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EVALUATION OF THE UTILIZATION OF MSME TAX INCENTIVES DURING THE COVID-19 PANDEMIC

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EVALUATION OF TAX MANAGEMENT ON PROCESS AND MATERIAL OF TAX DISPUTES

(CASE STUDY ON A PLANTATION COMPANY PT A)

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ABSTRACT

This study evaluates tax disputes that occurred at PT A. The number of consolidated tax audits up to the appeal process reached more than 100 tax disputes. This study analyzes the application of tax management to the tax dispute process, the application of tax management to the subject matter of tax disputes related to management services and the implementation of the cash pooling system of PT A and recommendations for improvement in the implementation of PT A against tax disputes. This study uses a qualitative descriptive method with a case study research design. Methods of data analysis using confirmation and comparison between documentation and interview results. The results showed that the increase in tax disputes in 2014-2016 was due to different perceptions between PT.A with DGT, lack of understanding of DGT regarding business processes PT A, and there are differences in treatment according to accounting standards and tax regulations. Tax management of tax disputes conducted by PT A is quite effective. The emergence of tax disputes related to management services and cash pooling of PT A, because it cannot show the existence of management services and cash pooling interest costs. In practice, PT A is appropriate and does not violate tax regulations for applying management services and cash pooling. The implementation of the Advanced Pricing Agreement is an alternative to PT A preventive measure related to transfer pricing issues for management services and cash pooling not to become a tax dispute in the future.

Keywords: *Tax Management, Tax Dispute, Management Services and Cash Pooling*

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1. INTRODUCTION

Taxpayers carry out tax management for tax savings, which apply the last and latest principle (Rismatio, 2015). Two of the reasons for tax management are ambiguity in tax regulations – which results in a gray area being exploited by taxpayers – and distortion in the tax system.

Tax management has two purposes: micro-financial and practical. As the micro-financial goal is about saving cash flow and minimizing tax costs, the practical goal deals with minimizing tax surprises should tax audits occur and carrying out tax obligations correctly, efficiently, and effectively.

In terms of practical purposes, taxpayers must carry out their tax obligations in accordance with the applicable tax regulations and laws so that they can avoid tax disputes. Taxpayers make use of the gray area in tax regulations for tax planning. However, tax planning does not always generate optimal taxes as poorly prepared tax management sometimes raises tax disputes and results in higher compliance costs.

Tax disputes are caused by differences between taxpayers and tax auditors in terms of data and interpretation (Wedha, 2015). Taxpayers can settle tax disputes at every stage, either tax objection, tax lawsuit, tax appeal, or judicial review stage.

Bwoga (2006) and Sahid et al. (2015) stated that the onset of tax disputes is tax audit. Tax disputes occur because of different interpretations and different treatment between fiscal accounting and commercial accounting. Sahid et al. (2015) revealed that tax law enforcement is the factor that most often causes tax disputes. Tax disputes can be settled through tax objection, tax lawsuit, tax appeal, and judicial review.

This study evaluates tax disputes at PT A, a plantation company with 45 affiliated subsidiaries that control hundreds of hectares of plantations. According to the company, the consolidated numbers of disputes from objection to appeal stages reached 100, signaling the necessity to evaluate the currently applied tax management.

Most of the company's tax disputes on corporate income tax are about corrections in the existence and the fair price of managerial service transactions and about the application of cash pooling and how the cost of which is incurred. The corrections have been repeatedly disputed from 2014 to 2019.

Based on the facts above, this study tries to evaluate the tax management process applied by PT A to handle its tax disputes. The evaluation focuses more on how the tax management overcomes the disputes and on what method is used by the company to handle issues related to managerial services and cash pooling.

Unlike previous studies, this study evaluates tax management using the effectiveness theory. In the end, this research will also provide suggestions for increasing the effectiveness and efficiency of tax management. Therefore, this research tries to address the problems of how PT A uses tax management to settle its tax disputes, how the company used tax management to settle tax disputes related to managerial services and cash pooling, and what recommendations can be made to improve the tax management applied by the company to avoid tax disputes.

