Exchange of Tax Information: Indonesia Experience, Developing Country Implications

Thesa Adi Purwanto
Tax Administration Laboratory, Vocational Education Program, Universitas Indonesia, Depok, Indonesia

Keywords: Information Exchange; Developing Countries; Tax Transparency, AEoI.

Abstract: This study aims to discuss Indonesia's experience in the Automatic Exchange of Tax Information (AeoI) implementations. This study employs a qualitative approach, using the content analysis technique. Secondary data were collected from journals and other sources of literature. The results depict that Indonesia has exchanged information to 57 jurisdiction partners in 2018. Automatic Exchange of Information is now a reality, and a powerful tool to improve tax compliance is up and running. This situation represents a significant step forward in international cooperation on tax transparency, ushering in a new era where the automatic exchange of financial information for tax purposes is the norm. In theory, this study contributes to the diversity of views regarding the use of Inclusive Framework that applied in the Automatic Exchange of Information, especially from the side of developing countries. With Indonesia's experience overtaken, the adoption of the Automatic Exchange of Information standard on a global scale would equip all developing countries with the ability to address the illicit flow of money to locations which result in tax avoidance. The principal purpose of exchanging information is to provide developing countries with information which allows them to protect their tax base and limit their exposure to revenue leakage.

1 INTRODUCTION

International tax cooperation is considered a fundamental prerequisite for domestic mobilisation of resources in developed and developing countries alike, as governments worldwide are faced with the consequences of economic globalisation. In addition, international tax governance is necessary to ensure consistent adoption, interpretation and implementation of international standards required to tackle the global effect of illicit financial flows (IFFs) and build tax certainty to foster economic growth. It is an issue that can only be addressed through a global response from Governments, with no single country able to address it on a stand-alone basis, as unilateral approaches may have damaging effects on trade and the economy.

However, who are the key players in this international tax governance? What is required to establish global tax governance through multilateralism?

The OECD has been developing international standards for over 50 years. The international tax architecture has seen these standards as the linchpin for tax rules for almost a decade. Since 2009, when G20 leaders came together in London with a new resolve to fight tax evasion and declared: "The era of bank secrecy is over", the OECD has partnered with the G20 to tackle international tax evasion and avoidance.

On 19 July 2013, the OECD released its Action Plan on BEPS, identifying 15 specific actions that will give governments the domestic and international instruments to prevent multinational corporations from paying little or no taxes. This plan was endorsed by the G20 at a Leaders Summit in Saint Petersburg in September 2013. Up to the G20-OECD's BEPS Action Plan, international projects on tax-related matters tended to be initiated by the OECD, which produced tax-related reports and discussion drafts for jurisdictions to consider in applying their own domestic tax laws (Reck, & Donoghue, 2013) as only governments, not the OECD, are able to set laws or sign tax treaties.

One may ponder the reasons as to why the United Nations Economic and Social Council (ECOSOC), which engages in intergovernmental deliberations on international tax cooperation and holds an annual meeting with national tax authorities to consider international cooperation in tax matters,

Adi Purwanto, T.
Exchange of Tax Information: Indonesia Experience, Developing Country Implications.
DOI: 10.5220/0010704200002967
In *Proceedings of the 4th International Conference of Vocational Higher Education (ICVHE 2019) - Empowering Human Capital Towards Sustainable 4.0 Industry*, pages 534-543
ISBN: 978-989-758-530-2; ISSN: 2184-9870

has not been able to spearhead the governance of international taxation. The same question applies to its Committee of Experts on International Cooperation in Tax Matters, a subsidiary body of ECOSOC tasked with work on international tax cooperation (UN FfD, 2018a).

Although not initially part of the design of international tax standards required to deal with the global issues of BEPS, the critical role developing countries need to play in spearheading the governance of international taxation has since been recognised and is starting to impact the international tax landscape. As a result, regional tax organisations are working with the OECD and international organisations such as the International Monetary Fund (IMF), the World Bank Group, and the United Nations in setting international tax standards and thus shaping global tax governance through multilateralism.

However, regarding the “Menu” analogy, these last key players entered into the play and during the pre- G20-OECD’s BEPS project era. The international tax landscape could be similar to a dinner table where the menu was set and prepared by OECD countries, ensuing dishes being available to all countries, including developing countries. Irrespective to their tastes and preferences, they did have an option not to eat the dishes and prepare their own. This situation means a unilateral approach.

Since the BEPS project, there have been calls for greater inclusiveness in the existing frameworks. For instance, the 2015 BEPS Explanatory Statement highlighted that “It is now time to focus on the upcoming challenges, which include supporting the implementation of the recommended changes consistently and coherently, monitoring the impact on double non-taxation and double taxation, and designing a more inclusive framework to support implementation and carry out monitoring.” The G20 Finance Ministers Communique in September 2015 stated, “We call on the OECD to prepare a framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions, particularly developing economies, on an equal footing” (OECD, 2015a).

