Purpose – This paper examines the challenges faced by Indonesian tax auditors in auditing multinational transfer prices of intangible assets. This study then explores the suitability of mechanisms currently used by Indonesian tax auditors to ensure appropriate tax audit adjustments.

Design/Methodology/Approach – We use a qualitative research method involving semi-structured and open-ended interviews with the tax auditors in Indonesia. We also include some Indonesia court decisions pertinent to the research question above.

Findings – Findings indicate that Indonesian tax auditors face a number of difficulties during the audit of transfer pricing cases derived from intangible property, including a lack of transparency in taxpayers’ bookkeeping; limited taxpayer cooperation in providing data and documents; transfer pricing regulations; and problems related to organization and human resources. The study also finds that Indonesian tax auditors and tax officials handle transfer pricing cases by using a legal basis as reference and by performing a number of activities, including among others, comparable analysis.
Originality/Value – The findings of this study should assist policy makers to improve the quality of transfer pricing audit. Also, tax auditors and account representatives who do not have enough experience in auditing transfer pricing cases derived from intangible property rights might use the outcomes of this study as a guide for dealing with those cases.

Keywords: Transfer pricing, multinational corporations, Indonesia, tax audit adjustments, intangible assets.

Submission category: Academic/New Researcher