2. LITERATURE REVIEW
2.1. EFFECTIVENESS THEORY

According to Campbell (1989), effectiveness is generally measured using program success, target success, satisfaction with the program, input and output levels, and the achievement of overall objectives.

The effectiveness of the function of tax management comes from the effectiveness of the function of the tax department itself (Elgood, 2008). The objectives of the tax management functions must come from the wider business and regulatory environment. The effectiveness of tax management through the function of the tax department is based on its ability to achieve three core objectives, namely: 1) creating, protecting, and optimizing value in the context of the organization's business objectives. 2) managing the various tax-related risks of doing business. 3) ensure compliance with tax laws and reporting requirements.

Tax planning and advisory activities should be focused on optimizing tax returns and risk management in terms of strategic transactions and daily operations (Elgood, 2008). Compliance and reporting activities tend to be process-driven, focusing on risk management and external communications.

2.2. TAX MANAGEMENT

Pohan (2013) stated that tax management is a comprehensive effort carried out by individual and corporate taxpayers through planning tax obligations, implementing, and controlling in order to manage matters related to taxation efficiently and effectively and, in the context of business, to bring increased profit or income.

Rahayu (2013) defined tax management more broadly as a thorough and continuous effort of taxpayers so that all matters relating to tax affairs can be managed economically, effectively, and efficiently. Tax management means the planning, organizing, directing, coordinating, and supervising of tax affairs for higher efficiency.

2.2.1 MOTIVATION OF TAX MANAGEMENT

Using the definition proposed by Simon James and Christopher Nobes, Rahayu (2013) mentioned that tax management is carried out due to: 1) high tax rates, 2) unclear provisions, either the explicit provision or the implicit spirit, intent, and purpose; 3) unfairness, inequality, and over-leniency in tax sanctions; and 4) distortion in the tax system.

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2.2.2 TAX MANAGEMENT OBJECTIVE

Rahayu (2013) explained that the purpose of tax management is divided into micro-financial, macro-organizational, and practical. As micro-financial purpose is to minimize tax burden/cost, the purpose is to maximize profit after tax, and the practical purpose is to reduce surprises should a tax audit is performed by tax authorities and fulfilling tax obligations in accordance with applicable laws and regulations.

2.2.3 TAX MANAGEMENT FUNCTION AND PROCESS

The management function can be applied based on Griffin's theory of process management activities. Budi (2013) explains the activities and processes of tax management as described in figure 1 below.

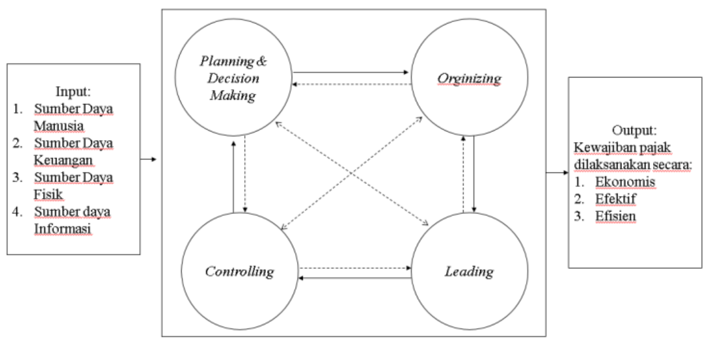

Figure 1 Tax Management Activities and Process

In general, Budi explained that management is the processes of planning, organizing, directing, and supervising. The dotted line illustrates that management processes cannot always be carried out in an orderly and gradual manner; instead, they are dynamic and mutually supportive. The resulting output is the achievement of effective and efficient management objectives in accordance with the right planning and organization

2.3. TAX DISPUTE

According to Sa'adah (2019), differences in calculations between taxpayers and tax authorities, in fact, often occur. Taxpayers may disagree with the amount of tax calculated by the tax authorities as stated in the Tax Assessment Letter.

According to Wedha (2015), there are three types of tax dispute: 1) disputes as a result of the issuance of tax assessment letters; 2) disputes arising from billing process; and 3) Disputes arising from decisions relating to the implementation of tax regulations, in addition to tax assessments letters and tax verdict.