As a result, the Inclusive Framework for BEPS Implementation (IF) was created to level the playing field for all committed and relevant jurisdictions. This implementation ensures that they are involved on an equal footing in the setting of the future standards relating to BEPS issues, the implementation and monitoring of the BEPS outcomes. It also includes tailoring implementation solutions for BEPS outcomes that are appropriate for all capacity levels. Currently, 129 jurisdictions have joined the IF (as of March 2019).

The question remains, however, whether these efforts herald the beginning of multilateralism in international taxation with decisions taken in an environment where the high power and interests of a few powerful countries are checked and where small countries are granted the voice and voting opportunities that they would not otherwise have. A more fundamental question, with the level playing field provided by the IF in mind, is whether developing countries in the IF currently cannot only understand but to efficiently influence the menu to fit their preferences and economic realities. In addition, what would the impacts on their economy be if they remain silent at the table?

A consensus-based approach is needed in this changing international tax landscape as manifested by an increase in new legislation by countries around the world, the requirement for increased transparency, global cooperation and information sharing among tax authorities, and the rapid expansion of the digitalised economy. To date, although the OECD, the European Union (EU) and some countries bilaterally have started dealing with the issue of the taxation of the digitalised economy, it offers a relatively clean slate to developing countries and to proactively steer the direction of the global standard agenda rather than providing inputs into a pre-determined agenda. Thus, it represents an opportunity to achieve global tax governance through multilateralism better and, as such, to bring many countries on an equal footing in setting the global tax standards of the digitalised economy.

This paper will explore whether there has been a shift towards global tax governance through multilateralism by reviewing the role of the OECD in the BEPS project, the advantages and limitations of the Inclusive Framework for BEPS Implementation (IF) and finally the exchange of information (EOI) process through the Global Forum on Transparency and Exchange of Information for tax purposes. This paper will describe the progress developing countries has made towards multilateralism in tax governance in taking its rightful place at the global tax governance table despite numerous challenges it faces. It describes the position of developing countries, especially Indonesia, in the Inclusive Framework and its participation in the standards of transparency and exchange of information for tax purposes.

2 METHODOLOGY

This research epistemology uses the interpretative paradigm to observe and solve a problem that emphasises the socially constructed nature of reality. Guba explained that in the context of research design, the selection of the research paradigm would guide the entire research process (Guba, 1990). The research paradigms are to determine the problem addressed and an explanation of what can be accepted (Kuhn, 1970). Lincoln and Guba identify four main paradigms: positivism, post-positivism, constructivism, and critical theory. Sarantakos believes that there are three dominant paradigms in the social sciences, the positivist, the interpretive and the critical (Sarantakos, 1998). Like Sarantakos, Neuman also distinguishes the model of research in three, namely positivism, interpretation, and critique (Neuman, 2013).

In this research, the approach used is the qualitative approach. Cresswell defines a qualitative study as: "a process of understanding a social or human problem based on the construction of a complex and holistic image, formed with words, reporting detailed views of informants and carried out in a natural setting" (Cresswell, 2013). About the qualitative approach, Neuman says, "Data for qualitative researchers sometimes takes the form of numbers, more often written or spoken words, actions, sounds, symbols, physical objects or visual images. (e.g., maps, photographs, videos.) "(Neuman, 2013).

The type of research used is descriptive. The descriptive study can be interpreted with problem-solving procedures that are studied by describing the state of the subject or object of the study at present based on facts that appear or as they are (Soejono & Abdurrahman, 2005). Data collection techniques aim to collect data or information that can explain the problem of objective research. This study is conducted by collecting and studying data and information obtained from journals and other sources of literature. Content analysis and discourse analysis, which rely much more on the models, structures, and language used in the written word, can be used when qualitative data has been collected. Content analysis is a procedure for categorising behavioural data for classification, synthesis and tabulation purposes. The content can be analysed at two levels. The primary or manifest level is a descriptive account of data. This account includes pre-state information but no explanations or theories. Higher or latent level of analysis is a more interpretative analysis concerning the answer as well as what may have been inferred or implied.

3 RESULTS AND DISCUSSION

Currently, there is no single entity with the global legitimacy, resources and expertise to serve as a single body for global tax governance, perhaps rightly so given the sovereign nature of taxation (UN FfD, 2018b). The OECD, with the support of the G20, has to fill the absence with a coordinating body for international tax cooperation. The BEPS Action Plan was approved by the OECD's Committee on Fiscal Affairs (CFA) in June 2013 and endorsed by the G20 Leaders in September 2013. The 15 actions it identified were formulated to combat international tax avoidance by multinational enterprises (MNEs). Such tax avoidance takes place by artificially shifting profits to low tax jurisdictions and eroding the tax bases of the standard rate tax jurisdiction where the operations take place. The main objective of the BEPS Action Plan was to ensure that profits are taxed in the jurisdiction where the economic activities generating such profits are performed and where value is created, thus ultimately securing government revenues in the appropriate jurisdiction (Picciotto, 2017). As a result, although the OECD and the G20 initially developed the BEPS project, it subsequently strived to become more encompassing. All countries from the OECD and G20 countries represent 90% of the world's economy. They have been working together on an equal footing in the CFA. Beyond those 44 countries leading the BEPS Project, a broader range of stakeholders - business, academics, civil society, were brought in an in-depth consultative process.

