

IS GLOBAL MINIMUM TAX (GMT) BENEFICIAL FOR DEVELOPING COUNTRIES? REFLECTIONS FROM AN INDONESIAN PERSPECTIVE

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ABSTRACT

This study examines whether the GMT benefits developing countries or mainly reinforces the taxing rights of developed economies, with Indonesia as the focal point given its reliance on FDI. Using a qualitative descriptive method and comparative policy analysis, the research synthesizes OECD projections, national FDI data, and sectoral cases to assess Indonesia's revenue prospects and competitiveness under GMT. Findings show that while Indonesia may gain short-term revenue through the QDMTT, most benefits accrue to developed countries via the IIR. The declining effectiveness of tax incentives such as holidays requires Indonesia to strengthen non-tax competitiveness, particularly infrastructure, regulatory certainty, and skilled human capital. Robust domestic enforcement and stronger tax administration are also essential to secure expected revenue. The study contributes by linking global GMT debates to Indonesia's case and interpreting outcomes through tax competition, dependency theory, and fiscal federalism, showing how GMT reshapes fiscal sovereignty in developing economies. Limitations include reliance on secondary data and the absence of micro-level evidence on multinational enterprises behavioral responses. Future research should address firm-level and sectoral data post-GMT to capture real investment shifts and evaluate alternative policy tools beyond tax incentives. Overall, this paper provides actionable insights for Indonesian policymakers to adapt fiscal strategies to the global tax landscape while sustaining long-term investment competitiveness.

Keywords: GMT, undertaxed payment rule, FDI, tax competition, developing countries

INTRODUCTION

Taxes are inevitable, yet often seen as a burden rather than an obligation. This perception drives taxpayers to seek ways to minimize their liabilities, making tax avoidance a persistent issue (Darmayasa, 2019). The rapid growth of cross border digital transactions and the emergence of various new technologies have created opportunities for multinational enterprises (MNEs) to engage in tax avoidance practices, both legal and illegal (Dewi, 2024). In response to international taxation issues involving MNEs, the Organisation for Economic Co-operation and Development (OECD) together with the G20 and the Inclusive Framework, agreed on a Two-Pillar Solution consisting of Pillar 1 and Pillar 2 (OECD, 2021). Pillar 1 focuses on a fairer distribution of taxation rights for source countries, especially developing countries, amid the rapid development of the digital economy. This policy targets not only digital businesses, but also large multinational companies with consolidated revenues above EUR20 billion and profit margins of more than 10% (Putri & Abbas, 2023). Pillar 2 was then introduced to complement Pillar 1, with the aim of closing the remaining tax avoidance loopholes (Dewi, 2024). The GloBE (Global Anti-Base Erosion Rules) as a core part of BEPS pillar 2 aims to guarantee that MNEs with global turnover of €750 million and above are subject to a minimum effective tax rate (ETR) of 15% in every jurisdiction where they generate profit based on existing international tax regulations (Eze, et al., *The GloBE Rules: Challenges for Developing Countries and Smart Policy Options to Protect Their Tax Base*, 2023).

Nevertheless, as a member of the G20 and Inclusive Framework, Indonesia has expressed its support for this policy shift by issuing Ministry of Finance Regulation No. 136 of 2024 (PMK-136) which serves as the legal foundation for the implementation of pillar two in Indonesia (Sukardi & Daholi, 2025). The Indonesian government has conducted two rounds of public consultation in 2023 and 2024, and organized various capacity building programs that have received positive responses from stakeholders (Suartama, 2024). In preparation for the implementation of the Global Minimum Tax (GMT) as part of its commitment to the OECD's BEPS 2.0 framework. Regulations regarding the Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT) are targeted for implementation by 2025 at the latest, while the Undertaxed Profits Rule (UTPR) is planned to take effect in 2026, and the Subject to Tax Rule (STTR) is expected to be implemented as early as 2026 (Badan Kebijakan Fiskal Kemenkeu, 2024). This entire process is being carried out to increase international tax legal certainty in Indonesia and maintain the national tax base.