2.4. CASH MANAGEMENT THROUGH CASH POOLING

Cash pooling is a system by a holding company to its subsidiaries. where the cash of the group of companies is centralized the to minimiz borrowing costs. This system has been a popular in business practice, especially in multinational companies. Aimed at ensuring the efficient use of own's cash or liquid assets are within a business group before seeking funding from third parties.

2.5. MANAGERIAL SERVICES

According to Article 23 of Indonesia's Income Tax regulation managerial services are any direct involvement in managerial practices and function in return of management fee. It is common for corporations to provide centralized services for their subsidiaries (Male, 2008). Such service corporations to improve their service quality from specializations and skill improvements and the practice of which is commonly known as 'tax-efficient supply chain management.

2.6. TRANSFER PRICING

According to the Regulation of the Indonesia's Minister of Finance number 22/PMK.03/2020 of a Transfer Pricing is transaction prices that are subject to adjustments due to special relationships. Meanwhile, The Organization for Economic Cooperation and Development (OECD) defined, transfer pricing as the transaction prices applicable between the members of a multinational company in lieu of the commonly acceptable fair price that are maintained as long as they are appropriate for the group (OECD, 2021).

2.7. ADVANCE PRICING AGREEMENT

According to advance pricing agreement is a written agreement between the Directorate General of Taxes and taxpayers or between the Directorate General of Taxes and the P3B (double taxation avoidance agreement) partners of government tax authorities which involves taxpayers referred to in Article 18 paragraph (3a) of Income Tax Law by which the two parties have a prior consensus regarding the criteria for the determination of transfer pricing, fair pricing, and fair earnings.

2.8. CONCEPTUAL FRAMEWORK

Based on the theoretical basis and past studies described above, the conceptual framework of this research is depicted in Figure 2 below.

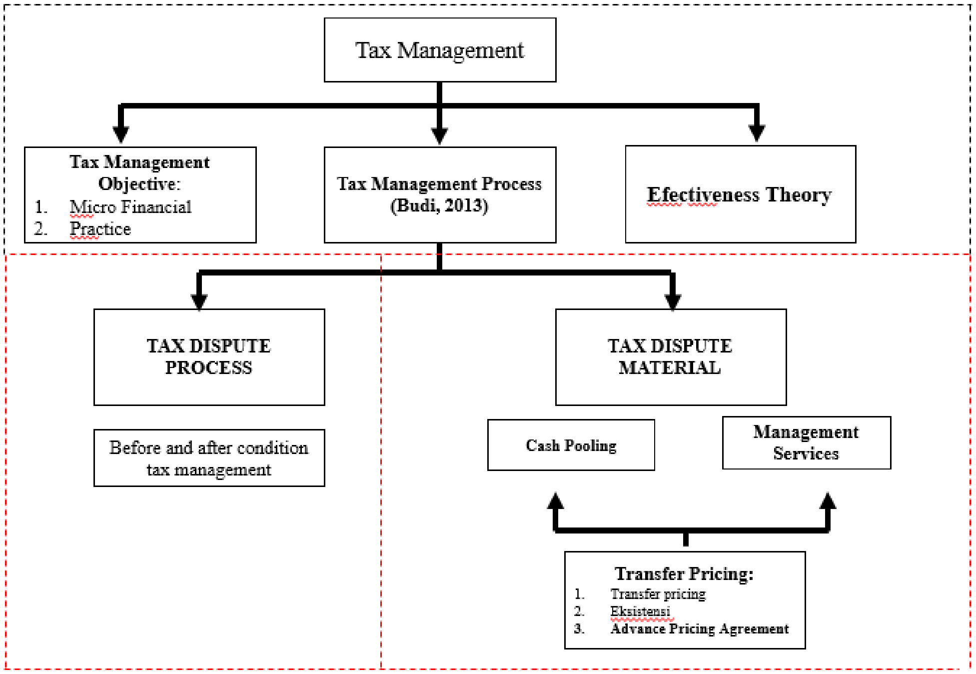

Figure 2 Conceptual Framework

3. RESEARCH METHODS

Case study has its own uniqueness, in both strengths and advantages:is able to analyze various types of evidence such as documents, artifacts, interviews, and observations. Therefore, considering the objectives of this research, that is obtaining various perspectives, processes, and situations in the research subject during a certain period, the said design was applied.

