HOW EUROPEAN UNION HAS SOLVED CASES OF ARM'S LENGTH REMUNERATION FOR INTRA GROUP SERVICE. OPTIMIZING TAX COLLECTION IN INDONESIA, LESSONS FROM EUROPEAN UNION ACTIONS AND STATE AID CASES

NANCY SETIAWATI SILALAHI

Tilburg University
Master Program International Business Tax Law and Business Organizations and Strategies

Abstract- It cannot be dismissed that both developed countries and developing countries are facing the same problems regarding determining remuneration for Intra-Group services. Nowadays, the first transfer pricing issues between the Multinational Enterprises (MNEs) as taxpayers and tax authorities are regarding two specific issues: whether intra-group services have actually been provided and how to determine an arm's length remuneration for intra-group services. European Union (EU) countries have been moving several steps further on how to deal with such issues by implementing several guidelines such as Organization for Economic Co-Operation and Development (OECD) Guidelines, National Law and the EU Joint Transfer Pricing Forum (EUJT). Nevertheless, the European Commission (EC) has corrected some tax rulings between Member State (MS) country and MNEs particularly on arm's length remuneration for intra-group service, and further should be deemed as illegal state aid.
This thesis will discuss how does the European Union has dealt with determining arms' length remuneration of intra-group service compared to relatively-new Indonesian regulation in the same area. Further, the deliberation of EC on several state aid cases regarding such issue will be elaborated in this thesis. The idea is to highlight how the EC has dealt which such issue in policy and case and what can be learned from those to improve Indonesian tax collection system.
The main problem here is the scope of Indonesian's tax regulation regarding intra-group service which is not as comprehensive as EU. The current Indonesia's tax regulation cannot capture a clarity and certainty in determining remuneration for intra-group services.

Keywords - Transfer Pricing; Arm's Length Principle; Intra-Group Services; State Aid.