

## Automatic Exchange of Information Review from the Perspective of its Effectives in Minimizing Tax Evasion

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Received : February 25, 2022

Accepted : April 15, 2022

Published : April 30, 2022

Citation: Pohan, C.A., Rahmi, N., Arimbhi, P., Junaidi, A.(2022). Automatic Exchange of Information Review from the Perspective of its Effectives in Minimizing Tax Evasion. *Ilomata International Journal of Tax and Accounting*, 3(2), 117-138.

<https://doi.org/10.52728/ijtc.v3i2.462>

**ABSTRACT:** This research aims to review the implementation of automatic exchange of information (AEOI) from the perspective of its effectiveness in minimizing tax evasion and to analyze the inhibiting entities and encouraging entities in AEOI in minimizing tax evasion. The research approach used in this study is a qualitative approach with data collection techniques using in-depth interviews, observation, literature/ documentation studies and source triangulation. The results of the study conclude that the Implementation of AEOI in minimizing tax evasion so far has been quite effective according to international standards, although there are still many complete data sets that have not been fulfilled by partner countries, resulting in data provided by partner countries cannot be used by the Indonesian tax authorities. However, the performance of AEOI has not yet provided optimal results in increasing tax revenue, especially in 2020, its progress has been hampered by the Covid 19 Pandemic. On the other hand, Directorate General of Taxation (DGT) still has obstacles. There are four obstacles and challenges in AEOI, namely: First, the Reciprocity of Information Exchange (Reciprocity). Second, banking tends to be resistant to data access. Third, the lack of technology that supports AEOI. Fourth, the complexity of Conversion of Tax Revenue Data. The Entity that drives this information exchange in minimizing tax avoidance is the existence of an Information Exchange System called the "Common Transmission System (CTS).

**Keywords:** Effectiveness, Automatic Information Exchange, and Tax Evasion.



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## INTRODUCTION

The largest source of Indonesian state revenue comes from the tax sector that is paid by the public to the state ([Alexeev & Zakharov, 2022](#); [Gokhale, 2021](#); [Lahiri & Yang, 2021](#); [Majoral et al., 2021](#); [Ndoricimpa, 2021](#)). This tax revenue plays an important role in the interests of Indonesia's development. Automatic Exchange of Information (AEOI) is an opportunity for Indonesia to prevent and reduce tax avoidance and evasion practices because AEOI is Big Data in the taxation

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sector which offers detailed and legal financial information from several contracting countries ([Febyani & Widodo, 2020](#); [Selvi, 2018](#); [Yang et al., 2017](#)). Another important role of the AEOI is expected to be able to increase taxpayer compliance from more transparent tax reporting ([Ispriyarso, 2020](#); [Supriyadi, 2019](#)). However, the priority is if the AEOI is able to increase the potential for state revenue from the tax sector, which has often been overlooked, especially if the income or assets are outside the jurisdiction of Indonesia ([Adegboye et al., 2022](#); [Jacobsson et al., 2020](#); [Knobel & Meinzer, 2014](#); [Nan et al., 2022](#)).

The implementation of AEOI by the Indonesian government cannot be separated from efforts to obtain information and withdraw (repatriate) funds belonging to Indonesian citizens abroad considering that most of the assets of Indonesian citizens abroad are located in Singapore, which reached 60% of the approximately USD 75 billion. Even ([Chang & Sargsyan, 2022](#); [Matti et al., 2022](#); [Zucman, 2015](#)), in the book *The Hidden Wealth of Nation: The Scourge of Tax Havens*, said that about 8% of global wealth is placed in tax haven countries, and unfortunately, 80% of these funds are not known by tax authorities. This amount is quite significant, so it is natural for Indonesia to seek to have AEOI agreements with many countries, including Singapore ([Amendolagine et al., 2021](#)). The following is a table 1 of the development of AEOI cooperation:

Description	2017	2018	2019
Jurisdiction	48	96	97
Bilateral exchange	2.600	4.500	6.100
Financial account (million)	11	47	84
Asset (trillion Euro)	1,1	4,9	10

Source: OECD, Global Forum on Transparency and Exchange of Information for Tax Purposes (as of June 2020)

Based on the table 1 above, there is a significant increasing trend in terms of the number of countries, bilateral exchanges, financial accounts, and assets traced through AEOI cooperation in the 2017-2019 period. The existence of AEOI between countries facilitates transparency of taxpayer financial information. The Ministry of Finance said there are assets of Indonesian citizens (WNI) with a value of more than Rp. 1,300 trillion abroad that have not been reported through the SPT and Tax Amnesty ([Pablo, 2019](#)). Several companies in Indonesia are involved in cases of tax evasion or transfer pricing as shown in table-2 below:

Tabel 2. Cases of Transfer Pricing Practices in Indonesia

Company	Number of Tax Disputes (in Rp)	Link/Source of court decision
Toyota Motor Manufacturing Indonesia	1,2 Trillion	Tempo - Prahara Pajak Raja Otomotif ( <a href="#">Tempo, 2014</a> ) <a href="https://majalah.tempo.co/read/investigasi/145213/prahara-pajak-raja-otomotif">https://majalah.tempo.co/read/investigasi/145213/prahara-pajak-raja-otomotif</a>
PT. Asian Agri Group	2,5 Trillion	Putusan Mahkamah Agung No. 2239K/PID.SUS/2012. ( <a href="#">Sarwoko, 2012</a> ) <a href="file:///C:/Users/HP/Downloads/putusan_put-">file:///C:/Users/HP/Downloads/putusan_put-</a>

Multinational Company Practices (mostly transfer pricing according to Yustinius Prastowo, the Executive Director of the Center For Indonesian Taxation)	150 Tril lion	( <a href="#">Neraca, 2015</a> ) <a href="https://economy.okezone.com/read/2015/09/16/20/1215476/praktik-transfer-pricing-sebabkan-indonesia-rugi-rp100-tanggal-16-September-2015">https://economy.okezone.com/read/2015/09/16/20/1215476/praktik-transfer-pricing-sebabkan-indonesia-rugi-rp100-tanggal-16-September-2015</a>
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The phenomenon that the authors raise from the research above and from the table 2 above is that quite a number of taxpayers in Indonesia and abroad are practicing tax evasion/evasion which has an impact on reducing tax revenues. To minimize such practices, Indonesia as a member of the G20 implements AEOI. Precisely during the Covid-19 pandemic, this should be a good momentum for Indonesia to stimulate investment optimism and suppress tax avoidance/evasion practices, in order to increase tax revenue ([Aditya, 2021](#); [Indahsari & Fitriandi, 2021](#); [Padyanoor, 2020](#); [Tibulca, 2021](#); [Wantasen et al., 2021](#); [Zarghami, 2021](#)).