The data of this research was collected via documentation and interviews. The documents are the company's internal financial data, related legal documents, and the applicable tax regulation. The interview was conducted face-to-face with four informants in different places and times; they are an Executive Vice President (EVP), a tax manager, a staff-level analyst, and an independent tax consultant

The data processing was carried out to produce useful information to answer the research problems. The first stage is analyzing the collected documents by coding them for easier grouping, interpreting them according to their themes, and presenting the processed data for analysis. The second stage is analyzing the interview data by transcribing it, presenting it in a format possible for discussion, and relating it to the existing theories and documentation data.

The results of the interview and document analyses were then presented in 5 subchapters. The first subchapter analyzes the causes of tax disputes; the second discusses the conditions of PT A after setting and implementing the goals of their tax management; the third analyzes the recurrent tax disputes related to cash management through cash pooling; the fourth discusses the frequent tax disputes cases concerning managerial services; and the fifth discusses possible solutions for the tax disputes regarding cash pooling and managerial services through advance pricing agreement.

4. PROFILE OF THE ORGANIZATION

This research was conducted at PT A, a company engaged in agriculture, oil palm plantations, and palm oil production with 42 subsidiaries across Sumatra, Kalimantan, and Sulawesi. It also produces crude palm oil (CPO) and its derivations in its refinery in West Sulawesi, where the latter is intended to meet the global demand.

In 1997 this one of the largest oil palm plantation companies in Indonesia was listed and registered as a public company on the Indonesia Stock Exchange. It has a special corporate tax division, headed by the Executive Vice President. The division consists of three department: Tax Administration & Support, Tax Compliance, and Tax Planning & Development.

In carrying out its business activities, PT A and its subsidiaries are centralized in terms of their management, but operations related to production are carried out autonomously in each subsidiary. The centralized management system is applied because the subsidiaries are spread across a vast region.

This study uses a tax consultant with fiscal and economic education as its respondents in order to objectively gain understandings about the general and practical concepts of tax disputes, how tax dispute risks are mitigated, how tax management related to tax disputes is conducted, views regarding the implementation of transfer pricing, preventive measures, and about the submission process of Advanced Pricing Agreement (APA).

5. RESULT AND DISCUSSION

Tax Management of Tax Dispute Process by PT A

In order to answer the first research problem, this research examined two themes: tax disputes before the tax management and the ones after it.

a. Causes of Tax Disputes

Based on the data obtained from the company, the onset of the tax dispute was the disagreement on the results of the audit. As not all disputes could be settled at this stage, PT A took further legal actions, from objection to judicial review.

In the 2014~~-~~, 94 disputes were settled at the audit stage, 66 were settled at the objection stage, 97 were settled at the lawsuit stage, and 127 were settled at the appeal stage. In 2015, 310 disputes were settled at the audit stage, 14 were settled at the objection stage, 158 were settled at the lawsuit stage, and 278 were settled in the tax court or the appeal stage. In 2016, the number of disputes decreased. In this year 81 disputes were settled at the audit stage, 68 were settled at the objection stage, 108 were settled at the lawsuit stage, and 162 were settled at the appeal stage. Judicial review was at its most frequency in 2016 with 76 settlements.

Based on the results of the documentation and interviews, the number of tax disputes involving PT A during the 2014-2016 period is summarized in Table 1 below.

