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PMK 136/2024 and the Illusion of Progress: A Microdata-Based Assessment of Indonesia's Tax Gap

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Abstract

This study examines the impact of Indonesia's Minister of Finance Regulation (*PMK* 136/2024), which implements the OECD/G20 Global Anti-Base Erosion (*GloBE*) Pillar 2 rules, on the country's tax ratio from 2025 to 2029. Despite Indonesia's robust GDP growth, its tax ratio remains stagnant at 8–10%, significantly lower than regional peers, partly due to Base Erosion and Profit Shifting (*BEPS*) practices. The research aims to assess the effectiveness of *PMK* 136/2024 in addressing tax base erosion and boosting revenue. Using a quantitative approach, the study analyzes microdata from 20 multinational enterprises (MNEs) operating in Indonesia, simulating top-up tax revenues and their contribution to the tax ratio. Findings reveal that the policy generates only Rp43 billion annually in additional revenue—a negligible fraction compared to the estimated Rp44 trillion lost to *BEPS* in 2023. Only two MNEs (Nike and Samsung) were subject to top-up taxes, highlighting the regulation's limited scope. The study concludes that *PMK* 136/2024 serves primarily as a compliance tool rather than a significant revenue source, emphasizing the need for stronger tax enforcement and administrative reforms to achieve Indonesia's 15% tax ratio target by 2029.

Keywords: PMK 136/2024, Tax Ratio, GloBE, Top-up Tax, BEPS, Microdata

INTRODUCTION

Indonesia's economy, represented by Gross Domestic Product (GDP) growth, is growing aggressively throughout 2015-2024 (Ibrahim & Sari, 2023; OECD, 2015). GDP with an upward trend showed a strong performance with household consumption as the main driver of economic growth and supported by an increase in GDP per capita. ("Indonesia's Economy 2024: Stable Growth Thanks to the Right Policies," 2025)

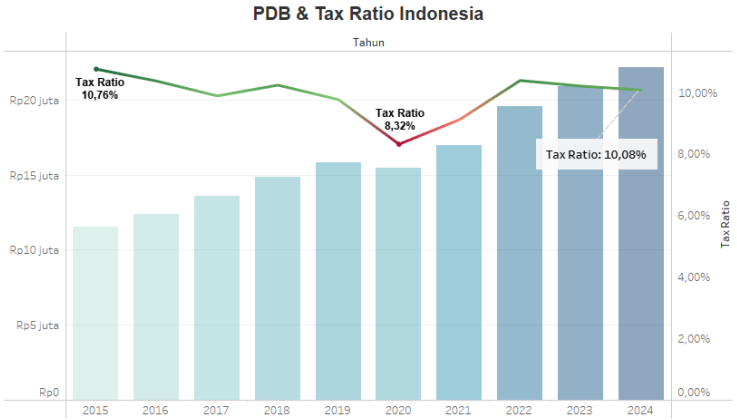


Figure 1. PDB adn Tax Ration Indonesia
Source: World Bank, processed by the author

However, with a fairly high GDP, Indonesia's tax ratio is still stagnant at 8-10%. Indonesia's tax revenue to GDP ratio is among the lowest in the world, which is only 9.12% in 2021. This percentage is much lower than other regional middle-income countries such as Cambodia 18%, Malaysia 11.9%, the Philippines 15.2%, Thailand 15.7%, and Vietnam 14.7%. This indicates that the increase in tax revenue in Indonesia cannot keep up with the increase in GDP from year to year. (Qian & Poniatowski, 2025)

One of the causes of tax revenue not being able to reach the target is friction in taxation, namely Base Erosion and Profit Shifting (BEPS). The practice of BEPS is carried out by taking advantage of the issue of bank confidentiality and the issue of differences in corporate income tax rates or (Hariani, 2021) *race to the bottom* in many countries or jurisdictions. The potential tax revenue lost due to BEPS globally is estimated to reach Rp3,360 trillion per year. In 2023, Indonesia will lose at least USD2,736.5 million or around IDR 44 trillion from tax evasion by companies and USD69.8 million or around one trillion rupiah from asset flight abroad. (Mulyani, 2021) (State of Tax Justice, 2023)

To avoid the practice of BEPS, the OECD has issued *the Global Anti-Base Erosion* (GloBE Rules) which are part of Pillar 2 of the OECD/G20 *Inclusive Framework*. The policy has been outlined and described by the Ministry of Finance of the Republic of Indonesia in PMK 136/2024.

