax law enforcement can no longer operate in isolation; it must be integrated within the broader context of international finance and the fight against economic crime. Nonetheless, the ultimate effectiveness of these instruments depends on the ability of individual states to consistently and accountably embed them within their domestic legal systems.

## **4.2. Legal and Institutional Barriers in the Implementation of the OECD BEPS Instruments and the FATF Recommendations in Indonesia as a Developing Country**

Developing countries, including Indonesia, face a range of significant obstacles in implementing global tax governance instruments such as the OECD Base Erosion and Profit Shifting (BEPS) Action Plan and the Financial Action Task Force (FATF) Recommendations. An in-depth examination indicates that these challenges originate from four main aspects: institutional capacity, legal harmonization, technological and supervisory gaps, and political will.

### **a. Limited Institutional Capacity**

Institutional capacity constitutes a fundamental challenge. Indonesia frequently experiences difficulties in meeting the demands of international standards due to weaknesses in administrative and institutional infrastructure (Agustianto, 2022). Instruments such as the Automatic Exchange of Information (AEOI) require sophisticated, integrated, and real-time data reporting and exchange systems (Yeh, 2022). However, several studies have noted that Indonesia's data management systems and information technology infrastructure remain inadequate to fully support the implementation of AEOI (Kamaruddin & Afandi, 2024).

In addition, the fiscal decentralization system adopted by Indonesia complicates coordination between central and regional governments. Regional governments often lack sufficient resources or training to properly implement complex international tax policies (Ahsan et al., 2024). The low quality of local institutional capacity ultimately undermines the state's overall tax collection capability (Iswahyudi, 2021).

### **b. Legal Harmonization and Regulatory Inconsistencies**

Legal harmonization represents a crucial issue in adopting global instruments. Indonesia's tax code and domestic legal provisions often fail to align with OECD principles, resulting in overlaps, inefficiencies, and barriers to implementation (Devereux et al., 2008). The complexity of the national legal system causes the adoption of international policies to be slow and prone to conflicts between regulations (Golovchenko & Plotskaya, 2021).

Certain institutions or local actors also demonstrate resistance to reforms, perceiving that the implementation of global policies threatens national legal sovereignty (Luong & Weinthal, 2006). For example, resistance has emerged against the requirement for Country-by-Country Reporting (CbCR), which is considered to lack adequate legislative support, as well as against regulatory inconsistencies concerning beneficial ownership (Mappadang, 2021).

### **c. Technological and Supervisory Gaps**

FATF and OECD instruments place a high demand on advanced reporting systems, data validation, and digital auditing capabilities. Indonesia continues to face challenges in terms of technological mastery and data infrastructure. The implementation of AEOI, for instance, requires information technology systems capable of ensuring cross-border data security and accuracy—an area that remains a significant weakness in Indonesia (Rakayanya et al., 2021).

Furthermore, the current system for supervising beneficial ownership remains very weak. Although a regulatory framework exists, compliance levels remain low due to inconsistent monitoring systems and a lack of public trust (Jafarnejad et al., 2024).

### **d. Lack of Political Will**

Political will is a decisive factor for the success of tax governance reforms. While the Indonesian government has formally expressed its commitment to transparency and accountability in anti-corruption campaigns (Gilmour, 2020), in practice, corruption continues to pose a major obstacle to policy implementation (Kamaruddin & Afandi, 2024).



Research indicates that policy reforms aimed at enhancing transparency such as beneficial ownership reporting and AEOI are often hindered by the interests of economic elites or the politicization of policies (Iswahyudi, 2017). In addition, the lack of political incentives to strengthen compliance systems has also led to stagnation in the enforcement of regulations (Gillies, 2010).

### e. Implications and Strategic Recommendations

In order to overcome the aforementioned challenges, the following strategic measures are necessary: 1). Strengthening institutional capacity through training and technical capacity-building for tax officials, along with inter-agency cooperation. 2). Leveraging technology, including blockchain and artificial intelligence-based systems, to improve the efficiency of reporting and the accuracy of tax data. 3). Reforming national legislation to ensure alignment with global regulations, including amendments to tax laws and updates to transparency policies. 4). Building public trust by involving civil society and the private sector in fiscal reform processes, thereby reinforcing accountability and the legitimacy of public policy.

The legal and institutional barriers to the implementation of the OECD BEPS instruments and the FATF Recommendations in Indonesia are complex and interrelated. Limited institutional capacity, the lack of harmonization in domestic regulations, weaknesses in supervisory and technological systems, and insufficient political will constitute the primary impediments. Therefore, comprehensive and multisectoral reforms are essential for Indonesia to participate effectively in global tax governance and to prevent tax avoidance practices and illicit cross-border financial flows.

