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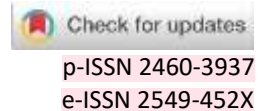
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From legislative mandate to implementation gap: BEPS 2.0 governance and Indonesia's fiscal sovereignty

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ABSTRACT

BEPS 2.0 has been widely analyzed as a reform of international tax rules and multinational enterprise compliance; however, its implications for state financial governance and audit accountability remain underexplored. This paper examines how Indonesia's adoption of BEPS 2.0 instruments—UU HPP, PMK 172/2023, and PMK 136/2024—creates an implementation-effectiveness gap between the legislative mandate and enforcement capacity. Using a structured narrative review informed by a historical-institutional perspective, the study synthesizes literature on transfer pricing, BEPS 2.0, public accountability, institutional capacity, and supreme audit institutions. It develops a three-regime framework demonstrating that BEPS 2.0 does not replace arm's length governance but instead layers GloBE, QDMTT, Amount A, and multilateral certainty requirements onto existing transfer pricing audit burdens. Three governance risks follow: a capacity-sophistication gap, transparency without utilization capacity, and regime-interaction disputes. The study further refines accountability theater as a diagnostic lens for examining gaps between formal BEPS participation and substantive accountability. For Indonesia, the central issue is whether DJP has the institutional capacity to operationalize the regulatory framework through adequate systems, human capital, information utilization, and dispute governance. Finally, the study proposes a BPK-oriented performance audit framework organized around four dimensions: legal readiness, operational readiness, information utilization, and dispute governance.

KEYWORDS:

Transfer pricing; BEPS 2.0; fiscal sovereignty; public accountability; performance audit

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INTRODUCTION

Fiscal sovereignty depends not only on a state's authority to enact tax rules but also on its capacity to protect and collect the revenue to which it is entitled. For state audit institutions, this distinction is important because the effectiveness of fiscal governance ultimately depends on whether legal mandates can be translated into effective implementation. In Indonesia, this perspective is particularly relevant to the role of The Audit Board of The Republic of Indonesia (Badan Pemeriksa Keuangan, BPK), whose mandate under Law Number 15 of 2004 on the Audit of State Financial Management and Accountability and Law Number 15 of 2006 on the State Audit Board extends beyond formal compliance to the accountability and performance of public financial management. In the context of BEPS 2.0, the relevant question is therefore not only whether Indonesia has adopted the required tax regulations, but also whether the Directorate General of Taxes (Direktorat Jenderal Pajak, DJP) has the institutional capacity to operationalize them and protect state revenue.

Transfer pricing (TP) has long challenged fiscal sovereignty because it affects how the taxable profits of multinational enterprises (MNEs) are allocated across jurisdictions. In this context, fiscal sovereignty refers to a state's effective capacity to define, protect, and collect its rightful tax revenue, rather than merely its formal legislative authority (Murphy, 2011; Picciotto, 2018). The arm's length principle (ALP) provides an established legal standard for cross-border profit allocation, but its enforcement requires substantial technical capacity, including comparability analysis, valuation expertise, access to relevant databases, litigation capacity, and participation in dispute resolution (Eden, 2016; United Nations Department of Economic and Social Affairs, 2023). These requirements create an operational asymmetry between MNEs and tax administrations, particularly in developing economies.

BEPS 2.0 intensifies this challenge by adding new layers of international tax governance to the existing TP framework. Pillar One introduces formulaic profit reallocation for a select group of large and highly profitable MNEs, while Pillar Two establishes a global minimum effective tax rate through the Global Anti-Base Erosion (GloBE) rules (OECD, 2021a, 2021b, 2023a). These reforms seek to reduce profit shifting, protect tax bases, and strengthen the legitimacy of international taxation (OECD, 2021a, 2021b; Hugger et al., 2024). Their implementation, however, requires additional capabilities, including entity-level data reconciliation, covered-tax computations, GloBE income adjustments, implementation of the Qualified Domestic Minimum Top-up Tax (QDMTT), multilateral coordination, and dispute management. QDMTT allows a jurisdiction to impose a domestic top-up tax when the effective tax rate of in-scope entities falls below the global minimum, thereby preserving the jurisdiction's taxing rights over the resulting additional tax (OECD, 2021b). Thus, formal compliance with BEPS 2.0 does not necessarily ensure that a state can translate the reform into effective fiscal outcomes.

Existing literature has examined transfer pricing, BEPS, international tax design, and implementation capacity (Brandt, 2023; Cobham & Janský, 2020; Cui, 2024; Kalra & Afzal, 2023). This literature highlights the technical and institutional challenges faced by tax administrations in protecting tax bases under increasingly complex international tax arrangements. At the same time, public accountability and institutional capacity literature suggests that formal transparency and regulatory adoption do not necessarily translate into effective governance outcomes. Transparency mechanisms such as country-by-country reporting (CbCR) and GloBE information returns (GIR) can increase information availability, but their accountability value depends on public institutions' capacity to interpret, reconcile, and use that information. From a state financial governance

perspective, this raises a further question concerning the role of supreme audit institutions (SAIs), including BPK, in assessing whether tax administrations possess the institutional capacity required to implement legally mandated international tax arrangements effectively (OECD, 2016; OECD/SIGMA, 2024).