Table 1 Factors for Tax Disputes at PT A

Factors for the Tax Disputes	Explanation
Policy Implementing Regulations	• The policies are centered on holding companies • The company's standard operating procedures on business transactions do not cover taxation (for example, no procedure for Article 22 of Income Tax collection regarding fresh fruit bunch purchase from farmers)
Human Resources Input	• The number of employees is too small for the high number of the tasks
Document Organizing	• There is no adequate space for storing company document • Poor document organization frequently makes the files lost or damaged • Great distance between affiliates (Sumatra, Kalimantan, and Sulawesi) hinders document delivery to the central headquarter in Jakarta.
Differences in Interpretation and Understanding of business processes	• The company and the Directorate General of Tax have different interpretation in tax laws and regulations • There are different treatments in financial accounting standards and tax regulations. • The staff of the Directorate General of Tax have low knowledge about PT A and its business

Source: author, data (2022)

b. Tax Management Implementation of Tax Dispute Process

Based on the analysis and discussion regarding the chronology and causes of the increasing number of the tax disputes, PT A's tax management efforts for the tax disputes were analyzed. Here the theory proposed by Budi (2013) concerning the tax management process and the measurement for the success of tax management according to the effectiveness theory were used.

The initial step of this analysis is to identify the motivation of the tax management. Rahayu (2013) mentioned that tax management is carried out due to: 1) high tax rates, 2) unclear provisions, either the explicit provision or the implicit spirit, intent, and purpose; 3) unfairness, inequality, and over-leniency in tax sanctions; and 4) distortion in the tax system. The motive of PT A in conducting tax management is distortion in the tax system, such as policies for tax laws and dysfunctional tax administration that cause multiple interpretations. The next step is to identify the purpose of the tax management. The company performed tax management for micro-financial and practical purposes, that is to reduce surprises should a tax audit is performed by the Directorate General of Tax, which will ultimately maximize profit after tax. This objective is written in the vision and mission of the company's tax division leader in particular and of the company's management in general.

Furthermore, to see the company's condition after tax management, its tax management process, its indicators of success, and the results of its tax disputes processes were observed; the results are presented in the following Table 2.

Table 2 Tax Management Process for PT A

Tax Management Process for Tax Disputes	**Explaination**
Inputs (Human resource, technological resources, financial resources)	• Improving human resource competency by requiring employees to attend tax courses, tax training and seminars, and tax consultant certification. • Creating an information technology system to support the tax system, such as designing an IFS. • Implementing cash management using cash pooling system.
Tax Management Process: *Planning & Decision Making*	• Making stages of tax planning for tax disputes starting from analyzing the substance of the tax disputes, preparing evidence, and determining the approach.
Organizing	• Not all company operational standards regulate and accommodate taxation issues. • The tax return reporting has not been well documented; the tax return reporting system has not been created.
Leading	• Dividing responsibilities according to the area such as Sumatra, Kalimantan, and Sulawesi. • Creating lines of communication from EVP to managers and to staff.
Controlling	• Using monitoring applications to control tax disputes.

Source: author, data (2022)

c. Implementation of Tax Management and Effectiveness Theory

According to Campbell (1989), the effectiveness of an objective can be measured using program success, target success, satisfaction with the program, input and output levels, and the achievement of overall objectives. Elgood (2018) also explains that the effectiveness of tax management comes from the function of the tax department itself. The tax management activity on tax disputes is a process-driven activity focusing on risk management and external communication.

Based on the theory of effectiveness for tax management, the success of PT A's tax management of its tax disputes can be seen from its ability to achieve three core objectives. The following is a comparison between what has been achieved by PT A regarding tax disputes and indicators of success according to the theory of the effectiveness of tax management.

Table 3 Tax Management of PT A

Indicators of success according to the Theory of Tax Management Effectiveness	Tax Management that PT A has carried out on its Tax Dispute
Create, protect and optimize value within the context of the organization's business objectives	√
Manage the various tax-related risks of running a business	√
Ensure compliance with tax laws and reporting requirements	√

Source: author, data (2022)

The tax management conducted by PT A to address tax disputes has been effective, but several objectives have not been achieved. Program success and satisfaction with the results of the tax management over tax disputes still need to improved, while upgrades and evaluations for higher effectiveness need to be carried out.

Tax Management on Tax Dispute Material by PT.A

This study evaluates the tax management applied by PT A to settle tax disputes related to managerial services and the implementation of cash pooling.

a. Tax Disputes over Management Services

From 2014 to 2019, managerial service has become one of the causes of tax disputes. The results of the tax audit stated that managerial service is a cost component that cannot be charged in the calculation of corporate income tax and cannot be credited as input tax by the subsidiaries. PT A questioned why, in terms of managerial services, corrections were made to the costs charged by the subsidiaries but not to the revenue of the central company. These disputes continued until tax appeal stage at the tax court.