The research objective, firstly, is to review the implementation of AEOI from the perspective of its effectiveness in minimizing tax evasion at the Directorate General of Taxes. Second, to analyze what factors are still hindering the smooth running of the AEOI policy to be input in solutions or formulating a plan of action by the government to overcome bottlenecks in its implementation.

• LITERATURE REVIEW

1. Effectiveness Parameter: The parameter "Effective Interpretation Value" can be used to measure effectiveness, according to Minister of Home Affairs Decree No. 690.900-327 of 1996 are as follows: Very Effective Criteria if the interpretation value is:  $E > 100\%$ ; Effective Criteria if the interpretation value:  $90\% < E < 100\%$ ; Criteria Sufficiently Effective if the interpretation value:  $80\% < E < 90\%$ ; Less Effective Criteria if the interpretation value:  $60\% < E < 80\%$ ; Ineffective Criteria if the interpretation value:  $E < 60\%$ . ([Pohan, 2021](#)).  
Meanwhile, according to Devas ([Pohan, 2021](#)) effectiveness is a measure of the success of an organization in achieving organizational goals that have been set. If an organization succeeds in achieving its goals, the organization is said to have been running effectively. Effectiveness measures how much success in achieving the revenue target that should be achieved in a certain period. By using this theory, it is expected to measure the effectiveness of AEOI in minimizing Tax Evasion at DGT
2. Effectiveness Indicators: according to Berger Sikora ([Pohan, 2021](#)) the effectiveness indicators are as follows: i. Commitment, ii. Competence and iii. Coordination.
3. Automatic Exchange of Information: According to ([Pohan, 2019](#)) "Exchange of information is the exchange of information related to taxation based on an International agreement or Exchange Of Information (AEOI) as the implementation of an international agreement"  
The objectives of AEOI, according to ([Pohan, 2019](#)) are: i. Preventing Tax Avoidance ii. Preventing Tax abuse iii. Preventing the misuse of Tax Treaty by unauthorized parties; and/or iv. Obtain information related to the fulfillment of Taxpayer's tax obligations.

As to Information Exchange Procedure, according to ([Pohan, 2019](#)), the exchange of information can be reciprocal. The exchange of information can be reciprocal and carried out in the form of Information Exchange between the Authorized Official in Indonesia and the Authorized Official in the Partner Country or Partner Jurisdiction, which includes: i. Exchange of information on request, ii. Spontaneous Exchange of Information and iii. Automatic exchange of information (AEoI).

In this study, the authors only focus on the discussion of AEoI. (1). AEoI is carried out at a certain time, periodically, systematically, and continuously on information regarding matters relating to taxation from the Authorized Official in Indonesia to the Authorized Official in the Partner Country or Partner Jurisdiction or vice versa. (2). Information exchange is automatically carried out on a) Information regarding withholding tax on income paid to Indonesian tax subjects or withholding tax on income paid to tax subjects in Partner Country or Partner Jurisdiction. b) Financial information of foreign customers c) Report information per country, and/or d) Other tax information based on mutual agreement between Indonesia and Partner Countries or Partner Jurisdictions. e) Information submitted by the Authorized Official in Indonesia to the Authorized Official in the Partner Country and Partner Jurisdiction is as contained in the attachment f) The implementation of AEoI is carried out in accordance with the International Agreement.

According to ([Pohan, 2019](#)) in the context of implementing the Exchange of Information, the Authorized Official may: i. Competent authority meetings ii. Tax examinations abroad; and/or iii. Simultaneous tax examinations. Information exchanged between Authorized Officials is used as a tax database for the Directorate General of Taxes.

#### 4. Tax Avoidance & Evasion

One definition of tax avoidance is "arrangement of a transaction in order to obtain a tax advantage, benefit, or reduction in a manner unintended by the tax law" ([Brown, 2012](#)). To clarify, tax evasion can generally be distinguished from tax evasion, where tax evasion is related to the use of unlawful means to reduce or eliminate the tax burden whereas tax evasion is carried out "legally" by exploiting loopholes that contained in existing tax regulations to avoid paying taxes, or conducting transactions that have no purpose other than to avoid taxes (Ibnu Wijaya, 2014). Not different from the above definition, according to the Blacks Law Dictionary ([Pohan, 2019](#)). Tax Avoidance is an effort to minimize the tax burden by taking advantage of tax avoidance opportunities (loopholes) by not violating tax law, even though this effort may not violate the law (the letter of the law), it actually contradicts the purpose of making tax laws (the spirit of the law) ([Butarbutar, 2017](#)).

According to ([Pohan, 2019](#)), resistance to taxes (tax resistance) carried out by taxpayers are obstacles in collecting taxes, both caused by the condition of the State and its people and caused by the efforts of taxpayers who are aware of it or not that complicate income tax as a source of state revenue. Tax resistance by minimizing the tax payable includes all businesses and actions or not that complicates tax revenue as a source of state revenue. Tax resistance by minimizing the tax payable includes all efforts and actions that directly aim to avoid taxes, both legally (tax avoidance) or illegally (tax evasion) in making tax savings occur a lot in cross-border transactions.

According to ([Pohan, 2019](#)), tax evasion is an effort by taxpayers to avoid illegal taxes owed by hiding the actual situation, but this method is not safe for taxpayers, where the methods

and techniques used are actually not in the corridor of laws and regulations. taxation itself is a high risk method and has the potential to be subject to sanctions for violating the law or fiscal or criminal offenses (white collar crime) therefore as a good tax planner this method of tax evasion is not recommended to be applied. The same thing is also stated by Rohatgi ([Pohan, 2019](#)) that tax evasion is an intention to avoid paying taxes owed taxes by intentionally hiding data and facts from the tax authorities, and is an illegal act. Thus, according to ([Pohan, 2019](#)), Tax Evasion has an indication of the actions of taxpayers doing illegal tax evasion and the imposition of tax criminal sanctions.