Despite these insights, the literature remains insufficiently integrated from a state financial governance perspective. First, existing studies predominantly examine MNE compliance, treaty arrangements, or international tax design, with less attention to the implications of BEPS 2.0 implementation for state financial accountability and audit oversight. Second, although CbCR and GIR enhance the availability of tax information, limited attention is given to the institutional conditions required to convert such information into usable audit intelligence. Third, the role of SAIs, including BPK, in assessing the substantive readiness of tax administrations to implement BEPS 2.0 remains underdeveloped in the state finance accountability literature. These gaps suggest the need to examine BEPS 2.0 not only as an international tax reform, but also as a state capacity and accountability challenge.

This study addresses these issues by developing a state-centered governance framework for BEPS 2.0 implementation. The framework integrates perspectives from transfer pricing, BEPS 2.0, institutional capacity, public accountability, and SAI performance auditing to examine the gap between formal regulatory adoption and the capacity required for substantive fiscal enforcement. In this way, BEPS 2.0 implementation is considered not only in terms of regulatory compliance, but also in terms of the institutional conditions necessary to translate the regulatory framework into effective state financial outcomes.

Indonesia provides a relevant context for examining these issues. The enactment of Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (Undang-Undang Harmonisasi Peraturan Perpajakan/UU HPP) expanded the statutory foundation for Indonesia's participation in multilateral anti-BEPS arrangements. Regulation of the Minister of Finance (Peraturan Menteri Keuangan, PMK) Number 172 of 2023 subsequently consolidated rules concerning transfer pricing documentation, Advance Pricing Agreement (APA), and Mutual Agreement Procedure (MAP), while PMK Number 136 of 2024 introduced Indonesia's global minimum tax regime, including the Income Inclusion Rule (IIR), Undertaxed Payment Rule (UTPR), and domestic minimum top-up tax mechanisms. These regulatory instruments provide a substantial legal foundation for BEPS 2.0 implementation. The remaining governance question is whether the supporting infrastructure—including data systems, analytical capability, human capital, inter-agency coordination, and dispute governance—is sufficiently developed to translate this legal architecture into effective fiscal outcomes.

Against this background, the study addresses three research questions. First, how has the institutional evolution of TP created layered governance burdens for state revenue administrations? Second, what governance risks arise from implementing BEPS 2.0 in developing economies characterized by uneven administrative capacity? Third, how can these risks be translated into a BPK-oriented performance audit framework to assess substantive BEPS 2.0 readiness?

The study makes three contributions. First, it develops a three-regime historical-institutional framework that illustrates how TP governance burdens accumulate from managerial coordination to ALP-based tax allocation and, subsequently, to BEPS 2.0 layered governance. Second, it refines the concept of accountability theater as a diagnostic lens for situations in which formal adoption and transparency mechanisms are not matched by the operational capacity required to produce accountability outcomes. Third, it translates these governance risks into BPK-

oriented audit criteria that can support future performance audit and empirical assessment of BEPS 2.0 readiness.

Transfer Pricing and BEPS Literature: From MNE Compliance to State Burden

TP originated as a mechanism for internal corporate coordination rather than as a tax compliance instrument. In organizational economics, internal transfer prices were used to coordinate semi-autonomous divisions, allocate resources, align incentives, and evaluate performance (Eccles, 1985; Manes, 1970; Van Der Meer-Kooistra, 1994). In this setting, the firm was treated as a single economic organization, with transfer prices serving managerial purposes. The governance tension emerged when international tax rules require this integrated organization to be treated as separate entities transacting as independent parties.

The ALP subsequently became the dominant legal standard for cross-border profit allocation and was further elaborated in the OECD Transfer Pricing Guidelines (Eden, 1998; OECD, 2022a). For states, the ALP provides a legal framework for protecting the tax base, but its enforcement depends on substantial tax administration capacity. The literature identifies comparability analysis, intangibles valuation, risk allocation, documentation review, and litigation management as significant administrative demands, particularly for developing economies (Eden, 2016; Rocha, 2017; United Nations Department of Economic and Social Affairs, 2023). This creates a structural asymmetry: MNEs and more advanced tax administrations can generally devote greater resources to the technical requirements of TP governance than many developing-country administrations can sustain.

BEPS 1.0 strengthened ALP-based governance through Actions 8–10 by emphasizing value creation, DEMPE functions, and revised risk allocation guidance (OECD, 2013, 2015). It also introduced CbCR as a transparency mechanism. While this reform expanded information availability, it also increased the interpretive sophistication required of tax administrations. BEPS 2.0 fundamentally alters this architecture by layering Pillar One and Pillar Two mechanisms onto the existing ALP regime (OECD, 2021a, 2021b). Rather than replacing TP audit requirements, it adds additional tasks involving GloBE ETR calculations, QDMTT qualification, safe-harbor assessment, and multilateral certainty processes.

