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Dynamics of Base Erosion and Profit Shifting (BEPS) Tax Planning Strategy in the Global Sustainable Development Framework

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ABSTRACT

Tax as the main source of income for the state has an important role in financing sustainable development. However, the dynamics of tax planning are increasingly complex with the issue of Base Erosion and Profit Shifting (BEPS), which has become a major concern for G20 member countries since 2014. BEPS, which refers to the practice of tax avoidance by multinational companies through shifting profits to countries with low tax rates, has created global economic injustice and hampered development. This article discusses the implementation of the BEPS strategy in the context of sustainable development, highlighting Indonesia's role in adopting this policy in its taxation system. BEPS, introduced by the OECD, aims to improve the international tax framework to suit the dynamics of the global economy, reduce tax avoidance, and ensure fair contributions from companies, communities, and countries. This strategy also supports economic stability and creates a healthy business environment, stimulates domestic investment, and contributes to the achievement of sustainable development goals (SDGs). The implementation of BEPS in Indonesia, especially in the digital economy aspect, reflects the country's commitment to strengthening fiscal resilience and supporting inclusive and sustainable development. In conclusion, the implementation of BEPS plays a crucial role in creating a transparent, fair and sustainable tax system, which can support inclusive economic growth and reduce social inequality.

ABSTRAK

Pajak sebagai sumber pendapatan utama bagi negara memiliki peranan penting dalam pembiayaan pembangunan berkelanjutan. Namun, dinamika perencanaan pajak semakin kompleks dengan adanya masalah Base Erosion and Profit Shifting (BEPS), yang menjadi perhatian utama bagi negara-negara anggota G20 sejak 2014. BEPS, yang merujuk pada praktik penghindaran pajak oleh perusahaan multinasional melalui pengalihan laba ke negara dengan tarif pajak rendah, telah menciptakan ketidakadilan ekonomi global dan menghambat pembangunan. Artikel ini membahas implementasi strategi BEPS dalam konteks pembangunan berkelanjutan, dengan menyoroti peran Indonesia dalam mengadopsi kebijakan ini dalam sistem perpajakannya. BEPS, yang diperkenalkan oleh OECD, bertujuan untuk memperbaiki kerangka perpajakan internasional agar sesuai dengan dinamika ekonomi global, mengurangi penghindaran pajak, dan memastikan kontribusi yang adil dari perusahaan, masyarakat, dan negara. Strategi ini juga mendukung stabilitas ekonomi dan menciptakan lingkungan bisnis yang sehat, merangsang investasi domestik, serta berkontribusi pada pencapaian tujuan pembangunan berkelanjutan (SDGs). Penerapan BEPS di Indonesia, terutama dalam aspek ekonomi digital, mencerminkan komitmen negara untuk memperkuat ketahanan fiskal dan mendukung pembangunan yang inklusif dan

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berkelanjutan. Kesimpulannya, implementasi BEPS berperan krusial dalam menciptakan sistem perpajakan yang transparan, adil, dan berkelanjutan, yang dapat mendukung pertumbuhan ekonomi yang inklusif dan mengurangi ketimpangan sosial.

A. INTRODUCTION

Tax is one of the most crucial sources of income for countries in the world, including Indonesia, to finance various aspects of economic and social development (Ahmad, 2024). However, amidst the complexity of the global tax system, tax avoidance practices carried out by multinational companies through the Base Erosion and Profit Shifting (BEPS) strategy are increasingly creating injustice in the international tax system. BEPS refers to a series of practices used by multinational companies to shift their profits to countries with low or zero tax rates, in order to reduce tax obligations in the countries where they operate (Liana et al., 2025). This practice is a major problem because it reduces the potential tax revenue that should be received by the host country where the company operates. This hampers the country's ability to finance sustainable development programs that are important for achieving long-term development goals (Saputri, 2023). In this case, BEPS can threaten the fiscal resilience of countries that apply normal or high tax rates, while creating injustice in the distribution of the tax burden in the global world. Based on these developments, many countries, including Indonesia, are trying to find solutions to overcome these problems, and one approach is to implement the BEPS policy set by the Organization for Economic Cooperation and Development (OECD).