Some examples of tax evasion ([Pohan, 2019](#)): i. Doing double disclosure, manipulating disclosure documents such as inflating costs with fictitious expenses, and manipulating sales prices far below the prevailing market price are illegal ways; ii. Taxpayers do not report part or all of their income in the Annual Tax Return (SPT) or charge fees that should not be deducted from income to minimize the tax burden. This illegal act causes state losses. iii. Conducting pejorative/negative transfer pricing ([Hemling et al., 2022](#); [Kumar et al., 2021](#); [Steens et al., 2022](#); [Stefano et al., 2022](#)). Example: tax evasion carried out by “AAG”, which ended with Supreme Court Decision No. 2239K/PID.SUS/2012 dated December 18, 2012, by punishing “AAG” who has to pay taxes and a tax penalty of Rp. 2.5 trillion.

## METHOD

In this study the author uses a qualitative research approach which according to Creswell ([Sugiyono, 2019](#)) is a process of exploring or understanding individual and group behavior, describing social problems or humanitarian problems. The research process starts from making research questions and procedures, collecting data from participants, analyzing data inductively, constructing data and providing interpretations of the meaning of data. According to Denzin and Lincoln ([Moleong, 2018](#)) qualitative methods explain phenomena that occur and are carried out by involving various existing methods. While the type of research used is descriptive research according to ([Neuman, 2011](#)). Descriptive research according to Neuman: "descriptive research present a picture of the specific details of the situation, social setting, or relationship. The outcome of a descriptive study is a detailed picture of the subject." While the data collection techniques were carried out by triangulation of sources, in-depth interviews, observations, literature studies and documentation ([Moleong, 2018](#); [Sugiyono, 2019](#)). In-depth interviews to strengthen the results of the analysis were carried out with Mr. Aldo as Officer/Head of Section at the Directorate of International Taxes - DGT (informant 1), Mr. Fajry Akbar - Center for Indonesia Taxation Analysis or CITA (informant 2), Mr. Bawono Kristiaji (Partner of DDTC Fiscal Research – as informant 3), Mr. Alif Ramadhan as Tax Practitioner and Lecturer of the STIAMI Institute (informant 4), Mr. Swarum as Lecturer of Taxation as academic, consultant and Tax Lawyer (informant 5). Mr. Otto as Tax Director of Price Waterhouse Cooper Indonesia (Informant 6).

## RESULT AND DISCUSSION

### 1. Implementation of the Automatic Exchange of Tax Information from the Perspective of Its Effectiveness in Minimizing Tax Evasion at the Directorate General of Taxes

To prevent tax avoidance, the leaders of the G20 countries agreed to end the era of bank secrecy for the sake of taxation. This consensus is realized through the Global Forum on Transparency

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and Exchange of Information for Tax Purposes (Global Forum), which currently has 161 countries/jurisdictions, including Indonesia. In 2013, the G20 Leaders Summit in St. Petersburg, Russia, gave a mandate to the Organization (OECD) to set global standards for the automatic exchange of financial account information (AEOI). This standard became known as the Common Reporting Standard (CRS). Furthermore, in 2014 at the G20 meeting in Brisbane, Australia, it was agreed to implement AEOI reciprocally based on the CRS. Finally, the global consensus states that jurisdictions can exchange financial information automatically and periodically (<https://majalahpajak.net/ikut-melawan-pengelakan-pajak/>).

The more multinational companies that develop in Indonesia, of course, it is followed by the increasing number of intra-group transactions of multinational companies (affiliate transactions). This has resulted in a risk for tax administration in each country through tax avoidance efforts in cross-border transactions, or better known as Base Erosion and Profit Shifting (BEPS). Indonesia's readiness in implementing the has been realized by the issuance of Minister of Finance Regulation Number 60/PMK.03/2014 which has been amended by regulation of the Minister of Finance Number 125/PMK.010/2015 as an internal procedural provision in implementing AEOI as approved by the Government of Indonesia in IGA Model 1B and MCAA ([Wibowo, 2017](#)). Then it was followed up with the regulation of the Minister of Finance Number 39/PMK.03/2017 concerning procedures for exchanging information based on international agreements. To strengthen the implementation of the AEOI, The Government of Indonesia has finally issued Government Regulation in Lieu of Law (Perpu) Number 9 of 2017 concerning Access to Financial Information for Tax Purposes. This information is very important for DGT to uncover the modes of tax avoidance/tax evasion.

Together with 159 other countries/jurisdictions, Indonesia has signed the Multilateral Competent Authority Agreement (MCAA) which is an international agreement instrument in order to carry out AEOI. Indonesia is one of the first few countries to successfully implement the AEOI along with Malaysia and Singapore. After that, there are other countries in Southeast Asia that have committed to the AEOI, namely Thailand, Vietnam, the Philippines and Cambodia. However, Thailand stated that in 2023 they will be ready to carry out AEOI. Meanwhile, Vietnam, the Philippines and Cambodia have not specifically stated when the AEOI will be implemented in their respective countries ([Suwiknyo, 2020a](#)).

- Information exchange scheme (Exchange of Information)

In implementing the AEOI, Indonesia is part of one of the countries that participate in implementing the AEOI program. In essence, there are three schemes of information exchange, namely the exchange of request information, spontaneous, and automatic. In exchanging tax information, the goal is still to open access to data and information on transactions that are only intended for tax matters. In the spontaneous exchange of information (Spontaneous), up to now, DGT has received more information spontaneously from the competent authority of the partner country (inbound) than sending out information (outbound). This spontaneous exchange of information can be done without any prior request.

Table 3  
The amount and type of information exchange that has been carried out by DGT During 2016-2018

EOI REQUEST JUMLAH BERDASARKAN PERMINTAAN			
TAHUN	INBOUND	OUTBOUND	TOTAL
2016	26	137	163
2017	36	124	160
2018	23	126	149

  

EOI SPONTANEOUS JUMLAH BERDASARKAN SPONTAN			
TAHUN	INBOUND	OUTBOUND	TOTAL
2016	22	1	23
2017	35	1	36
2018	32	44	76

Source : Directorate General of Taxation(DGT)

Inbound: Information from partner country to Indonesia

Outbound: Information from Indonesia to partner country

From table 3 above, it can be seen that the implementation of information exchange in the last 3 years that has been carried out by the DGT mostly originates from the exchange of information on request (On Request). Overall, DGT also makes more requests for information exchange with Partner Countries (outbound) than receiving requests for information exchange (inbound).