Public Accountability, Institutional Capacity, and Transparency Limits

Public accountability literature is particularly relevant because BEPS 2.0 governance is not solely a technical tax matter. While transparency can support accountability, it does not automatically produce accountability outcomes. Schnell (2023) emphasizes that transparency reduces corruption or misgovernance only when actors possess the mechanisms and incentives necessary to use disclosed information. Applied to BEPS 2.0, CbCR and GIR can increase the visibility of tax information, but they contribute to fiscal accountability only when tax administrations can analyze, reconcile, and act upon that information.

Institutional capacity literature helps identify the missing link between formal rules and policy outcomes. Kim et al. (2026) define institutional capacity as the ability of public institutions to implement the specific policy mandates for which they are responsible. This capacity encompasses organizational dimensions, such as personnel, financial resources, information systems, and management practices, as well as governance dimensions, including transparency, independence, and accountability. This definition is particularly suitable for BEPS 2.0, as the reform requires the integration of tax auditing, accounting, information systems, international cooperation, and dispute resolution alongside the formal legal framework.

19 The concept of integrative capacity further clarifies this implementation challenge. Vince et al. (2024) argue that complex policy integration requires coordination and coherence, accountability and legitimacy, adequate resourcing, and appropriate institutional architecture. BEPS 2.0 represents such a cross-cutting policy domain because its implementation connects domestic tax law, international tax arrangements, financial accounting, data exchange, public revenue governance, and audit oversight. Consequently, implementation challenges may arise not only from insufficient legal authority, but also from limited capacity to coordinate and integrate these governance components.

Supreme Audit Institutions (SAI) and the State Finance Accountability Lens

25 The literature on SAIs provides the institutional foundation for examining BEPS 2.0 within the state finance accountability framework. OECD (2016) positions SAIs as institutions that contribute to oversight, insight, and foresight throughout the policy cycle. Similarly, OECD/SIGMA (2024) emphasizes the role of SAIs in public accountability by helping hold governments accountable for the use of public resources. These functions extend beyond ex post financial audits to performance-oriented assessments of whether public institutions have the capacity to implement legally mandated policies effectively.

In the Indonesian context, this perspective is relevant to BPK because BEPS 2.0 has become part of Indonesia's statutory and regulatory fiscal architecture. The capacity to operationalize these arrangements can therefore be considered a state financial accountability issue. From a performance audit perspective, the focus would not be on determining the correctness of individual taxpayer positions, but on assessing whether DJP has adequate systems, human resources, data governance, risk assessment procedures, and dispute management arrangements to implement PMK Number 172 of 2023 and PMK Number 136 of 2024 effectively.

RESEARCH METHOD

26 This study employs a structured narrative review grounded in a conceptual-historical and historical-institutional analytical lens. The design follows the principles of concept-centric literature synthesis (Webster & Watson, 2002) and structured review guidance for management and social science research (Snyder, 2019; Tranfield et al., 2003). It is not intended as a PRISMA-based systematic review because the objective is not to calculate effect sizes, aggregate empirical findings, or exhaustively map BEPS 2.0 publications. Instead, the review synthesizes relevant literature into a governance framework for assessing BEPS 2.0 implementation capacity from a state accountability perspective.

The review combined database searches, backward and forward citation tracing, and the targeted selection of primary legal and policy documents. Searches were conducted across Scopus, Google Scholar, OECD iLibrary, IBFD-related materials, Indonesian legal databases, and selected institutional repositories. Search terms included combinations of "transfer pricing," "BEPS 2.0," "Pillar Two," "GloBE," "QDMTT," "developing countries," "tax administration capacity," "public accountability," "institutional capacity," "performance audit," and "supreme audit institutions." The temporal coverage was intentionally broad to capture TP's historical evolution, beginning with managerial TP literature from the 1970s, whereas literature on BEPS 2.0, accountability, institutional capacity, and policy implementation was concentrated within the 2015–2026 period.

Sources were included when they met at least one of four criteria: (1) explaining the institutional evolution of TP or BEPS governance; (2) analyzing tax administration capacity or

asymmetry in developing economies; (3) providing theoretical grounding for institutional layering, decoupling, accountability, transparency, or public-sector capacity; or (4) providing primary regulatory or policy evidence relevant to Indonesia's BEPS 2.0 implementation. Sources were excluded if they focused solely on firm-level compliance techniques without governance implications, duplicated more authoritative primary sources, or provided journalistic commentary without analytical value. The retained analytical corpus consists of peer-reviewed journal articles, scholarly books, OECD and UN documents, Indonesian statutory and ministerial regulations, also selected public governance reports.

The synthesis proceeded in three stages. First, the literature was organized into five conceptual categories: managerial TP origins, ALP-based tax allocation, BEPS 1.0 value-creation reform, BEPS 2.0 layered architecture, and state accountability also institutional capacity. Second, these categories were analyzed through the theoretical lenses of institutional layering (Mahoney & Thelen, 2009), isomorphic pressure (DiMaggio & Powell, 1983), and institutional decoupling (Meyer & Rowan, 1977). Third, the identified governance risks were converted into a BPK-oriented performance audit framework drawing on public accountability and SAI literature (OECD, 2016; OECD/SIGMA, 2024). Table 1 outlines the review protocol and analytical function of each source category.