In response to the recognition that BEPS is a global problem which affects domestic resource mobilisation in developing countries, the OECD organised two of four regional consultation events on BEPS in Seoul, Korea, on 20-21 February 2014 and in Latin America and the Caribbean (Colombia/Bogota) on 27-28 February 2014. The regional consultation event for Francophone countries took place in France/Paris, on 25 March 2014. The outcomes of the regional consultations were discussed at the meetings of the Global Forum on Transfer Pricing and Task Force on Tax and Development, on 26-28 March 2014, and informed the development of the BEPS outputs. They also fed into the Report to the G20 Development Working Group on the impact of BEPS issues in developing countries, and how the G20 can assist lo11w-income countries (LICs) to address the BEPS issues and challenges they face.

Developing countries emphasised the critical need to take into account the specific risks and challenges faced by its if the OECD/G20 BEPS project were to deliver a global solution to this global problem. It also argued that developing countries must be given the opportunities to make inputs into the BEPS project to ensure that the views and experiences of developing countries shape the development of potential BEPS solutions.

According to the OECD, non-OECD countries representing varying levels of development were similarly invited to participate directly as associates and invitees in the Committee on Fiscal Affairs' decision-making and technical working groups, thus offering them the opportunity to have a direct impact in international tax policymaking and development of international tax rules. It is important to note that associates would have the possibility to participate in the BEPS project on an equal footing with OECD members while invitees would have only a consultative role which does not necessarily equate to participative decision-making (Fung, 2017). Non-OECD countries with an associate status included: Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia, South Africa, Colombia and Latvia. Overall, by October 2015 when the BEPS project was completed and supplemental reports delivered to the G20 Finance Ministers, the OECD argued that more than 80 developing countries had engaged in BEPS Project through either direct participation in the CFA and its subsidiary bodies, the regional networks of tax policy and tax administration officials, or capacity-building efforts (OECD, 2015b, 2017b). One could argue that this is undoubtedly a step in the right direction, although not enough when confronted with the fact that developing countries are often most adversely affected by illicit financial flows. They have lost more than USD$200 billion in revenue through BEPS, larger than revenue losses in OECD countries relative to GDP at around 1.3% of GDP (compared to 0.6% of GDP in the OECD, i.e. approximately $500 billion in revenue loss) and alarming given their low levels of tax revenue to GDP (15% on low-income countries compared to 35% in the OECD) (Financial Transparency Coalition, 2016).

The primary role of the OECD's Committee on Fiscal Affairs has been recognised and supported by the G20. This role played in international standards for tax setting and its efforts to encourage the participation of developing countries. Developing countries are still faced with, among others, inadequate resources and level of expertise in international tax policy as well as clashes with other political priorities like inequality, climate change, unemployment and security that constrain their ability to influence decision-making on global tax issues. This situation consequently hampers the consensus-based policy reform measures aimed at restoring fairness, transparency and coherence to the global tax environment. In addition, it is argued that the ambitious timeframe of the BEPS project and the resulting speed at which discussion drafts were released and finalised would not have allowed consensus in the first place. This condition is compounded by a lack of capacity in developing countries to keep pace with the global standards' complexities and fast turnarounds.

The limited scope of the OECD/G20 BEPS project was also criticised by some developing and emerging countries, especially its skewness towards international tax rules tackling BEPS issues only relevant to developed countries and detrimental to developing countries. These arguments exacerbated the legitimate concerns raised by various stakeholders regarding the OECD/G20 BEPS project (Fung, 2017). Overall, as Essers argued, despite the OECD's efforts to make the BEPS process as participatory as possible through consultations, it lacks democratic legitimacy given that countries are not only unequally involved in the decision-making process, but consultation by itself does not equate to participative decision-making (Essers, 2017).

Overall, in the absence of a single entity with the global legitimacy, resources and expertise to serve as a single body for global tax governance, a pluralistic landscape has therefore emerged, where organisations active in this area must work together with a "view to meeting common tax and development goals in the most efficient, responsive and participatory ways" (UN FfD, 2018b).