This research will focus on the implementation of the minimum global tax policy in Indonesia and its impact on the tax ratio in the next 5 years (2025-2029). The research hypothesizes that the minimum global tax regulations in PMK 136/2024 have been effectively implemented in 2025-2029 with limited scope to multinational entities that fall under the GloBE subject category.

The minimum global tax is a tax policy initiated by the OECD/G20 *Inclusive Framework* with the aim of ensuring that multinational companies pay minimal taxes in the countries where they operate. The concept was born in response to the practice of (Johannesen, 2022) *Base Erosion and Profit Shifting* (BEPS), in which multinational corporations move their profits to countries with lower tax rates to avoid tax liability in the countries where they make profits. (Babb & Pruett, 2022)

PMK 136/2024 is a Regulation of the Minister of Finance of Indonesia that regulates the implementation of the minimum global tax policy in Indonesia. This policy aims to reduce the practice of BEPS and increase tax revenues from multinational companies operating in Indonesia. With the existence of a global minimum tax, Indonesia can impose a top-up tax on companies whose taxes are lower than the global minimum tax rate set by the OECD. ("PMK Number 136 of 2024,")

Indonesia's tax ratio has remained stagnant at 8–10% over the past decade, significantly lagging behind regional peers such as Thailand (15.7%) and Vietnam (14.7%) despite robust GDP growth (Qian & Poniatowski, 2025). This discrepancy underscores systemic challenges in tax compliance and revenue mobilization, exacerbated by Base Erosion and Profit Shifting (BEPS) practices. Research by Johannesen (2022) highlights how multinational enterprises (MNEs) exploit gaps in tax regimes to shift profits to low-tax jurisdictions, costing Indonesia an estimated USD 2.7 billion annually (State of Tax Justice, 2023). Previous studies, such as Babb and Pruett (2022), emphasize the role of international tax reforms like the OECD/G20 Inclusive Framework in curbing BEPS, yet their effectiveness in developing economies remains underexplored. While global minimum tax policies have been widely discussed, empirical evidence on their implementation in middle-income

countries like Indonesia is scarce, leaving a critical gap in the literature (Tambunan, 2021; Kurniawan & Saputra, 2022).

A key research gap lies in the lack of microdata-based assessments of Indonesia's adoption of the GloBE rules under PMK 136/2024. Existing studies, such as those by Mulyani (2021), focus on macroeconomic projections without granular analysis of MNE behavior. This omission is significant because the success of anti-BEPS measures depends on entity-level compliance and enforcement capacity. Additionally, while Qian and Poniatowski (2025) provide insights into Indonesia's tax gaps, their work predates the implementation of PMK 136/2024, leaving its practical impact unexamined. The absence of empirical studies linking this regulation to actual tax revenue outcomes creates an urgent need for evidence-based policy evaluation, particularly as Indonesia aims to raise its tax ratio to 15% by 2029 (Presidential Regulation 12/2025).

This study addresses the gap by introducing a novel microdata simulation approach to evaluate PMK 136/2024's effectiveness. Unlike prior research, which relies on aggregate data, this analysis leverages financial statements from 20 MNEs operating in Indonesia to model top-up tax liabilities and their marginal contribution to the tax ratio (OECD, 2025; Purwanto, 2021). The methodology captures heterogeneity in MNE tax strategies, including cases of negative effective tax rates (e.g., Gojek and KFC Indonesia), which signal persistent BEPS risks. By integrating real-world corporate tax profiles with policy parameters, the study offers a granular perspective on how global tax reforms translate into national revenue outcomes—a dimension overlooked in broader cross-country analyses (Johannesen, 2022).

The primary objective of this research is to quantify the fiscal impact of PMK 136/2024 on Indonesia's tax ratio from 2025 to 2029, testing the hypothesis that its standalone effect is limited without complementary enforcement measures. Secondary objectives include identifying MNEs susceptible to top-up taxes, assessing the policy's role as a compliance tool versus a revenue generator, and evaluating administrative challenges in implementation. These goals align with Indonesia's broader tax administration modernization agenda, including the adoption of Coretax and integrated audit systems. By focusing on policy execution rather than design, the study shifts the discourse from theoretical compliance to practical efficacy, filling a critical void in the literature on global tax governance in developing economies.