Table 1. Review Protocol and Source Selection Logic

Source Category	Main Search Focus	Inclusion Logic	Analytical Function
Managerial transfer pricing	Internal transfer pricing; divisional performance; organizational control	Classic and influential works explaining TP before its tax-law appropriation	Establishes Regime 1 and the single-entity tension
ALP and BEPS 1.0	Arm's length principle; TP audit; BEPS Actions 8–10; CbCR	Primary OECD guidance and scholarly critiques of ALP enforcement	Explains Regime 2 and the baseline governance burden
BEPS 2.0 and GloBE	Pillar Two; GloBE; QDMTT; Amount A; tax certainty	Recent peer-reviewed and institutional sources explaining the layered BEPS 2.0 rules	Establishes Regime 3 and regime-interaction complexity
Developing-economy capacity	Tax administration capacity; developing countries; BEPS implementation	Sources analyzing asymmetry, capacity constraints, and revenue vulnerability	Tests the relevance of the framework to developing-economy contexts
Public accountability and institutional capacity	Transparency; accountability; institutional capacity; policy integration	Public administration and governance literature explaining implementation conditions	Grounds accountability theater and the implementation-effectiveness gap
SAI and BPK mandate	Supreme audit institutions; performance audit; state finance accountability	SAI literature and Indonesian laws on BPK mandate	Translates governance risks into performance audit criteria

RESULT AND DISCUSSION

A Three-Regime Framework of Transfer Pricing Governance

The synthesis yields a three-regime framework that departs from conventional TP periodizations by shifting the analytical focus. Existing typologies typically examine TP from the viewpoint of the firm, the treaty system, or technical tax design. By contrast, this study maps TP's evolution from the viewpoint of the state as a governance actor. The central question is not merely how rules changed but how each institutional layer altered the state's audit burden, accountability architecture, and dispute governance capacity.

Regime 1, managerial coordination, is characterized by the absence of the state as a fiscal

governance actor. In this phase, internal prices exist primarily to drive organizational efficiency and divisional accountability within the firm (Eccles, 1985; Van Der Meer-Kooistra, 1994). Regime 2, ALP-based tax allocation, introduces the state as a tax governance actor responsible for assessing prices set by MNEs. This requires the state to conduct comparability analysis, assess functions, assets, and risks, value intangibles, and defend audit positions through dispute resolution processes. Regime 3, BEPS 2.0 layered governance, does not eliminate the requirements of Regime 2. Instead, it adds new mechanisms—including GloBE effective tax rate calculations, QDMTT, UTPR, IIR, Amount A, and multilateral certainty mechanisms—on top of the existing ALP architecture.

The three regimes therefore represent an accumulation of governance responsibilities rather than a sequence in which one regime fully replaces another. As summarized in Table 2, each successive regime expands the state's responsibilities, revenue risks, and capacity requirements. The analytical significance of this framework lies in identifying how the transition from one regime to the next changes not only the rules governing taxation, but also the institutional capabilities required to enforce them.

Table 2. Three-Regime Framework for Transfer Pricing from a State Governance Perspective

Dimension	Regime 1: Managerial Coordination	Regime 2: ALP-Based Tax Allocation	Regime 3: BEPS 2.0 Layered Governance
Primary purpose	Internal incentive alignment and divisional performance evaluation	Cross-border profit allocation and tax base protection	Minimum ETR enforcement, partial formulaic reallocation, and system legitimacy
State governance role	Absent; TP is internal to the firm	Reactive; state audits MNE-established related-party prices	Compounded; state audits ALP positions, verifies GloBE outcomes, and coordinates multilaterally
Core governance logic	Single-entity efficiency and opportunity cost pricing	Market mimicry through comparability and separate-entity analysis	Pluralistic coexistence of ALP, Amount A, Pillar Two ETR floor, and QDMTT
Main revenue risk	Minimal fiscal interface	Base erosion through pricing manipulation and dispute costs	QDMTT under-collection, interaction disputes, and formal adoption without operational effectiveness
Capacity requirement	Internal managerial competence within the firm	FAR analysis, databases, intangibles valuation, documentation review, and MAP capability	All Regime 2 capacities plus GloBE data systems, ETR analytics, GIR processing, multilateral certainty, and policy integration
Theoretical mechanism	Organizational coordination	Normative standard-setting and treaty embedding	Institutional layering, isomorphic pressure, and possible decoupling

Source: Processed by author (2026), adapted from Eccles (1985), Eden (2016), OECD (2021a, 2021b, 2022a), Mahoney & Thelen (2009), and DiMaggio & Powell (1983).

BEPS 2.0 Compounds Rather Than Substitutes State Audit Burdens

The first finding is that BEPS 2.0 adds a new governance layer without removing prior audit obligations. A tax administration that has not fully operationalized ALP enforcement must continue to maintain Regime 2 capabilities while developing the additional capabilities required under Regime 3. This reflects institutional layering in which new rules are added to existing arrangements rather than replacing them (Mahoney & Thelen, 2009).