Indonesia's preparations to participate in the AEOI program have been ongoing since 2018. There is an assessment process held by the AEOI organizing committee. The difficulty lies in the readiness of each country which is different and the capacity of each country is different and can affect the quality of the information and data exchanged and the DGT tries hard to solve problems when they encounter difficulties. During 2020, Indonesia has received financial information from 78 partner countries/jurisdictions for Indonesian/required financial account holders Indonesian tax. Indonesia has also sent financial information to 71 countries/partner jurisdictions for foreign financial account holders/foreign tax subjects.

There were 3 AEOI categories in implementation during the past year. First, AEOI on withholding tax data. Information containing income transactions originating from Indonesia in one tax year related to/received by the taxpayer (tax resident) who declares as a resident/entity of the partner country/jurisdiction or vice versa. In 2020, Indonesia has received AEOI information on withholding tax data from 5 partner countries/jurisdictions. Indonesia. Second, the AEOI on country-by-country report (CbCR) data or the exchange of reports per country. This exchange is one of the minimum requirements for countries committed to implementing recommendations to address base erosion and profit shifting (BEPS) risks. In 2020, Indonesia has received country-by-country information from 48 partner countries/jurisdictions. Indonesia has also sent country-by-country information to 26 partner countries/jurisdictions. Third, AEOI on financial information data (AEOI common reporting standard/CRS). Financial information reported by financial service institutions, other financial service institutions, and other entities to the DGT, will be sent to the Competent Authority of the partner country/jurisdiction through the Common Transmission System (CTS) application. Financial information data based on the standard, namely CRS, received by DGT from partner countries/partner jurisdictions will be followed up. DGT will follow up by

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doing a comparison (data matching) with internal data. The results of the matching data are then used by units in the DGT to explore potential state revenues from the taxation sector. (DDTCNews, 2021)

DGT carried out the financial information data exchange (AEOI) agenda in November 2020. Director of International Taxation, Mr. John Hutagaol, said that Indonesia carried out a data exchange agenda as a form of contribution in carrying out financial data transparency efforts to achieve the 2020 edition of taxation goals globally. The AEOI data validation and consolidation process can only be carried out by the DGT in early November 2020. The COVID-19 pandemic has caused the authority to relax the reporting schedule to be postponed until October 2020. John Hutagaol said that DGT only has less than a month to carry out the relaxation process before sending it. to partner countries with the Global Forum via a common transmission system (CTS).

Aldo as the Head of Section at the Directorate of International Taxation-DGT explained that for the exchange of request information (by request) is information that we can get if we make a request to the country concerned, of course according to the criteria that have been set. The second scheme is the Spontaneous Exchange of Information, according to Aldo, its use is received and sent spontaneously, and is not set on a regular basis, it can be anytime as long as there is potential tax in it. We can send and we can receive it at any time as long as there is potential tax in it. From partner countries send data to us. Likewise, we send data spontaneously to them as long as there is information. And in terms of receiving the information we received, we will directly forward it to the registered Tax Office. Prior to the existence of the AEOI, the first thing that was carried out was the exchange of information on demand and spontaneously and is still being implemented today. The third scheme is AEOI, namely Information Exchange that is carried out at a certain time, periodically, systematically, and continuously on financial information obtained from financial institutions.

For AEOI via electronic transmission, namely the common transmission system (CTS) Aldo said that we do not need to ask for data from partner countries, the maximum data reception limit is until September 30, 2020 and for reports that were previously entered by the system automatically. As long as there are indications of tax evasion during the inspection, on this basis the Tax Office can directly submit a request to our party, DGT International, one door system, and we will process it to be forwarded to the partner country.

In the case of Preliminary Evidence Examination and Investigation, according to Swarum, due to the different objectives and substance, EOI by request sometimes requires an immediate response to a specific taxpayer.

Aldo continued that Indonesia's readiness in implementing the exchange of information that the regulatory tools already existed was regulated by PMK – 39/PMK.03/2017 then the implementing regulations related to the use of the data had already been implemented if there were also internal DGT parties who ensured the quality of the data, the distribution of the data had been done set out in these rules. In this readiness, the DGT has 3 Directorates assigned to this AEOI, namely the Directorate of International Taxation as the bridge that connects Indonesia with partner countries, then the Directorate of data and information that processes the data, and then systemically there is the Directorate of Information and Communication Technology to prepare the system. The three Directorates play a role in this information exchange. Furthermore, Aldo stated that after

obtaining the data from the common transmission system (CTS), the data was downloaded and entered into the DGT's internal database, after that it was processed to be paired with the NPWP and then sorted and then submitted to the tax office according to the registered NPWP of the account holder. The data required by the DGT from the Partner Country are: 1. The name of the account holder 2. The balance of the account at the end of the year 3. The country where the taxpayer is registered 4. The name of the financial institution. Receipt of revenue revenue generated from the account.

However, according to Mr. Otto (Price WaterHouse Cooper) when information from foreign tax authorities is used as a basis for carrying out a bank inspection and has even been raised to the level of sentencing in court: "there is one thing that needs to be observed from the experience of the trial in the tax court (it happened before 2019), there are at least two Exchange of Information (EoI) results used by the DGT as the basis for their defense before the Tax Court Judges. However, to my knowledge, the results of the EoI were not considered by the Judge in making a decision on the related dispute. Either because the Appellant/Taxpayer objected that the information contained in the EoI results was biased and could not be used as a basis for correction by the DGT, or whether because the Judge was of the opinion that the information from the EoI was not strong or relevant to the subject matter of the dispute. Why did I draw that conclusion? Because the Taxpayer's appeal was granted by the Judge at the Tax Court (Hakim PP) and in the PP Judge's decision there was absolutely no discussion of the issue of information contained in the EoI".

In view of the author, the above incident indicates that the Exchange of Information (including AEoI) can be hampered in the Tax Court due to differences in perceptions between the tax authorities and the Tax Court in handling cases related to the case of multinational companies in Indonesia which are also taxpayers in partner countries. In commenting how effective is the implementation of the AEoI? The author sees from the three indicators of effectiveness according to ([Berger & Sikora, 1994](#)), as follows:

a. Commitment

In this exchange of information, G20 and OECD countries agreed to formulate this regulation with the Common Reporting Standard (CRS) with the CTS system to provide information that the countries that are members of the jurisdiction have committed and are cooperative to start exchanging this information. Aldo explained that the DGT exchanged information through the Common Transmission System (CTS) and so far, the exchange of information with all the member countries has been cooperative. For example, Greenland, a country that does not provide data, not because they do not comply but because there is no data on Indonesian accounts in that country. So there is always an assessment from the global forum, they test or audit whether every country has complied and has implemented the rules that have been set according to the standards, and there is supervision from the global forum.