Data supporting the existence and negative impacts of BEPS can be found in various reports and studies conducted by international organizations and related research institutions. According to the OECD report (2020), around 40% of taxes that should be received by developing countries are lost due to tax avoidance by multinational companies. The report shows that countries with developing economies are hit hard by BEPS practices, resulting in lost tax revenues that could have been used to finance much-needed development programs. For example, data from the World Bank 2021 in The Prakarsa (2022) reveals that developing countries, including Indonesia, lose more than 100 billion US dollars each year due to tax avoidance by large companies. The existence of BEPS practices further exacerbates inequality in the global economy, especially for countries that rely on taxes as their main source of revenue for development. In Indonesia itself, this problem is also a serious concern. Although Indonesia has taken various steps to address BEPS, including through strengthening Transfer Pricing policies and increasing international cooperation in the exchange of tax information, there are still major challenges in reducing the negative impacts of tax avoidance practices. Data shows that Indonesia still faces a significant gap in tax revenue compared to the potential tax that should be received, which is largely due to BEPS practices involving multinational companies operating in the country (OECD, 2015).

Research on BEPS practices has been widely conducted by various academics, research institutions, and international organizations. Several previous studies, such as those conducted by Akhand & Mawani (2023), have revealed that multinational companies exploit tax loopholes in countries with low tax rates to shift profits and avoid tax obligations that should be paid in the countries where they operate. In addition, research by Saparilla Worokinasih (2022) discusses the steps taken by

Indonesia to address BEPS, as well as the challenges faced in implementing fairer and more transparent tax policies. Although these studies have made major contributions to the understanding of BEPS and its impact on the global economy, there are still some areas that have not been widely explored. One thing that has not been widely discussed is the role of BEPS in supporting or hindering the achievement of sustainable development goals (SDGs), especially in terms of inclusive economic growth and reducing social inequality. In addition, although Indonesia has adopted BEPS policies in its tax system, the implementation of these policies still faces various technical and structural challenges that need to be studied further. This study offers a novelty by focusing on how the implementation of BEPS in Indonesia can be better integrated with sustainable development policies, especially in the context of the growing digital economy. This study will also examine the challenges faced by Indonesia in implementing BEPS effectively, and how this can contribute to economic stabilization and the achievement of SDGs at the national and global levels.

The main objective of this study is to analyze the impact of implementing the Base Erosion and Profit Shifting (BEPS) tax planning strategy within the framework of sustainable development in Indonesia. Specifically, this study aims to explore how BEPS can improve the international tax system and enhance the country's fiscal resilience, and how the implementation of BEPS policies can support the sustainable development goals (SDGs) in Indonesia. This study will also identify the challenges faced by Indonesia in implementing BEPS, and provide policy recommendations that can improve the effectiveness of BEPS implementation at the domestic and international levels. The contribution of this study is expected to provide deeper insights into the relationship between international taxation, tax avoidance, and sustainable development, especially in the context of the growing digital economy. The urgency of this research is very high, considering the challenges faced by developing countries, including Indonesia, in overcoming the negative impacts of BEPS practices that can hinder the achievement of SDGs. With the increasing dependence on taxes as a source of state revenue and the importance of fiscal sustainability, a better understanding of BEPS implementation will help countries to create fairer, more transparent, and more sustainable tax systems, as well as strengthen their ability to finance long-term development.

B. RESEARCH METHOD

This study uses a descriptive qualitative approach with a case study to analyze the implementation of the Base Erosion and Profit Shifting (BEPS) strategy in the context of sustainable development in Indonesia (Sugiyono, 2005). This approach was chosen to gain an in-depth understanding of the implementation of BEPS policies in Indonesia, the challenges faced, and their impact on the country's fiscal resilience and the achievement of sustainable development goals (SDGs). The data used in this study are secondary data obtained from international reports such as the OECD, the World Bank, and related policy documents and academic literature. Researchers will analyze policy documents published by the Indonesian government, as well as annual reports and tax statistics related to BEPS practices in Indonesia. Data analysis will be conducted using content analysis methods to identify key themes and patterns relevant to BEPS implementation in Indonesia. This technique allows researchers to understand the challenges faced by Indonesia in implementing BEPS policies and their impact on the domestic tax system and economic stability. Researchers will also assess the contribution of BEPS policies to achieving sustainable development goals, especially in terms of reducing social inequality and increasing fiscal resilience. The main limitation in this study is the use of secondary data which may have limitations in describing the real situation in the field, so researchers will be careful in analyzing the available data and presenting objective results.