The resulting burden is particularly relevant for developing economies because ALP enforcement already requires substantial technical capacity. The UN Practical Manual on Transfer Pricing for Developing Countries highlights continuing challenges in comparability analysis, intangibles valuation, and practical enforcement (United Nations Department of Economic and Social Affairs, 2023). BEPS 2.0 adds further requirements involving effective tax rate calculations,

accounting-tax reconciliation, data architecture, and cross-border coordination. The implementation challenge is therefore not simply the coexistence of two sets of rules, but the need to integrate the capabilities required to operate them.

At the same time, Pillar Two may provide fiscal benefits by reducing incentives for profit shifting, while QDMTT may allow jurisdictions to collect top-up tax that might otherwise be collected elsewhere (Hugger et al., 2024; Hebous, 2024). These potential benefits, however, depend on tax administrations' ability to identify relevant taxpayers, compute and verify tax liabilities, and enforce the resulting obligations. The reform therefore creates additional opportunities for revenue protection, but realizing those opportunities remains dependent on administrative capacity.

Transparency Creates Accountability Only When Information Can Be Used

The second finding addresses the accountability architecture. BEPS 1.0 and BEPS 2.0 expanded transparency through CbCR, information exchange mechanisms, and GIR. These mechanisms improve visibility, but visibility alone does not constitute accountability. As Schnell (2023) notes, transparency contributes to governance outcomes when institutions can interpret disclosed information and use it through appropriate corrective or enforcement mechanisms. In the BEPS 2.0 context, CbCR and GIR can therefore contribute to accountability when DJP can convert the information into audit risk signals, compliance interventions, dispute positions, and revenue-related actions.

This relationship provides a basis for using accountability theater as a diagnostic lens. Drawing on institutional decoupling theory, the concept highlights how organizations may adopt formal structures that signal legitimacy while substantive practices remain weak or disconnected from stated objectives (Meyer & Rowan, 1977). Applied to BEPS 2.0, the concept highlights a potential gap between formal adoption—such as the implementation of QDMTT rules, receipt of GloBE information, and participation in the Inclusive Framework—and the institutional capacity required to use these arrangements effectively. The relevant capacities include data systems, skilled personnel, risk analytics, and mechanisms for translating information into fiscal enforcement.

The concept should not be interpreted as evidence that DJP, BPK, or another public institution is currently engaging in accountability theater. Rather, it identifies a governance risk that can be examined through a performance audit. Formal adoption remains necessary because it establishes the legal basis for implementation; however, accountability requires that the formal architecture be supported by the organizational and governance capacities identified in the institutional capacity literature, including personnel, financial resources, information systems, management practices, transparency, independence, and accountability (Kim et al., 2026). The distinction between formal adoption and operational capacity therefore provides a basis for assessing whether BEPS 2.0 transparency arrangements can generate substantive fiscal accountability.

BEPS 2.0 Creates Regime-Interaction Disputes That Existing Bilateral Tools May Not Fully Absorb

The third finding concerns dispute governance. Under the ALP regime, disputes have traditionally been handled through bilateral arrangements involving a taxpayer group, two competent authorities, and a treaty-based Mutual Agreement Procedure (MAP), typically centered on transfer pricing adjustments. Under BEPS 2.0, the same underlying facts may generate ALP disputes, GloBE income questions, covered-tax timing issues, QDMTT qualification matters, safe-harbor considerations, and Amount A questions. The resulting dispute environment is therefore more complex, involving multiple instruments and potentially multiple jurisdictions.

OECD MAP statistics indicate that TP disputes remain time-consuming even before BEPS 2.0 complexity is fully reflected in case inventories (OECD, 2024). Bilaney and Nori (2024) further demonstrate that interactions between Pillar Two and TP rules can create conflicting signals for compliance and enforcement. Although the International Compliance Assurance Programme (ICAP) provides a promising platform for risk assessment and tax certainty, its effectiveness depends on administrative capacity, documentation quality, and coordination readiness (OECD, 2021c). These conditions may be more difficult to sustain in jurisdictions with more limited administrative capacity.

The governance risk is therefore not simply an increase in the number of disputes, but the greater complexity of defending and coordinating taxing positions across overlapping regimes. For developing-economy administrations, this may create a weaker institutional position in multilateral dispute governance unless MAP/APA capacity, case management, technical expertise, and coordination mechanisms develop alongside the new BEPS 2.0 requirements. Taken together, the synthesis identifies three principal governance risks—capacity-sophistication gaps, transparency without utilization capacity, and regime-interaction disputes—while accountability theater provides a diagnostic lens for examining the gap between formal adoption and substantive implementation. Table 3 summarizes these risks, their evidence-based support and interpretive implications, and their relevance for performance audit.