The findings hold significant implications for policymakers and scholars. For Indonesia's tax authorities, the study highlights the need to strengthen audit capabilities and cross-border data sharing to maximize PMK 136/2024's potential. The revelation that top-up taxes contribute merely 0.00018% to the tax ratio underscores the importance of pairing global rules with domestic reforms, such as closing transfer pricing loopholes and digitizing reporting systems. Academically, the research advances the understanding of how international tax norms function in jurisdictions with capacity constraints, offering a framework for future evaluations of Pillar 2 implementation in similar contexts. It also challenges the assumption that adopting GloBE rules automatically translates into revenue gains, emphasizing the mediating role of institutional readiness (Tax Justice Network, 2023; Purba & Tran, 2023).

Beyond fiscal policy, the study contributes to global debates on tax justice by demonstrating the uneven distribution of BEPS risks and the limitations of one-size-fits-all solutions. By quantifying the disparity between Indonesia's tax losses (Rp 44 trillion) and the modest revenue from PMK 136/2024 (Rp 43 billion annually), the

research calls for equitable multilateral cooperation to address power imbalances in tax governance. Practical benefits include actionable recommendations for Indonesia to prioritize MNE transparency initiatives and capacity-building, ensuring that global minimum taxes serve as more than symbolic compliance tools. Ultimately, this study bridges theory and practice, offering a roadmap for developing nations to navigate the complexities of international tax reform while safeguarding domestic revenue interests.

RESEARCH METHODS

The research uses a quantitative approach with a microdata-based policy simulation method. The approach was chosen because the main objective of the study is to estimate the impact of the implementation of the global minimum tax policy (PMK 136/2024) on Indonesia's tax ratio in the 2025–2029 period. The data used is secondary data in the form of consolidated financial statements of multinational companies from Google Finance and Investing.com as well as the tax ratio and GDP growth targets from Presidential Decree 12/2025.

1. PMK Performance Analysis 136/2024

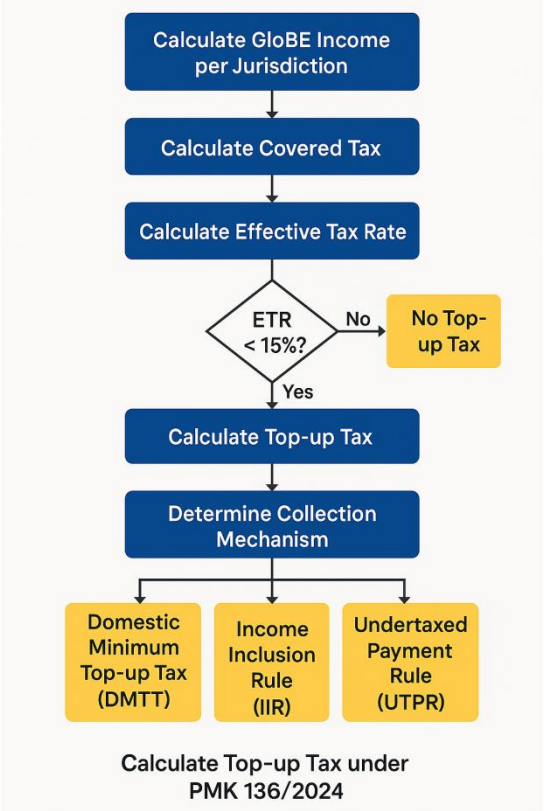


Figure 2. PMK Performance Analysis 136/2024
Source: PMK 136/2024, processed by the author

Calculation Formula

2.1 Top-up Tax

- %Top-up Tax = $\tau_i = 0.15 - \mathrm{ETR}_i$
- Excess Profit = $EP_i = Y_i^{\mathrm{GloBE}} - SBIE_i$

Assumption: SBIEi ≈ 0

- Gross Tax Top-up = $T_i^{\text{gross}} = \tau_i \cdot EP_i$
- Net Tax Top-up = $T_i^{\text{net}} = T_i^{\text{gross}} - QDMTT_i - AC_i$

Assumption: No irregul[illegible]

- Top-up Tax Allocation $T_i^{\text{ID}} = \frac{\pi_i^{\text{ID}}}{\pi_i^{\text{Global}}} \cdot T_i^{\text{net}}$

2.2 Simulation of Microdata Top-up Tax to Tax Ratio

- Tax Revenue (without top-up tax) = $R_t = \rho_t \cdot GDP_t$
- Total Tax Revenue = $R_t^{\text{total}} = R_t + \sum_{i=1}^{N} T_i^{\text{ID}}$

RESULTS AND DISCUSSION

This study took 20 samples of companies from the best 45 multinational companies filled by several global companies and located in Indonesia. The effective tax rate used is the calculation of the rate in 2024 based on the published financial statements.