Following the endorsement on 15-16 November 2015 in Antalya/Turkey by the G20 Leaders' Summit of the BEPS package consisting of reports on 15 actions equipping governments with the domestic and international instruments needed to tackle BEPS, the G20 leaders acknowledged that effective and consistent implementation of the BEPS package requires an inclusive implementation process. As a result, they called "on the OECD to develop an inclusive framework by early 2016 with the involvement of interested non-G20 countries and jurisdictions which commit to implementing the BEPS project, including developing economies, on an equal footing" (Turkey G20, 2015). This framework was reiterated the following year by the

G20 Finance Ministers at their meeting on 26-27 February 2016 in Shanghai, China (Ministry of Finance China, 2016). Two drafting groups were subsequently established. They were tasked with the implementation of the comprehensive BEPS package. The first group tasked with the peer review and monitoring framework on the practical implementation of the agreed minimum standards, i.e. the Inclusive Framework for BEPS Implementation (IF) and a second group tasked with the development of a multilateral instrument that will allow countries to swiftly amend their existing bilateral tax treaties in order to implement the tax treaty-related BEPS recommendation (Fung, 2017).

The Inclusive Framework was thus developed to allow interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS related issues, and to review and monitor the implementation of the whole BEPS package. The inaugural meeting of the Inclusive Framework was held on 30 June – 1 July 2016 in Kyoto, Japan. Countries and jurisdictions interested in joining the IF are required 1) to commit to the comprehensive BEPS package and its consistent implementation; and 2) to pay an annual member's fee (20 000 EUR) to cover the costs of the IF (OECD, 2017a). Members of the IF participate on an equal footing as BEPS Associates with OECD and G20 countries in the OECD's CFA where agreements are reached following a consensus-based mechanism. They work to deliver on the objectives of the IF which are to:

• develop standards in respect of remaining BEPS issues;

• review the implementation of agreed minimum standards through an effective monitoring system. The four minimum standards agreed upon aimed at reducing negative spillovers on others that might occur if some countries or jurisdictions took no action. They encompass the following: Action 5 on Harmful Tax Practices, Action 6 on Treaty Abuse, Action 13 on Transfer Pricing Documentation and Country-by-Country Reporting, and Action 14 on Dispute Resolution Mechanisms.

• monitor BEPS issues, including tax challenges raised by the digital economy; and

• facilitate the implementation processes of the Members by providing further guidance and by supporting the development of toolkits to support low-capacity developing countries” (OECD, 2017a).

As of March 2019, 129 countries have joined the IF including. Three international organisations and regional tax organisations are also to play an essential role in the Inclusive Framework, in particular in supporting the implementation of the BEPS package in developing countries and influencing the future BEPS global standards. These include ATAF, CREDAF, CIAT, the IMF, the World Bank Group (WBG), and the UN (OECD, 2017a). With the latter objective in mind, four international organisations (IMF, WBG, UN and OECD) launched in April 2016, the Platform for Collaboration on Tax (PCT) to boost global cooperation in tax matters and strengthen their tax capacity-building support to developing countries (Picciotto, 2017). One of the Platform's main tasks is to deliver practical toolkits to assist low-capacity developing countries in implementing efficiently the measures developed under the G20/OECD BEPS project and addressing additional international tax issues. To date, the PCT has developed the toolkit on tax incentives4, which was released in October 2015 and provided an in-depth analysis of the efficiency of tax incentives and recommendations regarding best practices. The toolkit addressing capacity-building in tax5 was delivered in July 2015 (World Bank, 2016).

However, a question remains: Is the inclusive framework a right move towards global tax governance through multilateralism? Below are some facts and further questions that may lead us toward possible answers:

• The OECD's, namely the “rich man's club”, policies primarily serve the interests of its members. Rightly positioned its Committee on Fiscal Affairs as being the “leader in setting standards and guidelines in respect of international taxation matters” (OECD, 2018a). When its Council alone, composed of one representative per member country and a representative of the European Commission has the decision-making power (Fung, 2017)?

• How can genuine consensus and standardisation of international tax rules be achieved with 129 countries boasting divergent views on international tax issues participating in the Inclusive Framework (OECD, 2019)? In this context, is there not a risk that the work of the Inclusive Framework be reduced to a catalogue of divergent country views? Or is the bottom-line simply that if countries are allowed to participate in the development of new international tax standards, they will be more likely to implement those standards in their domestic tax rules thus expanding the OECD's sphere of influence far beyond its 35 member countries (Ernick, 2016)?

• As mentioned above, in practice, all members of the Inclusive Framework have the opportunity to participate on an equal footing in all meetings of the

CFA and its working parties related to BEPS (Picciotto, 2017). The meetings often take place in Paris, France, with the CFA meeting taking place at least twice a year and the working parties' meetings two to four times per year (OECD, 2017a). Given that the limited technical resources of developing countries, especially Indonesia, are already stretched thin between domestic tax priorities and participation in the global standard-setting, the likelihood that officials in these countries can regularly attend these meeting is quite slim. When they can attend, more often than not, limited capacity means they struggle to influence the decision-making process as aforementioned. This consequence, therefore, affects their active participation at the technical working groups and also in the CFA decision process. In this context, a decentralisation of the IF decision-making process at the regional level through the regional tax organisations ATAF, CREDAF, and CIAT must be seriously considered and implemented.

• It is at the implementation stage of the BEPS package that OECD strives to bring in non-OECD countries "as equals" in order to secure their commitment in the implementation of the OECD's instruments, standards and guidelines. Is it a case of too little, too late?