Table 3. Governance Risks, Evidence Status, and Audit Implications

Governance Risk	Evidence-Based Support	Interpretive Inference	Audit Implication
Capacity-sophistication gap	BEPS 2.0 requires GloBE ETR, QDMTT, GIR, and multilateral certainty capabilities; ALP audit remains in force	Capacity gaps may lead to under-collection or weak enforcement if not addressed	Assess DJP's staffing, systems, training, budget, and implementation milestones
Transparency without utilization capacity	CbCR and GloBE reporting enhance information availability; however, transparency literature shows disclosure alone is insufficient	Formal information exchanges risk becoming symbolic if data are not converted into audit intelligence	Audit whether CbCR and GIR data are reconciled, risk-scored, and used in audit selection
Regime-interaction disputes	MAP and TP disputes are already complex; Pillar Two adds ETR and top-up-tax dimensions	Existing bilateral dispute tools may not fully absorb multilateral ALP–GloBE–Amount A conflicts	Review MAP/APA capacity, case management, coordination protocols, and escalation mechanisms
Diagnostic lens: Accountability theater	Institutional theory documents decoupling between formal structures and actual practice	BEPS formal adoption may outpace substantive enforcement capacity	Differentiate legal compliance from operational readiness within BPK audit criteria

Source: Processed by the author (2026), based on OECD (2021b, 2021c, 2024), Bilaney & Nori (2024), Meyer & Rowan (1977), Schnell (2023), and Kim et al. (2026).

Indonesia's Regulatory Achievement and Implementation-Effectiveness Gap

Indonesia has achieved substantial regulatory progress in establishing the legal foundation for BEPS 2.0 implementation. UU HPP provides the statutory authority for Indonesia's participation in multilateral anti-BEPS arrangements. PMK Number 172 of 2023 consolidates TP documentation, APA, and MAP procedures into a more integrated domestic framework. Furthermore, PMK Number 136 of 2024 introduces the global minimum tax framework, including the IIR, UTPR, and domestic minimum top-up tax mechanisms, applicable to fiscal years starting in 2025. From a legal adoption perspective, this architecture represents a significant institutional development.

The governance challenge begins with the operational requirements that follow regulatory

adoption. While the CbCR regime under PMK Number 172 of 2023 primarily supports transfer pricing risk assessment, PMK Number 136 of 2024 adds requirements for jurisdictional effective tax rate calculations, covered-tax determinations, GloBE income adjustments, substance-based income exclusion calculations, safe-harbor assessments, and GIR processing. These tasks require a data architecture that can support more complex tax computations and personnel capable of integrating tax law, international accounting, information systems, and audit analytics. The implementation-effectiveness gap therefore concerns whether the institutional infrastructure supporting the legal framework is sufficiently developed to operationalize these requirements.

Indonesia's fiscal context makes this issue even more consequential. A relatively low tax-to-GDP ratio amplifies the importance of protecting the corporate income tax base, while the country's commodity-dependent revenue structure makes revenue diversification through robust international tax enforcement strategically relevant (Kementerian Keuangan Republik Indonesia, 2025; OECD, 2025). QDMTT can provide an opportunity for Indonesia to retain taxing rights over low-taxed domestic constituent entities of in-scope MNE groups. However, its ultimate value hinges on actual enforcement: legal design must be supported by the capacity to identify in-scope groups, verify computations, reconcile relevant data, and manage related disputes. Thus, the regulatory framework provides the legal basis for protecting the tax base, but its contribution to fiscal sovereignty depends on the capacity to operationalize that framework. Table 4 summarizes the contrast between formal regulatory achievement and operational requirements by mapping Indonesia's principal BEPS 2.0 instruments and supporting arrangements against substantive capacity questions relevant to state financial accountability and BPK oversight.

Table 4. Indonesia's BEPS 2.0 Governance Architecture and Capacity Questions

Instrument	Formal governance achievement	Substantive capacity question	BPK relevance
UU HPP	Provides the statutory basis for anti-BEPS and multilateral tax cooperation	Are statutory mandates translated into measurable implementation plans and inter-agency responsibilities?	Establishes a performance audit objective, not merely a compliance formality
PMK Number 172 of 2023	Consolidates TP documentation, APA, and MAP procedures	Are master file, local file, and CbCR data used systematically for risk assessment and audit selection?	Examines whether transparency tools generate usable audit intelligence
PMK Number 136 of 2024	Introduces the IIR, UTPR, and domestic minimum top-up tax framework	Are systems and personnel ready to compute, verify, and enforce QDMTT/GloBE outcomes after transitional relief?	Assesses substantive readiness for fiscal enforcement
MAP/APA infrastructure	Provides dispute prevention and resolution mechanisms	Can existing bilateral mechanisms manage ALP–GloBE interaction disputes?	Assesses dispute governance capacity and fiscal risk mitigation
Data and system integration	Creates the need for TP–CbCR–GIR reconciliation	Is there an interoperable data architecture linking taxpayer reporting, accounting data, TP files, and GloBE computations?	Audits the operational backbone of BEPS 2.0 governance

Source: Processed by the author (2026), based on UU HPP, PMK Number 172 of 2023, PMK Number 136 of 2024, OECD (2021b, 2022a, 2022b), and OECD/SIGMA (2024).