So far, Indonesia and other developing countries have often relied on tax incentives such as tax holidays or reduced corporate income tax rates to attract foreign direct investment (FDI), a phenomenon commonly referred to as the race to the bottom to stimulate economic growth (Aditama, 2025). Moreover, as Indonesia is known to be one of the largest recipients of FDI in Southeast Asia (Halim, n.d.). However, with the implementation of the GMT, these incentives have become less effective. It is true that the primary objective of introducing the GMT policy is to tackle tax avoidance practices and create a fairer global tax system. However, findings from the Tax Justice Network's report titled "*The State of Tax Justice 2021*" reveal that this policy tends to benefit developed countries more than developing ones (Aditama, 2025). Whenever a company's effective tax rate below 15%, other countries have the right to impose a top-up tax on the difference if the country where the subsidiary is located does not implement a Qualified Domestic Minimum Top-Up Tax (QDMTT). As a result, the benefits of the tax incentives provided by Indonesia are lost because the taxes will be collected by other countries, primarily the parent country if the parent country

applies Income Inclusion Rules (IIR) such as the United States, the United Kingdom, and countries in the European Union. This creates a critical dilemma for Indonesia.

Countries around the world face significant challenges in combating tax avoidance by multinational corporations, which is estimated to cause a loss of around 10% of total global tax revenues annually (OECD, 2021). The impact of this issue is most strongly felt by developing countries in regions such as Asia, Africa, and Latin America, which heavily rely on tax revenues to support their economic and social development. Globally, the estimated loss from this practice reaches USD 240 billion per year (OECD, 2025).

Despite extensive debates on the GMT, most studies focus on its technical design and implications for developed economies, leaving limited analysis of its impact on developing countries with high FDI dependence such as Indonesia. This study fills that gap by examining whether GMT strengthens Indonesia's fiscal capacity or primarily benefits developed countries' taxing rights. The novelty lies in combining comparative policy analysis with sectoral insights to assess Indonesia's revenue prospects, investment competitiveness, and strategic positioning under BEPS 2.0. In doing so, the study offers new perspectives on how developing economies can recalibrate fiscal strategies beyond tax incentives and reinforce non-tax factors to sustain investment appeal in the post-GMT era.

LITERATURE REVIEW

Despite extensive literature on international taxation and the OECD's BEPS 2.0 framework, a significant research gap remains concerning the specific economic impacts of the Global Minimum Tax (GMT) on developing countries with high foreign direct investment (FDI) inflows such as Indonesia. Previous studies demonstrate that the implementation of GMT particularly through the Income Inclusion Rule (IIR) will mainly benefit developed countries that are home to the ultimate parent entities of multinational enterprises (MNEs) (Barake, Chouc, Neef, & Zucman, 2020). Neef et al. (2022) estimate that of the projected USD 275 billion additional global tax revenue, G7 countries could capture up to 60%, while developing countries collectively gain only about 10–15%.

Eze et al. (2023), in their *Tax Cooperation Policy Brief*, highlight that while the GMT aims to curb profit shifting, its administrative complexity could disadvantage developing nations with weaker tax systems. Legwaila (2025) also warns that unless developing countries like Indonesia strengthen their Qualified Domestic Minimum Top-Up Tax (QDMTT) mechanism, they risk losing taxing rights to parent jurisdictions abroad. Hugger et al. (2024) further analyze the *Substance-Based Income Exclusion* (SBIE), which could still be exploited by MNEs to minimize top-up taxes by maintaining significant tangible assets and payroll locally.

While these insights highlight the global challenges of GMT, most studies remain largely descriptive and lack comparative synthesis. For instance, Brake et al. (2022) and Neef et al. (2022) stress revenue concentration in developed countries, whereas Hugger et al. (2024) suggest that SBIE still offers room for developing countries to retain some tax base indicating inconsistencies in projected outcomes. Moreover, Eze et al. (2023) emphasize administrative burdens, a dimension often overlooked in macro revenue-focused studies. Such contrasts underscore the need for context-specific research, especially for economies like Indonesia that rely heavily on tax incentives.