• Furthermore, it will be interesting to observe whether the Inclusive Framework can bring to the fore and thus resolve the question of the limited ability of some countries to influence the review process and the implementation of said standards with the ensuing impacts on their economies. Should this not occur, it will undermine the effectiveness of the implementation of these standards in the context of these countries.

• Those countries that have not taken part in the decision-making process during the BEPS project may struggle with the push to join the Inclusive Framework to take part, via an annual fee, in a "quick and widespread implementation of the G20/OECD BEPS package" even if on an equal footing and to sign the Multilateral Instrument where they have had no influence in the development thereof (Ministry of Finance China, 2016). Some countries, as such as India, have construed this approach as being "somewhat patronising" (UN FfD, 2014).

• Linked to that, it appears that some countries may not have, in substance, a choice in the matter of joining the Inclusive Framework. Although the BEPS policy outputs are not legally binding, a jurisdiction which has not joined the Inclusive Framework may be identified as a "jurisdiction of relevance", whose adherence to the BEPS minimum standards will still be required by the OECD in order to ensure a level-playing field (OECD, 2018b). In addition, most developing countries could not easily ignore the politics and power of peer pressure exerted by the G20 and the OECD, even more so when the possibility of blacklisting and defensive measures looms large in the horizon (Fung, 2017). According to Kelsen, this would contradict the principle of sovereign equality which posits that no State can be legally bound without or against its will (Kelsen, 1944).

• Another fundamental concern that is currently plaguing some developing countries is the perceived geopolitical, as opposed to the rational, nature of the listing processes and the coerciveness of the 2017 EU list of non-cooperative tax jurisdictions. In particular, it decries the obvious absence of some powerful states in the EU which play a significant role in facilitating global tax evasion and avoidance and the US which does not necessarily "play fair on tax matters" as it does not meet the information-exchange requirements of the list (Valderrama, 2018). It thus appears to unfairly target smaller nations with less political and economic clout which are not able to comply with the EU criteria, likely in part because of unavailability of resources, while the richest and most powerful countries can protect their tax system from offshore abuse (Tax Justice Network, 2018). For example, Namibia was included in the EU's list of non-cooperative tax jurisdictions in December 2017. This condition resulted in the freezing of the company Meatco's accounts in the United Kingdom, with crippling consequences on the economy. With support from ATAF, Namibia has succeeded in being removed for the EU list.

• Despite the above-mentioned, countries, in full awareness or not, continue to commit themselves to implement the BEPS minimum standards by joining the Inclusive Framework. It is possible that, despite not having equal representation in the new agenda, development of the BEPS project now ready to play a more significant role in its execution. As an example, the remaining standard-setting under the BEPS project influence or improve the coherence of international tax rules. This condition is supported if their efforts are complemented by coordinated and targeted capacity-building support provided by the regional tax organisations' technical assistance and capacity building programmes and the Platform for Collaboration on Tax (PCT).

Overall, to use once again the analogy of the "Menu", countries may deliberately decide to join the dinner table and sign up to the menu (i.e. the Inclusive Framework). In doing so, they all agree to "eat" a portion of the menu (i.e. the Minimum standards). However, they have the freedom to choose other dishes on the menu if they so wish. They also now have an equal say in what will be on the menu going forward and are part of the peer review process for the implementation of the BEPS minimum standards by all IF members (e.g. 2020 revision of the Country by Country Reporting minimum standard including the 750 Million Euros threshold). In excellent, however, it boils down to whether developing countries, in general, and Indonesia, in particular, can understand and influence the menu and quickly digest the four dishes they are required to eat. More importantly, before even getting to the menu, are they fully conversant with what joining the dinner table implies and the impacts thereof on their economies?

Furthermore, if they choose not to be at the dinner table, is there an alternative option open to them? Or could we pessimistically argue that because of their present inability to effectively play a leadership role in the extended multilateral tax governance structure, some developing countries would be subjected to international tax rules and subsequently relegated to receiving technical assistance and capacity building to implement said rules?

Some alternatives to improve the governance of international tax have been proposed with various reactions internationally. Oxfam, for example, has called for the establishment of a global tax body to improve the governance of international taxation in line with the former Director of the IMF's Fiscal Affairs Department, Vito Tanzi's World Tax Authority (WTA) (Oxfam, 2014). However, international institutions like the IMF and the World Bank have opposed that idea, advancing the argument that, as taxation is inherent in sovereignty, many countries would not surrender their power to a global tax body. In addition, they have questioned whether adding another institution would provide a real solution to the problem (Fung, 2017). Countries such as Australia, the United States, the UK and other wealthy nations have followed suit in blocking the idea of creating a global tax body or boosting the role of the United Nations (either through the Committee of Experts on International Cooperation in Tax Matters7 or the Conference on Trade and Development, UNCTAD) in an attempt to increase the influence of developing countries in international tax rule-making. The rationale for such opposition, they argued, lies in the fact that such a move would duplicate the work already undertaken by the OECD, IMF, World Bank, ATAF, and CIAT. This situation has been the source of significant disputes at the Addis third International Conference on Financing for Development (FfD) (Financial Transparency Coalition, 2016; The Guardian, 2015a; Tax Justice Network, 2015; The Guardian, 2015b).