BPK-Oriented Performance Audit Framework

The governance risks identified above can be translated into performance audit criteria for assessing BEPS 2.0 readiness. The purpose is not to assess individual taxpayer positions or replace the tax administration's operational responsibilities, but to examine whether the institutional

conditions required to implement the regulatory framework are in place. Consistent with performance audit principles, the assessment can focus on whether public resources, systems, processes, and institutional arrangements are designed and operating to support the intended policy objectives.

The proposed framework organizes the assessment into four dimensions: legal readiness, operational readiness, information utilization, and dispute governance. These dimensions reflect the main implementation requirements identified in the preceding analysis. Legal readiness concerns the alignment and completeness of the domestic regulatory framework for BEPS 2.0; operational readiness concerns the availability of qualified personnel, systems, procedures, and organizational arrangements required for implementation; information utilization concerns the ability to collect, integrate, reconcile, and use relevant tax information for risk assessment and enforcement; and dispute governance concerns the capacity to manage MAP, APA, information exchange, and other cross-border processes.

Within these four dimensions, the framework translates the identified governance risks into audit questions concerning readiness, implementation, information use, and dispute management. The questions assess whether formal regulatory arrangements are supported by adequate operational capacity and whether available information can be converted into effective risk assessment and enforcement. They also consider whether the institutional arrangements required for cross-border coordination and dispute resolution are sufficiently developed. The four dimensions function as the framework's higher-level assessment domains, while Table 5 translates them into specific audit areas and illustrative criteria.

Table 5. BPK-Oriented Performance Audit Framework for BEPS 2.0 Readiness

Audit Dimension	Key Audit Question	Illustrative Evidence	Potential Audit Criterion
Strategic implementation planning	Has DJP developed a credible BEPS 2.0 implementation roadmap?	Roadmap, budget allocation, milestones, responsibility matrix, risk register	Implementation plan is time-bound, resourced, and linked to PMK Number 136 of 2024 enforcement milestones
Human capital and expertise	Does DJP possess sufficient expertise in GloBE, TP, accounting, data analytics, and dispute resolution?	Training records, specialist teams, recruitment plans, competency framework	Dedicated multidisciplinary capacity exists for Pillar Two and TP interaction
Data architecture and interoperability	Can DJP reconcile CbCR, TP documentation, GIR, financial statements, and tax return data?	System design documents, data dictionaries, audit trail, integration tests	Data systems support entity-level and jurisdictional ETR verification
Information utilization	Are BEPS transparency data converted into audit intelligence?	Risk-scoring models, audit selection memos, CbCR/GIR analysis reports	Transparency data are systematically analyzed and used in risk-based audit selection
QDMTT enforcement readiness	Can DJP identify in-scope MNEs and verify domestic top-up tax calculations?	In-scope taxpayer register, test cases, calculation templates, guidance notes	QDMTT enforcement process is documented, tested, and legally defensible
Dispute governance	Are MAP/APA resources and procedures scaled for ALP–GloBE interaction disputes?	Case management metrics, competent authority staffing, escalation protocols	Dispute governance capacity is adequate for complex multilateral and multi-instrument disputes
Monitoring and accountability	Is BEPS 2.0 implementation monitored through measurable performance indicators?	KPIs, internal reports, follow-up mechanisms, management review minutes	DJP reports implementation progress and fiscal risk mitigation in a verifiable manner

Policy Recommendations and Institutional Feasibility

The preceding analysis suggests that BEPS 2.0 implementation capacity should be developed through a prioritized rather than simultaneous approach. The first priority is a targeted readiness program for the post-transition enforcement period focusing on the systems, human capital, taxpayer identification, and procedures required for effective implementation. The second priority is information utilization, particularly ensuring that CbCR and GIR data are converted into actionable risk intelligence rather than remaining primarily compliance records. The third priority is dispute governance, including preparation for potential interactions between ALP, GloBE, and other BEPS 2.0 mechanisms before they develop into unresolved MAP inventories. Table 6 summarizes the recommended sequencing.

Feasibility constraints must also be acknowledged. DJP faces competing demands related to domestic compliance, digitalization, taxpayer services, enforcement, and international tax administration. Consequently, BPK's audit approach should not assume immediate full institutional maturity. A more feasible assessment is to evaluate whether DJP has a credible staged roadmap, measurable implementation milestones, clear prioritization of high-risk gaps, and effective use of transitional relief periods for capacity building. These conditions would allow implementation progress to be assessed against a realistic institutional trajectory rather than against an assumption of immediate full readiness.