Aldo added that if there is a problem most related to technical reporting because there is a standard that must be followed, namely the common reporting standard (CRS), the solution is that the DGT disseminates information to large financial service institutions as well as to microfinance institutions such as cooperatives. For exchange of information on request or by request if difficulties are found, for example the letter sent to the DGT is incomplete, the letter will be returned with clarification, and we can ask for the letter to be repeated to the partner country. "It is the same with us if you want to send a letter when

requesting data to a partner country, so there must be a screening check here at the DGT to ensure that the requirements for the letter sent are complete so that letters sent from Indonesia are not returned. So what should be screened? The problem with AEOI is that the completeness of data related to the pairing of NPWP is not the same as that sent from partner countries to us. We try to look in our system in terms of date of birth, home address, name and so on until we find”.

Despite the Covid-19 pandemic, the government finally returned to exchanging financial information through the AEOI scheme. As is known, the delay in data exchange was caused by the relaxation of the submission deadline from the Financial Services Authority (OJK) in line with the corona virus pandemic which is still not over. "Indonesia will receive AEOI data from 103 jurisdictions and vice versa will send AEOI data to 85 jurisdictions," said Director of International Taxation at the Directorate General of Taxes at the Ministry of Finance John Hutagaol. Under normal conditions, OJK will submit AEOI data to the Directorate General of Taxes no later than the end of August 2020. However, in this year, the relevant authorities have given a relaxation of two months, which is a maximum of the end of last month. Furthermore, the tax authorities will send the AEOI data to partner jurisdictions no later than the end of November 2020. The financial information exchange scheme appears in line with the prevalence and variety of tax avoidance practices through cross-jurisdictional transactions. The tax authority has been running AEOI since 2018, this year, the number of participating jurisdictions (inbound) is 103 countries. Meanwhile, the Directorate General of Taxes will also send financial data to 85 other participating jurisdictions. Meanwhile, since 2018 the government has received more than 1.6 million financial information worth more than 246.6 billion euros ([Suwiknyo, 2020b](#)).

b. Competence/ability

In implementing this AEOI, DGT is required to master this AEOI knowledge in order to make the AEOI run smoothly in accordance with the common reporting standard that has been set by the global forum. common reporting standard (CRS) which must be followed by all jurisdictions that carry out information automatically, for employees involved in this field must master it, socialization will be carried out to financial service institutions, in addition to tax knowledge related to AEOI and of course must master the AEOI standards stipulated establish a mutually agreed global forum.

Regarding the importance of continuous training in order to increase the competence or ability and knowledge of tax officers in implementing the EOI & AEOI, it must be followed all jurisdictions that carry out information automatically, which is determined by the global forum through the common reporting standard (CRS), Aldo stated that there is continuous training related to international standards, trainers also come from outside parties from the Organization de Coopération et de Développement (OECD) who are based in France, we regularly communicate with them before the Covid-19 outbreak. This training can be done in Indonesia or in France or in other countries to update our friends' knowledge regarding this AEOI. But with the existence of covid for the last 3 to 4 months, communication is done online, there is team training, language training, technology training."

Meanwhile, Mr. Alif Ramadhan as a practitioner/academic explained that skills must be possessed, firstly, officers must master the language and skills in processing data, understanding taxes up to the level of transactions between countries.

c. Coordination or Directing and Socialization Activities

According to Aldo, in conducting socialization, DGT usually cooperates with the financial services authority (OJK) because OJK is the one who carries out the supervision of

financial services. DGT usually cooperates when DGT conducts outreach briefing, DGT will invite OJK and vice versa if OJK conducts socialization related to AEOI it will invite DGT because after all, DGT is the tax authority in Indonesia. The socialization can be in the form of answering their questions because we provide a special email address for their electronic mail, they can ask questions related to AEOI, this can be a medium for financial service institutions to ask questions.

Aldo added that there had been socialization to external taxpayers to provide an explanation regarding this Perpu No.1/2017, where the socialization was not only aimed at explaining how the AEOI system actually works. Moreover, the DGT would like to provide information regarding the importance of this system being implemented by the government in fostering taxpayer compliance, and being able to direct taxpayers to be honest in reporting their tax obligations both in Indonesia and abroad. This was acknowledged by Alif Ramadhan (Practitioner/Academic) who explained that there was indeed socialization to taxpayers when this regulation was just issued. Socialization is carried out to taxpayers both for foreign taxpayers and WPDN.

The parties involved in the socialization activities are DGT with partner countries, OJK, and banking. DGT and the tax office must be open to each other and have carried out everything effectively so that the mandate stated in the AEOI can be carried out properly. Aldo stated that the coordination implementation has been effective, although there are issues related to data quality but because of The global forum is always monitored and reviewed regularly to ensure whether this AEOI can run effectively because it is global, hundreds of countries are doing this. If the quality of the data is very bad, there is no point in it even though it has worked optimally, it is anticipated by always conducting an assessment and reviewing it, and the results are quite good and we can use the data. Coordination includes i. coordination with global forums related to general issues, to partner countries regarding data information ii. Coordination with OJK and banking related to data information, and iii. Coordination with the tax office related to the provision of data information.

Then what is the form of coordination with foreign tax authorities? In the implementation of the EOI & AEOI, Aldo explained that: i. When it comes to general issues, the global coordination is with the global forum because they are the foreman. ii. between two related countries, for example Indonesia and Singapore, regarding formats that cannot be opened and cannot be read, we can directly coordinate it by email.

## **2. Achieving Goals/Objectives: AEOI Effectiveness Perspective**

Tax observers from the Center for Indonesia Taxation Analysis (CITA) Fajry Akbar said that AEOI has a fairly important role in dealing with the performance of tax revenues that have fallen due to the pandemic. The tax authorities need to try harder in collecting tax revenue in the hope of achieving the target because tax revenue is still far from the target set. Although the data held by AEOI is proven to be able to improve the quality of the data held by DGT, the government needs to pay attention to the data reported by AEOI. However, based on lessons learned from the Panama Papers, many data are actually invalid.