The era of globalisation, multinational corporations and international finance as well as the 2008 financial and economic crisis has exposed the limitations of the global tax framework. With the lack of adequate information, tax authorities around the world could not adequately protect nor expand their tax base. After that, the fight against tax havens and curbing tax avoidance started. The G20 Summit in 2009 decided to set up the Global Forum on Transparency and Exchange of Information for Tax Purposes (hereafter the Global Forum) to strengthen the capacity for cooperation in international tax matters. The Global Forum, self-funded was to be hosted by the OECD which has been the leader in the international clampdown against illicit tax havens since the 1990s and produced the 1958 Model Tax Convention (Owens & Bennett, 2008; OECD Observer, 2013).

The Global Forum established standards of transparency and exchange of information for tax purposes which were adopted and implemented by developed and developing countries, offshore financial centres and International organisations. Two standards have been implemented, and the Global Forum strives to assist countries with low capacity to efficiently benefit from them: the exchange of information on request (EOIR) and automatic exchange of financial account information (AEoI). The G20 finance ministers endorsed the AEoI in April 2013, followed by the G8 in June 2013 (OECD Observer, 2013). By 2019, 154 members have joined the Global Forum on equal footing, and it monitors that they fully implement the standard through an in-depth peer-review process.

Indonesia has prepared AEoI's participation since signing the commitment at the 2015 Global Forum. Four mandatory requirements that need to be met by Indonesia are:

1. the enactment of domestic legislation,
2. the entry into force of international agreements,
3. the availability of a data transmission system,
4. the guarantee of confidentiality and data security as evidenced by the process of assessment on confidentiality and data safeguards from the

Global Forum on Transparency and Exchange of Information for Tax Purposes.

Indonesia has exchanged information to 57 jurisdiction partners in 2018. However, of the 102 participating AEoI countries In 2018, only 88 countries would exchange data with Indonesia. Of that amount, only 73 countries will exchange data reciprocally with Indonesia. The 88 jurisdictions fulfil the category of AEoI participant jurisdiction for Indonesia, namely foreign jurisdictions that are bound by the Indonesian government in international treaties that have the obligation to submit financial information automatically. Indonesia will exchange information reciprocally with 73 jurisdictions in September 2018, which means Indonesia must send information to 73 jurisdictions and the jurisdiction must also send information to Indonesia. These jurisdictions are categorised as destination jurisdictions. The remaining 15 other jurisdictions consist of 11 jurisdictions who choose to send information to Indonesia non-reciprocally in September 2018, without expecting information from Indonesia, and four jurisdictions that will reciprocally exchange information with Indonesia from September 2019.

With Indonesia's experience overtaken, the adoption of the Automatic Exchange of Information standard on a global scale would equip all developing countries with the ability to address the illicit flow of money to locations which result in tax avoidance. The principal purpose of exchanging information is to provide developing countries with information which allows them to protect their tax base and limit their exposure to revenue leakage. As many countries implement changes in domestic legislation to comply with the standard, the peer reviews show that the volume of information being exchanged for tax purposes is now overgrowing, and the time taken to provide information is also reducing. However, challenges remain, especially for developing countries in general and Indonesia in particular. For example, given that the efficiency of a model for automatic exchange of information lies in its standardisation for worldwide relevance and use but also cost reduction for business and governments, is the voice of developing countries being heard in this process. Their unique environments and economic conditions being factored into this global fight against tax evasion.

4 CONCLUSIONS

Developing countries have strived to achieve its vision of building efficient and effective tax policy and administration capacity, thus assisting them in mobilising domestic resources. Its efforts to establish standards across the range of tax-related activities to reinforce the work of tax administration and services, the development of technical toolkits, including a guideline on transfer pricing risk assessment in the extractives industry in developing countries and the provision of developing countries model legislation, all have contributed to fulfilling this vision.

In the area of international tax, developing countries reported growing concerns that they cannot fully influence standard-setting. They subsequently mandated the UN Tax Committee not only to ensure new international tax standards are useful in developing countries but also to play a vital role in forging new tax policy and in strengthening tax administration. They consider that the UN Tax Committee's extensive experience in both working "on the ground" with its member countries and in participating and influencing the global standard-setting processes of bodies such as the BEPS Inclusive Framework.

As a result, UN Tax Committee with some developing countries, have played a vital role in articulating some critical priorities on the international tax arena and are increasingly recognised as influential players in standard setting in a global and developing countries context. Developing countries are therefore in a unique position to seize the opportunities presented by the tax challenges of digitalisation to take a proactive role in the international tax cooperation where it would contribute to steering the direction of the global standard agenda rather than providing inputs in a pre-determined agenda; thereby seizing the opportunity for more inclusiveness in international tax governance.