## 5. Comparison

This research is significant in enriching the scholarly discourse in the fields of international tax law and transnational economic law. From a theoretical perspective, it offers an in-depth understanding of the convergence between national legal systems and the global legal framework. From a practical standpoint, it provides a foundation for the formulation of national tax policies and legal regulations that are more adaptive and responsive to global dynamics. Herewith the comparison between this research with the previous research as follows:

Researcher & Year	Research Title	Focus of Study	Research Limitations
Afida (2022)	Evaluation of the Implementation of Country-by-Country Reporting in Indonesia's Tax Policy	Reporting system and compliance with CbCR in Indonesia	Does not assess the role of FATF or systemic approaches to multinational corporations
Mappadang (2021)	National Legislative Challenges in the Implementation of International Tax Rules	Legal asymmetry between national rules and global rules (OECD)	Focuses only on legislation without addressing institutional and fiscal political aspects
Iswahyudi (2021)	State Capacity and the Effectiveness of Tax Collection in Indonesia	Relationship between fiscal institutional capacity and tax effectiveness	Does not examine the transnational dimension and the harmonization of international regulations
Firdaus & Sulaiman (2022)	Transparency of Beneficial Ownership and Its Impact on Tax Revenue	Implementation of BO regulations in Indonesia	Does not compare FATF and BEPS in an integrated manner

Ibrahim & Sari (2023)	Implementation of International Tax Rules in Transfer Pricing Supervision in Indonesia	Focus on transfer pricing rules for MNE practices	Does not address aspects of harmonization with international agreements and regulatory certainty
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The significance and novelty of this research lie in its comprehensive analysis of two primary instruments of global tax governance simultaneously, namely the OECD Base Erosion and Profit Shifting (BEPS) framework and the Financial Action Task Force (FATF) Recommendations. It further evaluates the legal and institutional challenges in their implementation, with a specific focus on the context of a developing country, namely Indonesia. Consequently, this research proposes a conceptual framework that can be utilized by fiscal policy-makers and law enforcement authorities to formulate more effective implementation strategies.

The novelty of this research is underscored by its evaluative focus on two global legal instruments in parallel—an approach rarely examined comprehensively in the context of developing countries. Moreover, it adopts a critical normative juridical approach that integrates the analysis of actual conditions (*das sein*) with ideal conditions (*das sollen*) to assess the effectiveness of regulatory implementation and integration.

This study also concentrates on the intersection between international law and national legal systems, as well as the political and institutional dynamics in transnational fiscal practices. In addition, its novelty extends to the provision of technology-based recommendations—such as the application of blockchain—and governance reforms that have not been elaborated upon in prior research.

## 6. Conclusions

Based on the comprehensive analysis presented in the preceding chapters, several key conclusions may be drawn, reflecting both the legal and institutional challenges faced by Indonesia in the implementation of global tax governance instruments:

### Legal Barriers in the Implementation of Global Instruments

The foremost legal challenge lies in the substantive and procedural disharmony between Indonesia's domestic regulations and the international standards articulated in the OECD Base Erosion and Profit Shifting (BEPS) Action Plan as well as the Financial Action Task Force (FATF) Recommendations. While Indonesia has formally adopted critical mechanisms such as Country-by-Country Reporting (CbCR) and beneficial ownership transparency, the application of these frameworks remains fragmented and inconsistent. The absence of robust enforcement mechanisms, coupled with residual legal loopholes, enables multinational enterprises to exploit regulatory gaps for tax avoidance purposes.

### Institutional Barriers in Law Enforcement

From an institutional perspective, Indonesia's enforcement apparatus has yet to develop the operational and technological resilience required to fully implement these global instruments. Limitations in human resource capacity, insufficient inter-agency coordination, and inadequate technological infrastructure for cross-border data processing significantly undermine the effectiveness of compliance monitoring and the automatic exchange of information. Consequently, the intended deterrent effect of the international regime is substantially weakened.

### Recommendations

In light of the above conclusions, the following policy recommendations are advanced to enhance the alignment of Indonesia's tax governance framework with international best practices:

#### Strengthening Legal Harmonization

It is imperative to undertake a systematic harmonization of national tax legislation with international standards, particularly in the domains of CbCR, beneficial ownership disclosure, and the Automatic Exchange of Information (AEOI). Such harmonization should be accompanied by the introduction of stringent administrative and criminal sanctions to compel multinational enterprises to adhere to tax compliance obligations.

#### Enhancing Institutional and Technological Capacity

A concerted effort is required to build the institutional and technological capacity of relevant enforcement agencies. This includes specialized training in international tax investigation, the establishment of an integrated and secure digital infrastructure for real-time data

exchange, and the enhancement of inter-agency cooperation at both the domestic and transnational levels. These measures are essential to ensuring that the adoption of global instruments translates into tangible improvements in tax compliance and enforcement.

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