The achievement of organizational goals/objectives is a must that must be achieved by a group of people who are members of a group. Where with the agreement and understanding of all supporters of the organization it will achieve an organizational goal. Based on the Regulation of the Minister of Finance Number 39/PMK.03/2017, the main purpose of the issuance of this

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regulation is to encourage taxpayers to exercise their rights and fulfill their tax obligations from exchanging information based on international agreements, whether these objectives have been achieved/realized at the DGT.

Aldo stated that the DGT carried out this information exchange well. This means that we do well to exchange according to the time standards set by the global forum. The impact of AEOI is not only on state revenues, but also on the behavior of taxpayers who are increasingly complied. This is the power of information, without law enforcement action, taxpayers can be made more compliant with valid information.

This AEOI can achieve the objectives of the DGT organization well because this AEOI has clear regulations so that it can reduce tax avoidance actions that will have an impact on state revenues. One of alternative in fighting tax avoidance practices is through information disclosure or Exchange of Information (EOI). Meanwhile, the aims of EOI itself are: i. Preventing tax avoidance practices ii. Preventing tax evasion iii. Preventing the misuse of P3B by unauthorized parties and/or iv. Obtain information related to the fulfillment of taxpayers' tax obligations, v. Collecting information to resolve cases of treaty shopping (beneficial owner), transfer pricing, or fiscal crime, vi. To test the "self-assessment" obligation carried out by the WPDN, related to income originating from abroad, vii. Provide information to test the implementation of the Worldwide income concept. According to Aldo, when discussing the purpose of the AEOI itself, it is actually in the law, namely the goal is to prevent tax evasion and detect taxpayers who commit tax evasion and of course this all has an impact on optimizing state revenues from the tax sector. Meanwhile, DDTC Fiscal Research Partner B. Bawono Kristiaji stated that the use of data is a way that the government can use to increase tax revenue. The data and information obtained are used to test taxpayer compliance. To test taxpayer compliance, the government needs to optimize the data that has been received and explore the potential for existing revenues. Based on tax revenue statistics for the period 2018-2020, it can be seen as follows:

Figure 1.1 Tax Revenue



<https://www.kemenkeu.go.id/media/18316/advertorial-rapbn-2022.pdf>

From Figure I.1 above, it can be seen that for the 2017-2018 period, tax revenues experienced an average growth of 9.89%(2017) - 10.24%(2018), which was influenced by, among other things,

increased economic performance and prices of key commodities. From 2019 to 2020 tax revenues contracted to 9.76%(2019) - 8.33%(2020), as a result of the economic slowdown and the provision of incentives.

The scheme for exchanging financial information emerged along with the prevalence and variety of tax avoidance practices through transactions across jurisdictional borders. The tax authorities have been running the AEOI since 2018. The performance of tax revenues in 2020 was lagging due to the effects of the Covid 19 Pandemic, so that although the government is aggressively carrying out activities in this series of policies related to AEOI, from the point of view of tax revenues there is no visible result (in the form of an increase in tax revenues that significantly since the implementation of AEOI in 2018).

Swarum added to the statement of the Director of International Taxation of DJP John Hutagaol who said that 2020 will be the third year for Indonesia to participate in the AEOI. AEOI continues to be implemented despite being hampered by the Covid-19 pandemic. Indonesia will receive AEOI data from 103 jurisdictions and will instead send AEOI data to 85 jurisdictions. John said the exchange of information was delayed from previous years due to the Covid-19 pandemic, because it normally starts in August. John Hutagaol said that the exchange of financial information through the AEOI scheme was delayed because the Financial Services Authority (OJK) relaxed the data collection time for 2 months. This policy is in response to the current spread of the Covid-19 pandemic. Furthermore, the DGT of the Ministry of Finance will send the AEOI data to partner jurisdictions no later than the end of November 2020 ([ATPETS, 2020](#)). Executive Director of Pratama-Kreston Tax Research Institute (TRI) Prianto Budi Saptono revealed the lack of DGT in utilizing AEOI data. According to him, the AEOI data obtained by DGT also only includes financial data and does not include property data and crypto currency investments. In addition, the tax authorities still find it difficult to match the AEOI data due to several factors. First, the data does not have a Taxpayer Identification Number (NPWP) or a Population Identification Number (NIK). Second, the data does not inform the address of the account holder abroad. "In the end, the tax authorities have not been able to optimize the AEOI data for 2018 and 2019 so they cannot pursue offshore tax evasion actors," ([Siswanto, 2022](#)).

### 3. Tax Avoidance & Tax Evasion

The practice of tax avoidance is divided into two parts, namely tax avoidance and tax evasion, and whatever the practice of tax avoidance is never morally justified, there is an old adage "no one likes to pay taxes" but all agree that taxes are very important and beneficial for the public interest. What is called voluntary in taxation means volunteerism that arises because of coercion. And one of the main causes of tax avoidance is the existence of asymmetric information, which is a condition where one party does not have information from the other party. The confidentiality of the information data system was initially very well maintained so that the DGT could not access taxpayer data at financial institutions, but with the existence of Government Regulation in Lieu of Law (Perpu) No. 1 of 2017 concerning Access to Financial Information for Tax Purposes which is clearly related the exchange of this information, the DGT can access taxpayer information data from banks or partner countries. This condition can be minimized to prevent tax evasion/evasion. Because it is clear that there are rules, there are sanctions and fines if there are taxpayers who do tax avoidance/evasion.

Aldo explained that one of the main causes of tax avoidance is the existence of asymmetric information, which is a condition where one party does not have information from the other party. In this case the tax authorities do not know the information stored by the taxpayer. With the AEOI, this condition can be minimized because there are clear rules, there are sanctions and fines if there are taxpayers who do tax avoidance/evasion. DGT regulates this information exchange system by socializing and collaborating with financial institutions and partner countries with the CTS system for the use of AEOI information so that tax evaders know that DGT is acting on any behavior that violates the rules.

So far, according to Aldo, the AEOI system has been implemented in Indonesia, and its implementation is quite effective and according to international standards because this information is very difficult for us to obtain before but now it is easier, and information for AEOI we get directly through the CTS system every year. This is direct information from partner countries, not information from institutions that are not clear. But even if we make it even better, it is related to the completeness of the data because if we can improve it, we can add a tax review, but that is beyond the control of the DGT because the completeness of the data is determined by the sending party, that is a bit difficult to be resolved through multilateral discussions. But if it could be done it would increase very drastically.” Currently, Indonesia is undergoing peer review of assessment documents for assessment of BEPS minimum standards from the OECD. And if there is something you want to improve, it is in terms of completeness of data from partner countries. In terms of the imposition of tax sanctions on the taxpayer's actions to carry out tax evasion, basically Tax Evasion is characterized by tax avoidance that is carried out illegally in the sense that it is contrary to the applicable tax provisions. There have been many examples of actors carrying out this tax evasion practice which have been reported in mass media/social media print media, and this includes the case of the Asian Agri Group (AAG) as an example of tax evasion which is subject to prison terms for the perpetrators and payment of embezzled taxes to the state along with imposition a 100% fine.