In Indonesia's case, the impact is significant because the country has long relied on tax incentives such as tax holidays and special economic zones to attract FDI. According to data from the Indonesian

Investment Coordinating Board (BKPM, 2024), Indonesia attracted USD 50.3 billion in FDI in 2023, with manufacturing (30%), mining (25%), and the digital economy (15%) as dominant sectors. Large MNEs such as Samsung Electronics Indonesia, Toyota Motor Manufacturing Indonesia, Freeport Indonesia, Unilever Indonesia, and Google Asia Pacific Indonesia illustrate Indonesia's position as a major host for foreign investment by global firms affected by GMT.

This research aims to fill this gap by providing an in-depth analysis of the likely economic implications for Indonesia under GMT implementation, both at the macro level and sectorally. The study addresses the following research questions and hypotheses:

Research Question 1: **To** what extent does the Global Minimum Tax disproportionately benefit developed countries compared to developing countries in terms of tax revenue gains and FDI implications? Hypothesis 1a: The implementation of GMT will lead to a net increase in tax revenue for developed countries, mainly through the Income Inclusion Rule (IIR). Hypothesis 1b: Developing countries heavily reliant on tax incentives to attract FDI will experience a decline in their ability to attract and retain certain types of FDI due to the neutralization of these incentives by GMT.

Research Question 2: What are the specific economic prospects for Indonesia, given its high FDI inflows, under the GMT regime?, Hypothesis 2a: While QDMTT may help Indonesia retain some top-up tax revenue, the overall benefit of past tax incentives in attracting FDI will be significantly reduced under GMT., Hypothesis 2b: Indonesia may need to reorient its FDI attraction strategy from tax-based incentives to non-tax factors such as improved infrastructure, regulatory certainty, and skilled human capital to maintain competitiveness under GMT.

By critically comparing global findings and highlighting Indonesia's unique reliance on incentive-based FDI, this study contributes to filling the literature gap and offers practical insights for policymakers on how Indonesia can align its fiscal strategy and maintain its attractiveness as an FDI destination in the new global tax landscape.

METHOD, DATA, AND ANALYSIS

Method

This research uses a qualitative descriptive method combined with a comparative policy analysis approach. The main aim is to describe, interpret, and critically analyze how the Global Minimum Tax (GMT) framework affects developing countries, particularly Indonesia, in the context of high foreign direct investment (FDI) dependency and extensive tax incentive schemes. The method consists of three main stages. First, a comprehensive literature review is conducted to identify key theoretical frameworks, previous empirical findings, and relevant international policy documents related to BEPS 2.0 and GMT implementation. The review prioritizes peer-reviewed journal articles, OECD working papers, and reports from international organizations such as the Tax Justice Network and ICRICT, published between 2018–2025 to capture the most relevant debates and empirical evidence. Only sources providing explicit analysis of GMT, BEPS 2.0, or tax incentives were included, while general discussions of international taxation without GMT focus were excluded. Second, a comparative analysis is carried out by contrasting projected GMT impacts in developed versus developing countries, using benchmark data from countries that have partially implemented GMT, such as Switzerland, Ireland, and Singapore. This comparison aims to highlight similarities and differences in fiscal capacity, tax administration readiness, and reliance on tax

incentives to attract multinational enterprises. Third, the research performs a contextual analysis focused on Indonesia's policy readiness, legal instruments (e.g., PMK-136/2024), and administrative capacity to enforce Qualified Domestic Minimum Top-up Tax (QDMTT) and other GMT rules. This study relies entirely on secondary data, justified by the absence of primary country-level GMT outcomes to date. Using secondary sources allows for triangulation across multiple independent datasets (OECD projections, BKPM statistics, and international policy briefs), which strengthens reliability despite the lack of firm-level survey data. The final analysis will interpret findings in light of the research questions and test the hypotheses regarding tax revenue shifts and FDI implications for Indonesia.

Data

The data used in this study are entirely secondary and derived from multiple credible international and national sources. The main datasets include quantitative estimates from the OECD, which provide global projections of profit shifting before and after GMT implementation, as well as detailed rules for calculating the effective tax rate (ETR) and top-up tax obligations under the GloBE framework. National-level data are sourced from the Indonesian Investment Coordinating Board (BKPM), which supplies FDI inflow statistics from 2017 to 2024, and from the Ministry of Finance, which publishes official projections on potential top-up tax revenue under the Qualified Domestic Minimum Top-up Tax (QDMTT). In addition, relevant findings and comparative figures from third-party reports such as Deloitte's Swiss GMT impact study and ICRICT's global revenue estimates are integrated to strengthen the empirical base. By synthesizing these datasets, the paper provides a clearer picture of how Indonesia's current tax incentives, fiscal capacity, and investment climate may be affected by the new international tax rules.