According to the Directorate General of Tax, PT A's subsidiaries cannot provide supporting documents proving the existence of the managerial service costs and the benefits they receive from the payments for the managerial services and cannot show the fair value for these payments. The Directorate General of Tax argued that the managerial service agreement needs to state the services being provided, the policies in the transaction, and the mechanism for determining the fees charged to service recipients, i.e., the allocation key for the provision of services for each service activity.

According to PT A as the taxpayer, the management services it has provided can be proven by, one of which, the management service agreements between the parent company and its subsidiaries, which mention the management fee clause. The Supreme Court of the Republic of Indonesia has acknowledged the existence of the management fee by showing data and documents in the form of the parent company's audit reports, which show the existence of the management service revenue charged from its subsidiaries. In order to create effective and efficient business processes, the parent company of the 45 subsidiaries has made a centralized management system, in this case centralized services, to eliminate duplication of routine and general tasks for all of its subsidiaries. This system will indeed create quite high costs for the parent side as the service provider. However, the management services carried out for its subsidiaries have been binding through a Management Service Agreement, which determines the compensation and scope of the services.

Providing intra-group services is a common business practice in transfer pricing. Service transactions between affiliated parties are a series of activities that provide benefits from the providers to the users. For efficiency and practicality, a holding company prevents the duplication of certain functions in its members and ensures that third parties do not carry out the provision of a certain role within the group. To deal with this problems, it is common for holding companies to establish a central department that provides a certain function to other companies in its group (Male, 2008).

The rate of the management service fee is set to comply with the Confirmation Letter of the Directorate General of Taxes Number S-474/PJ.43/2003 issued in December 15, 2003. This regulation deals with the Confirmation Application for the Management Fee Transactions between PT A and its Subsidiaries. It has been stipulated that the management fee is between IDR 500,000 to IDR 1,000,000 per hectare per year. This confirmation letter is the basis for the practice's legal certainty.

b. Tax Disputes over Cash Pooling

Cash pooling had been a tax dispute form 2016 to 2019. This case started from the audit that corrected the cash pooling interest cost, which was considered a component of costs that could not be charged in the calculation of corporate income tax. The question of PT A regarding cash pooling is similar to that of the correction regarding the managerial service, that the correction was only made on the cost side charged to the subsidiaries, but not on the revenue side of the parent company; the correction was made in the joint cost instead. These tax disputes continued to the appeal stage at the tax court.

According to the Directorate General of Tax, the source of the funds used to cover the negative balances of the subsidiaries, i.e., lenders to branch offices, cannot be traced; whether the funds come from the parent company or from other subsidiaries that enjoy a surplus (positive balance) based on the AAS records. Thus, in accordance with the common business practices, if interest expense occurs, the fee is paid to the subsidiary whose funds are actually used for the loan, not to the parent company, in accordance with the income tax law which states that expenses can be deducted from the gross income for determining the amount of taxable income is the expenses that are paid to obtain, collect and maintain income (3M), while the interest costs incurred by the subsidiary do not substantially reflect the actual conditions.

As the taxpayer, PT A considers that interest costs from cash pooling are a form of cash management aimed at providing cash flow for all of its units and subsidiaries and centralizing the cash management of the company group by minimizing the loan costs. PT A, in its response and evidence in the tax appeal, has explained that its transactions with its subsidiaries are domestic transactions that do not carry the risk of tax evasion and had complied with Article 18 paragraph 3 of the Income Tax Law. According to the company, the fiscus has the authority to correct transfer pricing only upon the risk of tax avoidance, and its cash pooling transactions with its subsidiaries are not tax-avoiding efforts whatsoever.

PT A is of the opinion that the fiscus is inconsistent in treating the tax for cash pooling. The fiscus recognized the cash pooling interest income as an additional economic capability for the parent company and imposed taxes on it in accordance with applicable laws and regulations. However, tax authorities did not recognize the cash pooling interest costs as a deduction from taxable income. The treatment of the tax authorities, basically, had given rise to hope and confidence for PT A that the interest expense of the cash pooling can be charged.