C. RESULTS AND DISCUSSION

The Impact of BEPS Practices on Tax Revenue and Sustainable Development

The practice of Base Erosion and Profit Shifting (BEPS) has a very significant impact on state tax revenues, especially in developing countries. BEPS refers to the practice of tax avoidance carried out by multinational companies by shifting their profits to countries with low or zero tax rates, thereby reducing the tax obligations that must be paid in the country where the company operates (Jaman & Pertiwi, 2023). In this context, the OECD report (2020) states that around 40% of the taxes that should be received by developing countries are lost due to tax avoidance carried out by large companies. This hampers the capacity of these countries to finance sustainable development, which relies heavily on tax revenues to fund various sectors such as infrastructure, education, health, and poverty alleviation. Countries that lose potential taxes due to BEPS face difficulties in ensuring the quality of public services and financing social programs that are vital to the welfare of their people. In Indonesia, the BEPS phenomenon also poses a major challenge in optimizing tax revenues from multinational companies operating in this country. Although Indonesia has implemented transfer pricing policies and established international cooperation to address tax avoidance, data shows that BEPS practices remain a major problem. According to the World Bank 2021 in The Prakarsa (2022), Indonesia loses more than 100 billion US dollars annually due to tax avoidance by multinational companies. This practice reduces tax revenues that should be used for national development, especially to fund programs focused on improving infrastructure, health services, and education, which in turn hinders the achievement of sustainable development goals (SDGs) (Hossain et al., 2023). On the other hand, BEPS also exacerbates injustice in the global tax system, where countries with high tax rates have to bear a greater burden while countries with low or zero tax rates become a haven for large companies trying to avoid taxes (Liana et al., 2025). This injustice increases social and economic disparities, which clearly contradicts the sustainable development goals that prioritize inclusive economic growth and reduced inequality. Furthermore, BEPS practices also create fiscal instability in developing countries (Liana et al., 2025). These countries are highly dependent on tax revenues to finance their development programs. When multinational companies shift their profits to countries with low tax rates, host countries lose much-needed revenues to fund development projects that support social and economic growth. This exacerbates developing countries' dependence on external resources and hampers their efforts to achieve fiscal stability. In Indonesia, despite efforts made through domestic policies and international cooperation, such as those stated in transfer pricing policies and tax information exchange agreements, tax avoidance by large companies continues to reduce the country's potential tax revenues. This situation threatens the country's capacity to fund important sectors that contribute to people's welfare, and creates economic uncertainty that in turn hinders inclusive and sustainable economic growth. In facing these challenges, it is important for developing countries to strengthen international cooperation in terms of tax information exchange and effective tax policy enforcement (Sulaiman & Yusuf, 2024). In addition, these countries also need to improve the capacity of domestic tax administrations to monitor and identify multinational transactions that have the potential to harm their tax systems. Given the existing challenges, Indonesia needs to continue to improve domestic tax policies and strengthen the capacity to monitor BEPS practices, to ensure that multinational companies operating in Indonesia pay taxes in accordance with the economic activities they carry out in the country (Wibowo, 2024). Therefore, international collaboration and strengthening domestic regulations are very important to minimize the impact of BEPS practices, as well as create a fairer and more transparent tax system that can support sustainable development in developing countries.

The Role of BEPS in Stabilizing the Global Economy and Supporting Sustainable Development

The implementation of the Base Erosion and Profit Shifting (BEPS) strategy, which began in 2015, plays a very important role in improving the international tax framework (Wibowo, 2024). BEPS is a global initiative introduced by the Organization for Economic Co-operation and Development (OECD) to address the problem of tax avoidance by multinational companies. The main objective of the BEPS strategy is to reduce tax loopholes exploited by large companies through practices such as transfer price manipulation and profit shifting between countries with lower tax rates. One of the main components of this strategy is strengthening the transfer pricing guidelines recommended by the OECD, which aim to ensure that companies pay their fair share of taxes according to where they operate, and ensure that tax revenues are received by the countries where companies carry out their economic activities (OECD, 2015). Through this approach, BEPS seeks to create a more transparent and fair international tax system, and reduce tax avoidance that is detrimental to countries with higher tax rates. As part of the Inclusive Framework on BEPS, Indonesia is committed to implementing BEPS policies in its tax system. Indonesia has begun to integrate BEPS guidelines into its domestic regulations, with the main objective of strengthening the country's fiscal resilience and increasing tax revenues. The implementation of BEPS in Indonesia has had a positive impact in reducing the level of tax avoidance that has been carried out by multinational companies, which has harmed the country's tax revenues. One of the important achievements of BEPS implementation in Indonesia is the increased transparency in the tax system, which has also increased public trust in the government and tax agencies (Siregar, 2024). In addition, higher tax revenues allow the Indonesian government to fund various priority programs in sustainable development, such as infrastructure development, education, and health services, which directly improve the quality of life of the community. By ensuring that multinational companies operating in Indonesia pay taxes in accordance with their economic contributions, BEPS also plays a role in supporting inclusive and sustainable economic development. However, although the implementation of BEPS in Indonesia has shown positive results, major challenges remain, especially in facing the dynamics of the rapidly growing digital economy (Santoso & Alamsyah, 2023). In the digital economy, multinational companies can easily shift profits between countries by taking advantage of differences in tax rates between countries (Jaman & Pertiwi, 2023). This practice makes it difficult to implement fair and transparent tax policies, because digital transactions are not always related to a clear physical location, so companies can avoid taxes more easily. Therefore, BEPS needs to be adapted to address this digital economy phenomenon, which requires more flexible and modern regulations to keep up with technological developments and new ways for companies to avoid taxes. In this context, Indonesia plays a role in the G20 Presidency by trying to formulate a tax consensus that can accommodate the challenges of the digital economy, and ensure that countries around the world have uniform and effective regulations to address tax avoidance in the digital sector. In addition, through international cooperation within the G20 framework, Indonesia hopes to support the stabilization of the global economy and support the achievement of sustainable development goals (SDGs) by reducing economic inequality and ensuring that taxes collected are used efficiently to finance social and economic development.