Table 1. Imposition of MNC Top-up Tax in Indonesia

20 Multinational Companies in Indonesia	**Navel**	**Effective Tax Rates**	**Top-up Tax?**
Adidas (ETR:ADS)	Germany	26,49%	No.
Nike (NYSE:NKE)	United States	14,93%	Yes
Asus (TPE:2357)	Taiwan	18,85%	No.
Google (NASDAQ:GOOG)	United States	16,44%	No.
Honda (TYO:7267)	Japan	28%	No.
Toyota (TYO:7203)	Japan	27,19%	No.
LG (KRX:003550)	South Korea	21,51%	No.
Samsung (KRX:005930)	South Korea	8,2%	Yes
Epson (TYO:6724)	Japan	24,93%	No.
Danone (EPA:BN)	France	30,67%	No.
Nestle (SWX:NESN)	Switzerland	22,87%	No.
KFC-Franchise PT Fastfood (IDX:FAST)	Indonesia	-13,45%	Yes
McDonald's (NYSE:MCD)	United States	20,5%	No.
HSBC (LON:HSBA)	English	22,63%	No.
Allianz (ETR:ALV)	Germany	24,8%	No.
Semen Indonesia (IDX:SMGR)	Indonesia	38,33%	No.
GarudaFood (IDX:GOOD)	Indonesia	19,99%	No.
Gojek (IDX:GOTO)	Indonesia	-3,58%	Yes
Indofood (IDX:INDF)	Indonesia	24,44%	No.
Unilever-Indonesia (IDX:UNVR)	Indonesia	22,57%	No.

Source: Google Finance, processed by the author

Table 2. Calculation of Net Tax Top-up

Company	% (Top-Up Tax Rate)	Excess Profit	Net Tax Top-up
Nike (NYSE:NKE)	0,07%	5.7 billion (USD)	USD3,990,000
Samsung (KRX:005930)	6,8%	33.62 trillion (KRW)	KRW22,861,600,000
KFC-Franchise PT Fastfood (IDX:FAST)	28,45%	-415,65 billion (IDR)	0
Gojek (IDX:GOTO)	18,58%	-5.15 trillion (IDR)	0

Source: processed by the author

- *Observed ratio* of companies subject to top-up tax:

$$\hat{p} = \frac{2}{20} = 0.10 \quad (10\%)$$

- Total number of multinational companies in Indonesia (45 global companies):

$$N = 45 \times (1+g)^t, \quad \text{dengan } g \in [0.05, 0.10],\ t = 1$$

- Estimated number of companies subject to top-up tax:

$$E(\text{Top-up}) = \hat{p} \times N \approx 0.10 \times 45 \times (1+g)$$

$$\Rightarrow E(\text{Top-up}) \in [4.725,\ 4.95]$$

- Round-up:

$$\lceil E(\text{Top-up}) \rceil = 5$$

Table 3. Calculation of Indonesia Top-up Tax Allocation

Company	Types of Entities in Indonesia	Navel	Schema	% Profit in Indonesia	Top-up Tax Allocation in Indonesia
Nike (NYSE:NKE)	Constituent	United States	UTPR	1.17% + 1.17% x 46%	USD46,683 or IDR 1,123,815,789.76
Samsung (KRX:005930)	Constituent	South Korea	DMTT	2,8%	KRW640,124,800 or IDR 7,486,618,005.89
TOTAL					IDR 8,610,433,795.65

Source: processed by the author

Additional Tax Revenue Estimates: $\widehat{R} = n \times \frac{1}{2} \times a \times V$