Based on the classification of the cash pooling method, PT A applies cash concentration, in which the funds are physically transferred to one joint account using the zero-balancing technique. The cash pooling system implemented by PT A has been in accordance with the theory. Bartlman (2004) explained that cash pooling is a method for combining the liquidation of companies belonging to one group for cash centralization.

c. Implementation of Tax Management by PT A on Tax Disputes in Management Service and Cash Pooling

In conducting tax management to settle the recurring tax disputes, PT A has taken the following steps.

1. Analyzing the substance of the tax disputes

PT A had conducted analyses on materials used by the tax auditors to make corrections in management fee transactions and cash pooling, which had been preceded by examining whether their application could lead to tax disputes. They found that the tax disputes was related to policy implantation and fair price determination.

2. Preparing for evidence regarding tax disputes over management service and cash pooling

Following the identification of the tax dispute substances, PT A prepared evidence to support its arguments and opinions. In this matter, the company reported the legality of its management services and cash pooling.

3. Planning approaches in the efforts of settling tax disputes over management services and cash pooling

Approaches are significantly important for PT A in their effort of resolving the recurring tax disputes related to management services and cash pooling. The company had searched alternative evidences for the trial evidence to avoid similar disputes in the future.

Based on the identified stages above, it can be concluded that PT A has made good tax management efforts. This can be seen from the steps taken by the company to settle the repeatedly corrected matters in management services and cash pooling. However, the results of the appeal and Judicial Review cannot be described as the courts have not reached the verdict.

Tax Management for PT A Using Advance Pricing Agreement

This study provides recommendations for the improvements in PT A's management. Advance Pricing Agreement, abbreviated as APA, is recommended to help the company prevent transfer pricing tax disputes. The transactions made between companies under the same group must have the same terms and nature as those carried out with third parties. Here legal certainty is required; this can be done by making agreements with the tax authority.

The recommended APA is the unilateral one, namely an agreement between a taxpayer and a tax authority in one country to obtain a transfer price method for a special relationship. This agreement focuses on the identification of a suitable transfer pricing method, not on the agreeable tax rate for both parties.

The mechanism for submitting an APA follows the guidelines in the Regulation of the Minister of Finance Number 22/03 of 2020. In this case, PT A, as the taxpayer, can offer all or some of the affiliated transactions during the APA period and the roll-back, should it submits a roll-back within the APA period. Based on Article 5, the things that need to be considered by PT A for its APA application are listed in Table 4 below.

Table 4 Fulfillment of APA Submission Requirements PT.A

No.	Formal Requirements	Validity
1.	Submitting three Annual Tax Returns applying for APA	√
2.	Organizing and keeping records of transfer pricing in form of master and local documents for three years before filing an APA application	√
3.	Being free from tax crime investigation or from tax penalty	√
4.	Ensuring that the affiliated transactions and the affiliated parties that are proposed to be included in the APA application are affiliated transactions with related parties that have been reported in the Annual Corporate Income Tax Return	√
5.	The proposal for determining the transfer price in the APA application is based on fairness and business practice principles. It does not result in the Taxpayer's operating profit being less than the operating profit reported in the annual corporate income tax return.	√

Source: author, data (2022)

6. CONCLUSION AND RECOMENDATION

The tax disputes faced by PT A during the 2014-2016 period were caused by (1) management policies that had not been followed by implementing regulations, (2) poor human resources for handling the tax disputes in that the number of cases overwhelmed the staff, (3) poor document organization, distribution, and placement, and (4) different interpretation between PT A and the Directorate General of Tax and poor understanding of the directorate's auditors about PT A's business.