Digitalisation is a challenge which could also turn into an opportunity if developing countries and tax systems rise to the task. Developing countries must recognise the pace of this process and seize the opportunity to develop unique developing countries approaches using technology in new and imaginative ways.

The spread of the digitalised economy will exacerbate the base erosion and profit shifting risks and illicit financial flows out of developing countries and thus increasingly pose challenges for international taxation. Consequently, identifying appropriate tax rules to deal with digitalised business has become a top priority (Flynn, 2017). As recognised in the BEPS Action 1 Report, the digitalised economy is increasingly becoming the economy itself. Isolating it from the rest of the economy for tax purposes would not be feasible. In tackling these issues, considerations must be given, among others, to the following: changing fundamental tax rules on profit allocation and nexus based on the concepts of user contribution and marketing intangibles to address the tax challenges of the digital economy; (ii) identifying the main challenges of the digital economy; (iii) developing a holistic approach that encompasses both direct and indirect taxation; and (iv) addressing challenges associated with digital presence and value attribution.

Although work has started bilaterally (e.g. UK and USA) and at the level of the OECD and the EU, the challenges of the taxation of the digitalised economy remain and therefore offers a relatively clean slate to developing countries to proactively steer the direction of the global standard agenda. Developing countries indeed must continue to be guided by the spirit of pro-activeness. The developing countries voice must continue to be heard and listened to on tax issues. The continent can only avoid the “catch up Syndrome” by investing in new research, innovations and modern tax practices and collectively develop innovative solutions that grow out of the realities of its economies.

When developing countries succeed in this endeavour, a giant step would have been made towards a multilateral tax governance structure characterised by a broader distribution of leadership roles and responsibilities and where initiatives are carried out, and standards are set by all or at least a representative majority. This structure would be seen by developing countries as a driving force for increasing participation and inclusiveness and implementation of international tax reforms.

REFERENCES

Cresswell, J. W., 2013. Research Design: Qualitative, Quantitative and Mixed Methods Approaches, Sage Publication Inc. London.

Ernick, D., 2016. Can the OECD Remain an International Tax Standard-Setting Organization?. Bloomberg BNA’s Premier International Tax, Retrieved from https://www.bna.com/oecd-remain-international-n73014449045/

Essers, P., 2017. International Tax Justice between Machiavelli, In B. Eds. Peeters, H. Gribnau, & J. Badisco, Building trust in taxation (pp. 235-265).

Financial Transparency Coalition, 2016. One year after Addis Ababa, rich countries blocking UN from working on tax, again, Retrieved from Medium: https://medium.com/@FinTrCo/one-year-after-addis-ababa-rich-countries-blocking-un-from-working-on-tax-again-fc4b35a0b087

Flynn, C., 2017. BEPS Action 1 - Where are we?, International Tax Review. Retrieved from http://www.internationaltaxreview.com/Article/3762337/BEPS-Action-1Where-are-we.html

Fung, S., 2017. The Questionable Legitimacy of the OECD/G20 BEPS Project, Erasmus Law Review, Issue 2, Retrieved from http://www.erasmuslawreview.nl/tijdschrift/ELR/2017/2/ELR_2017_010_002

Guba, E. G., 1990. The paradigm dialog, Sage. Newbury Park, CA.

Kelsen, H., 1944. The Principle of Sovereign Equality of States as a Basis for International Organization, The Yale Law Journal Company Inc., 53(2), 207-220. Retrieved from http://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=4326&context=ylj

Kuhn, T. S., 1970. The structure of scientific revolutions, University of Chicago Press. Chicago, 2nd edition.

Ministry of Finance China, 2016. G20 ShanghaiCommuniqué of the Finance Ministers and Central Bank Governors Meeting of 27 February 2016, Retrieved from Ministry of Finance of the People’s Republic of China Website: http://wjb.mof.gov.cn/pindaoliebiao/gongzuodongtai/201604/t20160416_1952794.html, para. 7.

Mosquera Valderrama, I. J., Lesage, D., & Lips, W., 2018. Tax and Development: The Link between International Taxation, The Base Erosion Profit Shifting Project and The 2030 Sustainable Development Agenda, United Nations University Institute on Comparative Regional Integration Studies (UNU-CRIS). Bruges, Belgium.

Neuman, W. L., 2013. Social Research Methods, Qualitative and Quantitative Approaches, Pearson Higher Education. USA, 7th edition.