Table 6. Prioritized Policy Recommendations for Substantive BEPS 2.0 Governance

Priority Horizon	Main Actor	Recommended Action	Feasibility Consideration	Expected Governance Outcome
Short term: 2026–2027	DJP, Ministry of Finance	Develop a BEPS 2.0 readiness roadmap covering systems, human capital, taxpayer identification, and QDMTT enforcement procedures	Requires coordination with IT, accounting, audit, and international tax units	Clear institutional pathway from formal adoption to enforcement readiness
Short term: 2026–2027	BPK	Design performance audit criteria distinguishing legal adoption, operational readiness, information utilization, and dispute governance	Can begin with document review and risk-based audit scoping	Prevents accountability assessment from stopping at regulatory form
Medium term: 2027–2028	DJP	Build CbCR–GIR–TP documentation interoperability and risk analytics	Requires investment in data governance and staff capability	Transparency data become usable audit intelligence
Medium term: 2027–2028	DJP and competent authority function	Strengthen MAP/APA case management for ALP–GloBE interaction disputes	Requires specialist staffing and international coordination protocols	Reduced unresolved disputes and stronger defense of taxing rights
Longer term: beyond 2028	Ministry of Finance, DJP, BPK	Institutionalize BEPS 2.0 monitoring indicators in fiscal risk and accountability reporting	Requires sustained leadership and periodic review	Fiscal sovereignty becomes measurable as operational capacity, not only legal authority

Counterarguments and Boundary Conditions

The argument presented here should not be interpreted as a rejection of BEPS 2.0. Several considerations qualify the implementation-risk argument. First, the global minimum tax may reduce profit-shifting incentives and generate additional corporate income tax revenue (Hugger et al., 2024). Second, QDMTT provides source jurisdictions with a mechanism to retain top-up tax that would otherwise be collected by other jurisdictions (Hebous, 2024). Third, transitional safe harbors

and capacity-building initiatives may reduce immediate implementation burdens (OECD, 2023b; OECD & United Nations Development Program, 2024). Fourth, Indonesia already has experience with TP documentation, MAP, APA, and international cooperation, meaning that Regime 3 implementation does not begin from scratch.

The boundary condition is that these potential benefits depend on institutional absorption. This study does not argue that BEPS 2.0 will fail in developing economies. Rather, formal adoption establishes the legal possibility of revenue protection, while realizing that potential depends on the state's ability to operationalize the reform through personnel, systems, management practices, information utilization, and dispute governance. The implementation gap identified in this study should consequently be understood as a governance risk to be assessed, rather than as evidence of current implementation failure. This distinction also defines the relevance of the proposed BPK-oriented performance audit framework.

This study has three limitations. First, it is a structured narrative and conceptual-historical review, not an empirical study informed by interviews, administrative microdata, or direct observation of DJP systems. Its claims about implementation risks should therefore be interpreted as theoretically grounded, policy-relevant inferences rather than measured findings on DJP's current operational performance. Second, the Indonesian case is illustrative. It uses regulatory instruments, fiscal indicators, and institutional logic to identify audit-relevant questions, but it does not evaluate the actual effectiveness of PMK Number 136 of 2024 implementation. Third, the framework is designed for state financial governance and performance audit analysis, meaning it does not address technical legal questions for individual taxpayer GloBE calculations.

Future research should test the framework empirically. Key avenues for inquiry should include interviews with tax administrators and auditors, analysis of CbCR/GIR utilization processes, comparative studies of QDMTT implementation across developing economies, MAP and APA case-flow analyses following Pillar Two implementation, and performance audit case studies examining whether formal BEPS 2.0 adoption translates into enforceable fiscal outcomes. These inquiries would advance the literature from conceptual diagnosis toward empirical validation.

CONCLUSION

This study examined BEPS 2.0 implementation through a state financial governance perspective, focusing on the gap between formal regulatory adoption and the institutional capacity required for substantive implementation. The synthesis identifies three regimes of transfer pricing governance: managerial coordination, ALP-based tax allocation, and BEPS 2.0 layered governance. The third regime does not replace the requirements of the earlier regimes but adds new responsibilities involving GloBE verification, QDMTT enforcement, information utilization, and multilateral dispute management. This layering creates three principal governance risks: capacity-sophistication gaps, transparency without utilization capacity, and regime-interaction disputes.

The study also refines accountability theater as a diagnostic lens for examining situations in which formal participation and transparency mechanisms are not matched by the institutional capacity required to generate substantive accountability outcomes. The concept does not imply that BEPS 2.0 implementation in Indonesia has failed; rather, it highlights the distinction between formal regulatory achievement and operational effectiveness. This distinction is particularly relevant where implementation depends on data systems, human capital, analytical capability, and coordination across multiple governance functions.

For Indonesia, the enactment of UU HPP, PMK Number 172 of 2023, and PMK Number 136 of 2024 establishes a substantial legal foundation for BEPS 2.0 implementation. The remaining governance challenge concerns whether that legal architecture is supported by adequate implementation capacity. The BPK-oriented performance audit framework developed in this study translates this challenge into four assessment dimensions: legal readiness, operational readiness, information utilization, and dispute governance. The framework provides a basis for assessing whether formal adoption is supported by the institutional and operational conditions required for effective fiscal enforcement.

The study therefore concludes that fiscal sovereignty under BEPS 2.0 depends not only on statutory authority but also on the state's capacity to operationalize that authority. Indonesia's regulatory progress is a necessary foundation, while substantive fiscal outcomes depend on measurable implementation effectiveness. The proposed framework offers a structured basis for future performance audit and empirical assessment of BEPS 2.0 readiness.

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Author Contribution

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