The tax management process for tax disputes are, sequentially, planning and decision making, organizing, leading, and. In its planning stage, PT A carried out three steps: analyzing the tax disputes' substances, preparing the evidence, and making the appropriate approach for the dispute. In its organizing stage, the EVP was fully responsible for the tax disputes. In the leading stage, the Tax Corporate EVP divided duties and responsibilities to tax managers based on their areas of responsibility because the company's subsidiaries are scattered through a vast regions. In the controlling stage, the top management function of PT A ensured that the dispute settlements had complied with the tax laws and regulations through a work monitoring system. In relation to the implementation of tax management and effectiveness theory, PT A has effectively and efficiently achieved its goals based on the three indicators of success according to the tax management effectiveness theory.

In the case of managerial service fee, PT A has complied with articles 6 and 18 of Income Tax Law. The fees charged to its subsidiaries did not violate the rules issued by the Directorate General of Tax number S-474/PJ.43/2003, but the directorate's regulation is no longer relevant to the company's business and its progress. If the determination of the price that can be charged uses the regulation above, the management services will not be able to describe the activities provided by the parent company to its subsidiaries. The different perspectives between PT A and the directorate regarding the existence of management service activities are one of the causes for the tax disputes to recur.

In addition to management service, cash pooling is also is a recurring tax dispute at PT A. According to the Directorate General of Tax, based on Article 6 paragraph 1a of Income Tax Law, the charged interest cost revenues must be assessed. Cash pooling is an effort to increase the efficiency and effectiveness of subsidiary companies' funds and to meet their needs for cash by using idle cash funds. Hence, the cash pooling interest costs are reasonable and are directly related to the operational activities of PT A.

In order to help PT A deal with issues of transfer pricing in its tax dispute corrections, this research suggests the use of Advanced Pricing Agreement, abbreviated as APA, for dispute prevention. The mechanism and procedures for Advanced Pricing Agreement application are regulated in the Regulation of the Minister of Finance Number 22/PMK.03/2020. According to the tax consultant, this agreement is a more cooperative way of resolving recurring transfer pricing problems. The recommended APA method is the unilateral one as it helps minimize the risk of tax disputes. Based on the requirement for submitting the Advanced Pricing Agreement, PT A has met the five criteria set out in the Regulation of the Minister of Finance Number 22/PMK.03/2020.

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APPENDIX

Appendix 1. List of Interview Questions

No	Elements Studied	Question substance	Respondents
1.	Tax Management	a. Tax management concept b. Tax management motivation c. Background of the problems encountered	• EVP *Corporate Tax* • *Tax Manager*
2.	Tax Management Objectives	d. Tax Management Objectives e. Benefits derived from tax management carried out	• EVP *Corporate Tax* • *Tax Manager*
3.	Tax Management Functions and Processes	f. Inputs/resources owned by the company g. Implementation of tax planning is done h. Implementation of the tax organizing stage i. Implementation of the leading stage j. Implementation of the controlling stage k. Results from the application of tax management l. Obstacles faced during tax management	• EVP *Corporate Tax* • *Tax Manager*
4.	Efectiveness	a. program success b. target success c. Satisfaction with the program	• EVP *Corporate Tax* • *Tax Manager* • Staff Analyst
5.	Tax Disputes	a. Conditions of tax disputes before tax management b. Decision-making considerations c. The process of efforts to resolve tax disputes d. cost compliance e. Evaluation of the results of decisions/decisions	• EVP *Corporate Tax* • Tax Manager • Staff Analyst • Tax Consultant

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No	Elements Studied	Question substance	Respondents
		f. Steps after the results of the determination	
6.	*Cash Pooling*	a. Scheme and application of the cash pooling system b. Basis for correction of cash pooling interest expense	• EVP *Corporate Tax* • *Tax Manager* • Staff Analyst
7.	Management Services	a. Basic Considerations for pricing management services b. The process of implementing management services c. Issues and basis for correction of management fees d. Outcome of decision/judgment.	• EVP *Corporate Tax* • *Tax Manager* • Staf level analis
8.	*Transfer Pricing* dan *Advanced Pricing Agreement*	a. Setting a fair price management fee b. Existence of management fee transactions c. Management fee fair pricing method d. The proposal is to submit an Advanced Pricing Agreement e. The existence of cash pooling interest transactions. f. Fair interest rate cash pooling	• EVP *Corporate Tax* • *Tax Manager* • Tax Consultant