#### 4. Automated Information Exchange Inhibiting Entities

- a. Weaknesses: The implementation of AEOI in Indonesia has a great opportunity to improve taxpayer compliance along with tax revenues. However, the AEOI also has many obstacles and challenges, especially since Indonesia is a developing country that continues to strive to meet global standards for exchanging tax information between countries, as explained below:
  - 1) The readiness of the internal system in each country is different and the capacity of each country is different and can affect the quality of data information. Aldo said that the weakness of automatic exchange is the incomplete or unequal data completeness of the NPWP system from partner countries, so that DGT has difficulty because there is no control feature on the system in pairing the NPWP. We can't call it a problem spontaneously because we didn't ask for it, so if it's spontaneous, it's only voluntary from each partner country that has the data. And even that is only a one-sided assessment and we cannot request data from partner countries again if it is spontaneous because it is voluntary. Maybe it's like this, Indonesia has X data owned by Singaporeans, this seems useful for Singapore and we send it spontaneously, although not necessarily the data is useful for partner countries, maybe the problem can be like that. According to the sender, it had an impact but it didn't. Weaknesses

by request or by request from partner countries there is a sample letter sent by the Singapore tax office asking us and sending the letter and this request does not meet the requirements we cannot process, for example the letter is incomplete or there is no indication of tax evasion so we return the letter to Singapore as well with a letter that we send to our country if it is not complete it will be returned to us. And maybe the problem with the delivery period for the exchange of information on request is the 90day period for receiving back from partner countries which sometimes becomes an obstacle. Because there are still partner countries that provide information beyond the 90 days requested by the DGT for examination or trial purposes, despite the rules the law has stipulated the time period for answering.

- 2) This was confirmed by Swarum who explained “First, there are EOI document formats between countries that are still not standardized. Second, the utilization of data exchange is still not optimal. Third, data storage and maintenance requires high costs, thereby increasing the administrative cost structure.

Meanwhile, Swarum agrees with the news from the independentnews.com editor who published an article entitled "Highlighting the Great Challenges of Automatic Tax Information Exchange" (<https://independennews.com/highlighting-tantangan-besar-pertukaran-information-pajak-auto/> on 2 Jan 2022), there are four obstacles and challenges in the AEOI, namely: First, the Reciprocity of Information Exchange (Reciprocity). Second, banking tends to be resistant to data access. Third, the lack of technology that supports AEOI. Fourth, the complexity of Conversion of Tax Revenue Data. In more details is described below:

First, the Demand for Reciprocal Information Exchange (Reciprocity): In the implementation of AEOI, one of the requirements set is that there is a reciprocal exchange of adequate information according to global standards. This shows that if a country receives information automatically, then that country needs to return the favor to the other country who sent the information. Consequently, in this case, a country is not required to provide information to its partner country if the partner is unable to obtain and provide similar information in return according to its law and administration. Indeed, basically, the principle of equal reciprocity is a fair agreement, but on the other hand, it can burden some developing countries, including Indonesia, to participate in the AEOI system. Indonesia is required to undergo a major re-priority and rapid effort to implement the necessary systems that allow it to automatically provide its treaty partners with information to meet standard reciprocal conditions.

Second, Banking Tends to Be Resistant to Access to Data: Financial data is very sensitive information, so that in order to disclose it, it is necessary to guarantee that the tax authorities will not leak or use the information other than for tax purposes. The Indonesian government has corrected regulations and prepared technical regulations through Law Number 9 of 2017 concerning Stipulation of Government Regulations in Lieu of Law Number 1 of 2017 concerning Access to Financial Information for Tax Purposes which regulates breaches of bank secrecy. But unfortunately, there are still banks that tend to be resistant to accessing customer data for tax purposes. The banking side is of the opinion that customer data is something that is highly confidential in nature and emphasizes that their resistance in disclosing customer data for tax purposes is well-founded and is based on the Banking Law.

Third, Lack of Technology that Supports AEOI: As a member of the G20 countries, Indonesia has committed to adapting the Standard Automatic Exchange of Financial Account Information in Tax Matters system which was implemented in 2018. The main focus in the implementation of the Automatic Exchange of Financial Account Information in Tax Matters is the output of a database that is systematic and has global coverage. In line with the program, the government must have an adequate database system so that it can be exchanged with other countries. Information technology owned by a country must meet confidentiality and safeguard standards. In its design, the AEOI was compiled by OECD member countries, a collection of developed countries that already have advanced administrative systems and infrastructure. As a result, there is an assumption that the standards drawn up are not in favor of developing countries, especially in terms of technological readiness required for the implementation of AEOI (Panayi, 2016). This is not an easy thing for developing countries, especially Indonesia because of limited infrastructure. Therefore, Indonesia as a developing country requires time, large costs, and quality resources to be able to compete with the capabilities of developed countries in the AEOI.

Fourth, the complexity of converting tax revenue data: Recently, the Directorate General of Taxes (DGT), which was initially quite confident, is confused about following up on taxation data or information obtained from hundreds of partner jurisdictions. The Director General of Taxes, Suryo Utomo, in his presentation some time ago expressed his complaints regarding the many challenges to follow up on AEOI data. "Unfortunately, most of the data obtained from partner jurisdictions are not accompanied by NPWP, complete address or home abroad, and the name of the account holder is not found, it only includes financial data," said Suryo. In addition, according to him, the data obtained by the DGT also does not include property and investment data in the form of cryptocurrencies. The Minister of Finance claims to have pocketed a lot of financial data since 2018 through AEOI, but unfortunately, these financial data cannot be directly converted into tax revenues. The tax authorities need to go through several verification processes which are quite complicated and lengthy. From data obtained through the Directorate General of Taxes, the funds that have been raised through AEOI in Indonesia since 2018, amounted to IDR 2,742 trillion from participating jurisdictions (inbound) and IDR 3,574 trillion domestically. In addition, there are still approximately 5 trillion rupiah from the pairing of financial balances with cash equivalent assets which are still in the category of a complicated verification process. Therefore, the government needs to continue to improve the global standard system of automatic tax information exchange, so that the opportunity for tax revenue is not just a breath of fresh air.

b. Threats (Threats)

There are still acts of tax avoidance/evasion by storing assets in foreign banks in every country, and detecting fraud is a challenge for DGT. Aldo explained that in 2017 and below, the practice of tax avoidance was still rampant by evading taxpayers because there were still loopholes in the information regulations that were used before there was an automatic exchange of information or it was still on request. Because this EOI by request can only be done while there is an inspection. There are still modes or potentials for tax avoidance and embezzlement by taxpayers, especially foreign taxpayers/multinational companies, which pose a threat to AEOI's success in boosting tax revenue.