Analysis

The Global Minimum Tax (GMT) introduces a coordinated taxation system that requires large MNE groups with revenues above EUR 750 million to pay a minimum effective tax rate of 15% in each country where they operate (OECD, 2021). If the effective tax rate (ETR) in a jurisdiction is below 15%, an additional tax will be imposed equal to the difference, calculated based on the GloBE Rules. This additional tax is applied to excess profits, which are profits after deducting Substance-Based Income Exclusion (SBIE). SBIE is calculated based on the proportion of tangible assets and wages reported, with a decreasing percentage over a ten-year transition period, from 8% of assets and 10% of wages to 5% each (Hugger, Cabral, Bucci, Gesualdo, & O'Reilly, 2024). The calculation of GloBE and excess profit as follows:

Figure 1. Top-up tax calculation, jurisdictional level

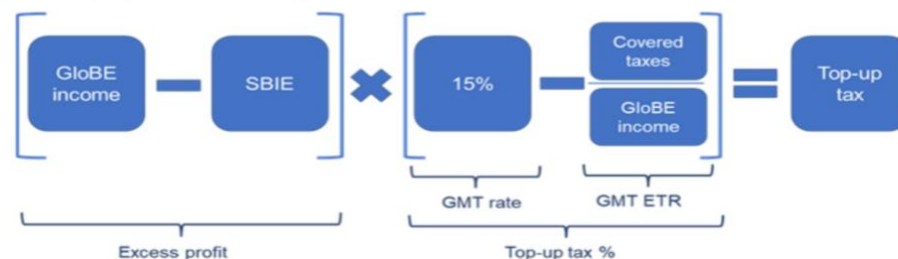


Figure 1: Top-Up Tax Calculation, Jurisdictional Level

Source: (Hugger, Cabral, Bucci, Gesualdo, & O'Reilly, 2024)

In the implementation of the Global Minimum Tax (GMT), there is a globally agreed rule order that determines which jurisdiction has the right to collect the top-up tax when a constituent entity (CE) of a multinational enterprise (MNE) is subject to an effective tax rate (ETR) below the minimum threshold of 15%. This rule order consists of four main layers: the Qualified Domestic Minimum Top-Up Tax (QDMTT), the Income Inclusion Rule (IIR) applied by the Ultimate Parent Entity (UPE), IIR applied by the Intermediate Parent Entity (IPE), and finally the Undertaxed Payment Rule (UTPR).

The priority is given to the jurisdiction where the low-taxed constituent entity is located. If this country has implemented a QDMTT regime, it retains the full right to collect the top-up tax necessary to bring the ETR up to the minimum of 15%. This mechanism allows source countries many of which are developing economies to maintain taxing rights over the income generated within their territories. However, implementing a QDMTT requires strong tax administration capacity, which is not always present in lower-income jurisdictions. If the jurisdiction of the low-taxed entity does not implement QDMTT, the second layer of enforcement comes into play through the Income Inclusion Rule (IIR) applied by the jurisdiction of the Ultimate Parent Entity (UPE). Under this rule, the country where the MNE is headquartered may impose the top-up tax on the profits of its foreign subsidiaries operating in low-tax jurisdictions. This feature tends to benefit developed countries disproportionately, as most large MNEs are headquartered in high-income economies. In cases where the UPE jurisdiction does not implement the IIR either due to non-participation in the GMT framework or delayed legislative adoption the taxing right moves to the next level, involving the Intermediate Parent Entity (IPE). If an IPE exists within the corporate structure and is located in a country that participates in GMT, this country can exercise the IIR and collect the top-up tax. The final enforcement mechanism is the Undertaxed Payment Rule (UTPR). This rule acts as a backstop when neither QDMTT nor IIR mechanisms are applied. Under UTPR, the top-up tax liability is redistributed proportionally among the other jurisdictions where the MNE has operations. These jurisdictions are allowed to deny tax deductions or impose additional taxes to ensure the global minimum tax is effectively applied. Together, these four rules form a hierarchical structure intended to ensure that all excess profits, profits taxed below the 15% minimum are ultimately subjected to appropriate taxation. While the GMT rule order enhances the robustness of the international tax system, it has sparked concerns about fairness. Specifically, it tends to favor developed countries with administrative capacity and headquarters of MNEs, potentially leaving developing countries with a limited share of the redistributed tax revenues.