= 5 x 1/2 x 2 x IDR 8,610,433,795,65 = IDR 43,052,168,978,25

Table 4. Microdata-based Policy Simulation to Tax Ratio Projections

Year	Tax Ratio Target (Base: Presidential Regulation 12 of 2025)	GDP Growth Target (Billion)	Tax Revenue Simulation (Billions)	Constant Tax Top-up Microdata Simulation
		From 22,138,964.00		
2025	11,52%	5.3% → 23,312,329,092	2.685.580,311	2,685,623.36 → up **0.00018%**
2026	*12,39%	6.3% → IDR24,781,006	3.070.366,62	3,070,409.67 → up **0.00017%**
2027	*13,26%	7.5% → IDR26,639,581	3.532.408,48	3,532,451.53 → up **0.00016%**
2028	*14,13%	7.7% → Rp28,690,829	4.054.014,14	4,054,057.19 → up **0.00015%**
2029	15%	8% → IDR 30,986,095	4.647.914,30	4,647,957.35 → up **0.00014%**

Ket: *processed using *Linear Interpolation*

Discussion

The results of the simulation of the implementation of PMK 136/2024 show a very limited contribution to the increase in Indonesia's tax ratio in the 2025-2029 period. Based on microdata simulations of 20 multinational companies operating in Indonesia, only two entities—Nike and Samsung—are effectively subject to *top-up tax*. The total allocation of top-up taxes that can be claimed by Indonesia from the two entities reaches Rp8.6 billion per year. Using a conservative extrapolation approach to the total population of 45 multinational companies in Indonesia, an estimated additional revenue of Rp43 billion per year is obtained.

This value is very small when compared to the estimated loss of revenue due to the practice of Base Erosion and Profit Shifting (BEPS) so far, which has reached IDR 44 trillion until 2023 (State of Tax Justice, 2023). The ratio of the tax surplus from the top-up tax and the potential loss of fiscal revenue is about 1:1,000. That shows that the number of years needed to generate such a large loss is irrational considering that only 79 years have passed since Indonesia's independence in 2024. This phenomenon strengthens allegations that multinational companies are taking advantage of tax regulatory loopholes and weak fiscal authority supervision in developing countries including Indonesia.

Furthermore, the contribution of PMK 136/2024 to the tax ratio during the 2025–2029 period shows a marginal downward trend. The projected increase in the tax ratio due to this policy is in the range of 0.00018% to 0.00014% from 2025-2029. In short, PMK 136/2024 has less and less influence on the tax ratio along with the implementation time. This shows the government's way of thinking in pouring the tax ratio target in Presidential Regulation 12/2025. The government considers that PMK 136/2024 functions more as a tax compliance instrument for multinational stakeholders than as a *revenue collector*.

However, there are still companies with negative tax rates such as KFC Indonesia and Gojek. This indicates the possibility of tax avoidance practices through loss reporting or aggressive tax planning schemes that require further attention from tax authorities through strengthening GloBE-based audits.

In general, the results of this simulation support the understanding that PMK 136/2024 plays more of a role as an instrument for harmonizing Indonesia's tax policy with the global tax regime, rather than as a significant source for increasing tax revenue. As such, the effectiveness of these policies will largely depend on the government's ability to integrate them with broader and sustainable national tax policy frameworks including electronic reporting systems, coretax, and integrated audits.

CONCLUSION

This study concludes that while *PMK 136/2024* marks an important step toward aligning Indonesia's tax system with global standards, its immediate effect on increasing the tax ratio is minimal, generating only Rp43 billion annually compared to the Rp44 trillion lost to *BEPS*. The regulation's limited reach, affecting only a few MNEs, and ongoing aggressive tax planning highlight its primary function as a compliance tool rather than a significant revenue source. Achieving Indonesia's 15% tax ratio target by 2029 will therefore require a comprehensive strategy that includes stronger enforcement, technological advancements in tax administration, and broad structural reforms to effectively combat *BEPS*. Future research should involve longitudinal studies to monitor MNEs' responses to *PMK 136/2024*, comparative analyses of Pillar 2 implementation across ASEAN countries, exploration of global minimum tax interactions with digital economy taxation, and qualitative assessments of Indonesia's tax authorities' capacity constraints in applying *GloBE* rules. These efforts would provide deeper insights into policy effectiveness and practical measures to enhance tax compliance and revenue collection, supporting Indonesia's fiscal sustainability.

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