

## LAMPIRAN I

Nota Dinas Direktur Perpajakan Internasional

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### **Comments of the Indonesian Delegation on the Issue Note for Workstream I – Intergovernmental Negotiating Committee on the UN Framework Convention on International Tax Cooperation**

#### **Appreciation**

Indonesia expresses its appreciation for the preparation of the Issue Note for Workstream I as a critical initial document in supporting the negotiation process for the UN Framework Convention on International Tax Cooperation. Indonesia views this Convention as having the potential to become a fundamental pillar in strengthening a global tax governance system that is inclusive, fair, and transparent.

#### **10. Prevention and Resolution Tax Disputes**

- a) On whether the commitments described in paragraph 9 effectively would address the concerns that have been expressed in the workstream with respect to effective prevention and resolution of tax disputes.

Indonesia recognizes the importance of tax certainty for both taxpayers and tax administrations and agrees with the need for fair, accessible, and timely dispute prevention and resolution mechanisms. However, we believe that the commitments would be more effective if they explicitly acknowledged the asymmetries in capacity between tax administrations in developed and developing countries, and provided for technical assistance to build capacity in dispute management.

- b) On whether the commitments described in paragraph 9 would provide sufficient support for the early protocol being developed in Workstream III

Indonesia considers that the general commitments described in paragraph 9 provide a suitable basis to support the early protocol on the prevention and resolution of tax disputes. To fully support the protocol under development in Workstream III, we suggest the commitments should ensure that any multilateral mechanism does not infringe on national sovereignty.

- c) On whether there are additional concerns regarding effective prevention and resolution of tax disputes that should be addressed in that article of the Framework Convention.

We underline that the Framework Convention must not address the resolution of domestic tax disputes, as stated in paragraph 8. These are sovereign matters and should remain under the exclusive jurisdiction of each State. In addition, Indonesia declines the use of arbitration to resolve this issue.

## **15. Fairness Allocation of Taxing Rights**

- a) On whether the elements included in paragraph 14 provide a useful outline of a commitment

Indonesia agrees that paragraph 14 provides a useful foundation for framing a commitment on the fair allocation of taxing rights. The reference to business activity as the basis for taxing rights is appropriate and timely, given the increasing complexity of global value chains and the challenges posed by digitalization. We agree the inclusion of principles such as economic efficiency, tax neutrality, simplicity, and administrability. These are important design considerations.

However, we believe the commitment would be strengthened by more explicitly reaffirming the importance of source taxation—particularly for developing countries that host real economic activity and user markets but often do not receive a fair share of taxing rights under current rules.

- b) On additional concerns that should be addressed in the article of the Framework Convention

Indonesia recommends the following additional elements to be incorporated in the article on fair allocation of taxing rights:

- 1) Explicit Recognition of Source-Based Taxation

The Convention should explicitly recognize that fairness entails the right of countries to tax income derived from economic activities occurring within their jurisdiction, including significant economic presence (user participation, and market engagement)—even in the absence of physical presence.

- 2) Real Economic Contribution as a Basis for Taxing Rights

The commitment should include that taxing rights must be allocated based on where real economic contribution occurs. This includes not only supply-side operations but also demand-side factors such as consumption, and user base. This is critical to ensure that such countries do not lose taxing rights over income derived from digital markets and other activities where significant economic value is created.

**Furthermore, we also want to highlight the following points:**

### **1. The Importance of Inclusive and Equitable Global Governance**

Indonesia agrees that the Convention must ensure equal participation by all countries and must not reinforce the existing inequalities in the international tax governance system. Therefore, we support the establishment of an inclusive and representative Conference of Parties (CoP) with a consensus-based decision-making mechanism that respects the principle of one country, one vote.

### **2. Indonesia's Position on the General Principles of the Convention**

Indonesia supports the inclusion of general principles such as:

- Recognition of source taxing rights, in line with the needs of developing countries to protect their tax bases;
- The principle of international cooperation that respects each country's fiscal sovereignty;
- Transparency, accountability, and information exchange as a foundation for strengthening global tax capacity.

However, Indonesia believes that these principles should be formulated at a high level, and that more detailed technical provisions—such as profit allocation methods or digital economy taxation—should be placed in a separate protocol. This would allow the Convention to remain flexible and resilient to the evolving dynamics of the international economy.

### **3. Implementation Format Preference: Indonesia Supports the Development of a Multilateral Instrument (MLI)**

As an initial step in implementing the Convention, Indonesia expresses its preference for developing a Multilateral Instrument (MLI) that can be directly adopted by States Parties. This format has proven effective in accelerating the harmonization of international tax rules and will allow flexibility in implementation while awaiting full ratification of the Convention by individual countries.

In this regard, Indonesia proposes that the work of Workstream II on the taxation of cross-border services be designated as a minimum standard under the Convention, to ensure coherence, baseline protections, and alignment with the objective of addressing tax challenges in the digitalized global economy.

### **4. Commitment to the Sustainable Development Agenda**

As reflected in paragraph 10(c) of the Terms of Reference, Indonesia fully supports the integration of the Convention with the Sustainable Development Goals (SDGs). A fair and effective international tax system must serve as a concrete tool for reducing inequality, strengthening state capacity, and fostering equitable economic development.

## **Conclusion**

Indonesia reaffirms its commitment to play an active and constructive role in the negotiation process of this Convention. We believe that equal and meaningful cooperation among nations is key to creating a fairer international tax architecture, in line with the spirit of multilateralism and the objectives of the United Nations.



Ditandatangani secara elektronik

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