Challenges and Opportunities of BEPS Implementation in Indonesia

Although Indonesia has adopted the Base Erosion and Profit Shifting (BEPS) policy in its taxation system, the implementation of this strategy still faces various technical and structural challenges (Wijaya, 2024). One of the main challenges faced is the limited administrative capacity and trained human resources to effectively supervise and implement the BEPS policy. Although Indonesia has domestic regulations related to transfer pricing and information exchange between countries, supervision of BEPS practices in Indonesia is still considered less than optimal (Worokinasih et al., 2022). This is due to the complexity of multinational transactions which are often difficult to monitor in real time. These transactions often involve complex transfer prices and multi-layered corporate structures, which complicate the efforts of tax authorities to ensure compliance with international tax policies. Therefore, Indonesia's ability to monitor and detect tax avoidance practices by large companies is still limited, although there has been progress in implementing the BEPS policy. In addition to administrative challenges, the implementation of BEPS also requires closer cooperation between developing countries (Hestiandari et al., 2023), developed countries, and international institutions such as the OECD. In this context, Indonesia needs to improve international cooperation in terms of tax information exchange to reduce tax avoidance by multinational companies. Developing countries, including Indonesia, often have difficulty accessing the information needed to identify and address BEPS practices. Therefore, it is very important for Indonesia to strengthen its domestic tax administration capacity and improve understanding among taxpayers regarding the importance of compliance with international tax regulations (Indawati et al., 2024). This will not only improve transparency and oversight, but will also improve fairness in the domestic tax system which contributes to sustainable economic growth. However, despite these challenges, the implementation of BEPS also opens up great opportunities for Indonesia to improve tax fairness, improve fiscal stability, and strengthen the country's capacity to fund sustainable development. By reducing aggressive tax avoidance practices, Indonesia can create a healthier business environment and stimulate sustainable domestic investment (Anwar, 2022). In addition, by improving the tax system, Indonesia can increase state revenue, which can then be used to fund various development programs that support improving the quality of life of the community, such as education, health, and infrastructure. By creating a more transparent and fair investment climate, Indonesia will be able to drive inclusive economic growth, reduce social disparities, and improve the welfare of society as a whole. Through effective implementation of BEPS, Indonesia can optimize its economic potential and contribute to the achievement of sustainable development goals (SDGs) at the national and global levels.

D. CONCLUSION

The implementation of the Base Erosion and Profit Shifting (BEPS) tax planning strategy plays a very important role in creating a fair, transparent and sustainable tax system in the context of sustainable global development. By reducing tax avoidance practices carried out by multinational companies, BEPS helps strengthen the fiscal resilience of countries, especially developing countries such as Indonesia, and ensures that tax resources can be used optimally to fund inclusive economic and social development. The positive impact of BEPS implementation in Indonesia is seen in the increased transparency of the tax system, decreased tax avoidance practices, and increased public trust in tax policies implemented by the government. As part of the Inclusive Framework on BEPS, Indonesia has adopted BEPS policies in its tax system, with the aim of strengthening the country's fiscal stability and ensuring fairness in tax distribution. Moreover, in facing the challenges of the rapidly growing digital economy, Indonesia, through the G20 Presidency, has played an active role in formulating a global tax consensus, in order to address the problem of profit shifting between countries and reduce inequality caused by tax avoidance. The implementation of transfer pricing guidelines and the enhancement of international cooperation in the exchange of tax information further strengthen the effectiveness of BEPS policies in creating a more transparent and fair tax system at the global level. The implementation of BEPS strategies not only helps countries overcome the challenges of profit shifting and tax avoidance, but also contributes to inclusive economic growth, reducing social inequality, and supporting the achievement of sustainable development goals (SDGs). Therefore, it is important for Indonesia and other countries to continue to strengthen domestic regulations, expand international cooperation, and adapt to the development of the digital economy to ensure that fairer and more effective tax policies can be implemented optimally.

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