**5. Automated Information Exchange Encouraging Entities**

Strength: This AEOI has a fairly strong legal force and in its implementation is also supported by the existence of a binding regulation. In terms of the implementation of AEOI carried out by the Directorate General of Taxes, it is one of the measures used as a basic force to avoid tax evasion. Aldo revealed that the regulation of law No. 1 of 2017 which has been changed to the law No. 9 of 2017 is a legal force for Indonesia to carry out this automatic exchange of information, and there is also the regulation of the ministry of finance 039/PMK.03/2017 as implementing regulation. This is reinforced by Swarum as a consultant/academic that the automatic implementation of AEOI in Indonesia effectively since 2018 has been legally implemented, supported by legal instruments in the form of Law Number 9 of 2017 dated August 23, 2017, concerning Stipulation of Government Regulation in Lieu of Law Number 1 of 2017 concerning Access to Financial Information for Tax Purposes to become Law.

- a. This also marks the end of the era of banking secrecy, especially for tax purposes in Indonesia Readiness of the “Common Transmission System (CTS)” Information Exchange System: The system that supports this AEOI mechanism is the “Common Transmission System (CTS)” where every year, taxpayer accounts between countries at certain times are periodically sent through this CTS system. This system is systematic, and continuously from the country of income source or place of storing wealth to the resident country of the taxpayer. With this system, taxpayers who have opened accounts in other countries will be able to be tracked directly by the tax authorities of their country of origin. In the AEOI standard there is a common consensus to open and provide access to financial information in the country to the tax authorities of other countries and otherwise obtain access to financial information abroad automatically.
- b. Opportunities (Opportunities): To minimize tax avoidance/evasion, the Director General of Taxes can also supervise and explore potential taxation through banking transactions conducted by taxpayers abroad. So far, the request of the Director General of Taxes to request banking data has always been met with regulations regarding banking secrecy. Aldo said that “This AEOI is an opportunity, especially because previously we didn't get any information and now we can get it routinely for the effectiveness of tax avoidance. For example, there are Indonesian citizens who have accounts in Australia and are not reported. With the AEOI, we can get information automatically from other countries as well. And this is an opportunity for DGT. It could also be a tool to explore the potential to increase state revenue if the taxpayer really hides his wealth.” This is reinforced by Swarum who explained that “in general, first, the opportunity for additional sources of new tax revenue as a result of exploring the potential of EOI. Second, the momentum for DGT to fix the issue of the rush of third-party data, including its management, to support the achievement of the state revenue target. Third, the ability to see the economic structure outside of basketball so as to increase the effectiveness of policies that can be applied to attract the shadow economy sector into the official economy” ([Maydiana, 2022](#)).

## CONCLUSION

1. The implementation of the Automatic Information Exchange (AEOI) in minimizing tax avoidance and tax evasion so far has been quite effective according to international standards, although there are still many complete data sets that have not been fulfilled by partner countries such as Singapore, resulting in the data provided by the partner country cannot used

- by the Indonesian tax authorities. However, AEOI's performance has not yet provided optimal results in increasing tax revenue, especially in 2020, which is hampered by its progress due to the Covid 19 Pandemic. Meanwhile, it is anticipated that the exchange of information (including AEOI) cases solution might be hampered in the Tax Court due to differences in perceptions between the tax authorities and the Tax Court in handling cases related to the case of multinational companies in Indonesia which are also taxpayers in partner countries.
2. The AEOI Inhibiting Entity is the readiness of the internal system in each different country and the capacity of each country is different regarding the completeness of data from partner countries and can affect the quality of data information even though the data provided is well verified. Above that, there are four obstacles and challenges in AEOI, namely: First, Reciprocity Demands for Information Exchange (Reciprocity). Second, banking tends to be resistant to data access. Third, the lack of technology that supports AEOI. Fourth, the complexity of Conversion of Tax Revenue Data.
  3. The Entity that drives this information exchange in minimizing tax evasion is the existence of an Information Exchange System called the "Common Transmission System (CTS)", where every year the accounts of taxpayers between countries at a certain time are periodically sent through this CTS system. In addition to having a fairly strong legal force, the implementation is supported by the existence of a binding regulation.

### RECOMMENDATION

1. One of the solutions suggested by the Tax Justice Network regarding reciprocity is staged reciprocity. This is done by setting aside the reciprocal requirement for developing countries at an early stage i.e., the standard will initially focus on the transfer of information, not the exchange of information with developing countries. Developing countries will be given a certain grace period to build their capacity to finally meet the reciprocal requirements.
2. To anticipate differences in perceptions between Tax Court Judges and the tax authorities, first, it is necessary to have ongoing audits of auditors and monitor the results of such education; Second, a comparative analysis is carried out to improve the rules for future examinations; Third, for the examiner to complete the findings of the examination with valid and relevant supporting evidence; Fourth, for the DGT to revise the audit rules so that they are in line with the KUP Law and the Tax Court Law; Fifth, for the DGT to strengthen the legal basis for the examination and the legal basis for settlement at the level of objection ([Aritonang, 2020](#)).
3. The readiness of the internal system in partner countries regarding the completeness of data from partner countries must be further improved, must be resolved multilaterally if there is no completeness of data from this partner country. There are indications/allegations that partner countries are not transparent in providing information to the Indonesian tax authorities.
4. In addition to the need to provide guarantees for the confidentiality of banking data and detailed information regarding the mechanism for imposing sanctions for non-compliant financial service institutions, Indonesia also needs to develop capacity to deal with AEOI. Therefore, material and technical support from the OECD such as training, IT infrastructure and assistance with legal and regulatory changes is urgently needed to help developing countries, such as Indonesia to benefit from automated exchange systems.

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