OECD Observer, 2013. Transparency and global tax, Clearing the way, Retrieved from OECD Observer: http://oecdobserver.org/news/fullstory.php/aid/4118/Transparency_and_Global_tax.html

OECD, 2015a. Explanatory Statement, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Retrieved from https://www.oecd.org/ctp/beps-explanatory-statement-2015.pdf

OECD, 2015b. The BEPS Project and the engagement with developing countries, the Politics of Fighting Tax Avoidance and Tax Evasion, OECD Centre for Tax Policy and Administration, Retrieved from https://www.die-gdi.de/uploads/tx_veranstaltung/6-Buss_OECD_BEPS_Project_and_engagement_with_developing_countries.pdf

OECD, 2017a. Background Brief, Inclusive Framework on BEPS, Retrieved from http://www.oecd.org/ctp/beps/background-brief-inclusive-framework-on-beps.pdf

OECD, 2017b. Committee on Fiscal Affairs. Retrieved from On-Line Guide to OECD Intergovernmental Activity: https://oecdgroups.oecd.org/Bodies/ListByNameView.aspx?book=true; http://www.oecd.org/global-relations/partnershipsinoecdbodies/ and http://www.oecd.org/global-relations/partnershipsinoecdbodies/participations-plans.htm

OECD, 2018a. OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors. Buenos Aires, Argentina, Retrieved from http://www.oecd.org/g20/oecd-secretary-general-tax-report-g20-finance-ministers-july-2018.pdf

OECD, 2018b. About the Inclusive Framework on BEPS, Retrieved from http://www.oecd.org/ctp/beps-about.htm

OECD, 2019. Members of the Inclusive Framework on BEPS, Retrieved from Inclusive Framework on BEPS - Composition: https://www.oecd.org/ctp/beps/inclusive-framework-on-beps-composition.pdf

Owens, J., & Bennett, M., 2008. OECD Model Tax Convention, Why it works, Retrieved from OECD Observer : http://oecdobserver.org/news/archivestory.php/aid/2756/OECD_Model_Tax_Convention.html

Oxfam, 2014. Business among Friends: Why corporate tax dodgers are not yet losing sleep over global tax reform, 185 OXFAM Briefing Paper, Retrieved from https://www.oxfam.org/sites/www.oxfam.org/files/bp185-business-among-friends-corporate-tax-reform-120514-en_0.pdf

Picciotto, S., 2017. The G20 and the Base Erosion and Profit Shifting (BEPS) Project, DIE Deutsches Institut für Entwicklungspolitik, Retrieved from https://www.die-gdi.de/uploads/media/DP_18.2017.pdf

Reck, P., & Donoghue, L., 2013. The Changing Landscape of International Tax: the OECD's BEPS Project, Deloitte, Retrieved from https://www2.deloitte.com/content/dam/Deloitte/ie/Documents/Tax/changing_landscape_international_tax.pdf

Sarantakos, S., 1998. Social Research, Macmillan Publishers. China, 2nd edition.

Soejono, H., Abdurrahman, H., 2005. Metode Penelitian: Suatu Pemikiran dan Penerapan, Rineka Cipta. Jakarta.

Tax Justice Network, 2015. Global tax body: After 3 days of bullying, developing countries were run over, Retrieved from Tax Justice Network: http://www.taxjustice.net/2015/07/16/global-tax-body-after-3-days-of-bullying-developing-countries-were-run-over/?utm_medium=facebook&utm_source=twitterfeed

Tax Justice Network, 2018. Will the EU really blacklist the United States?, Retrieved from https://www.taxjustice.net/2018/06/11/will-the-eu-really-blacklist-the-united-states/

The Guardian, 2015a. Richer nations reject call for tough tax provisions at foreign aid conference, Retrieved from Financing for Development Conference - Addis Ababa 2015: https://www.theguardian.com/world/2015/jul/16/richer-nations-reject-call-for-tough-tax-provisions-at-foreign-aid-conference?CMP=share_btn_tw

The Guardian, 2015b. Rich countries accused of foiling effort to give poorer nations a voice on tax, Retrieved from The future of development, Financing for development: https://www.theguardian.com/global-development/2015/jul/14/financing-for-development-conference-addis-ababa-rich-countries-accused-poorer-nations-voice-tax

Turkey G20, 2015. G20 Leaders' Communiqué agreed in Antalya, Retrieved from Antalya Summit, 15-16 November 2015: http://g20.org.tr/g20-leaders-commenced-the-antalya-summit/

UN FfD, 2014. UN BEPS questionnaire, Countries' experiences regarding base erosion and profit shifting issues, Retrieved from http://www.un.org/esa/ffd/tax/Beps/CommentsIndia_BEPS.pdf and http://www.un.org/esa/ffd/wp-content/uploads/2015/10/11STM_G20OecdBeps.pdf

UN FfD, 2018a. Tax Cooperation, Retrieved from United Nations Department of Economic and Social Affairs, Financing for Development: http://www.un.org/esa/ffd/topics/tax-cooperation.html

UN FfD, 2018b. Strengthening UN Role in International Tax Cooperation, Retrieved from United Nations Department of Economic and Social Affairs, Financing for Development: http://www.un.org/esa/ffd/tax-committee/tc-ta-tax-cooperation.html

World Bank, 2016. Platform for Collaboration on Tax, Retrieved from http://www.worldbank.org/en/programs/platform-for-tax-collaboration