Figure 2. GMT agreed rule order

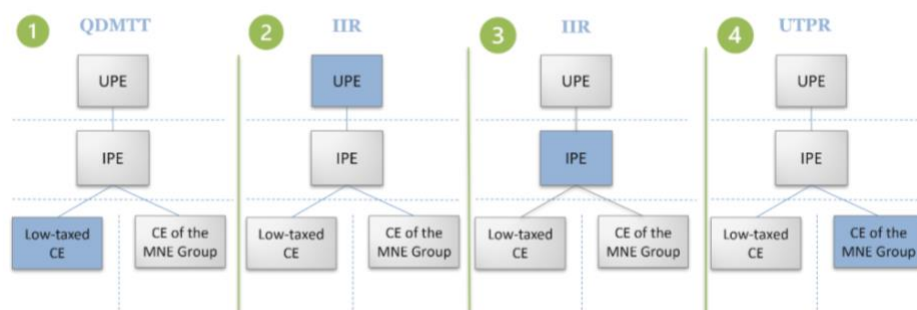


Figure 2: GMT Agreed Rule Order

Source: (Hugger, Cabral, Bucci, Gesualdo, & O'Reilly, 2024)

Based on data from 2017 to 2020, OECD estimates that 36% of the profits of large multinational companies (with revenues above EUR 750 million) are subject to low taxes (ETR below 15%), with that figure reaching around 74% in investment centers and around 28% in high-income jurisdictions (Regfollower, 2024). Countries such as Ireland, the Netherlands, Switzerland, Singapore, and Bermuda are tax hubs frequently used by multinational companies to shift profits. They offer significant tax incentives, resulting in nearly three-quarters of total profits in these regions being taxed at rates below 15%. Despite having nominally high tax rates, developed countries still have loopholes through tax deductions, patent boxes, and aggressive tax planning, so that around 28% of profits are still subject to low taxes. Developing countries have the lowest share of low-taxed profits because most have not yet become major profit-shifting bases. However, incentives such as tax holidays and special economic zones still allow for some tax-cutting practices.

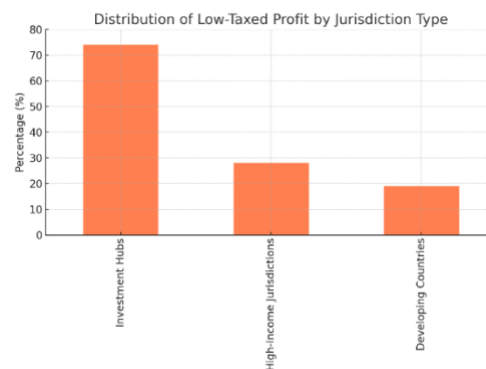


Figure 3: Distribution of Low-Taxed Profit by Jurisdiction Type

Source: Data from (Regfollower, 2024) Visualized by The Author

Before the GMT, around 36% of total global profits were taxed at rates below 15%. This shows the large scale of global tax avoidance, which causes countries to lose potential revenue. However, after the GMT, it is estimated that only 7% of total profits will remain subject to low rates, thanks to the GMT provisions and substance-based exemptions (e.g., profits from tangible assets and local labor remain exempt from the top-up tax). This reduction demonstrates the effectiveness of the GMT in reducing profit shifting incentives. However, the remaining 7% indicates that there is still room for tax optimization due to the substance-based income exclusion provisions.



Figure 4: Global Low-Taxed Profit Before and After GMT

Source: Data from (Regfollower, 2024) Visualized by The Author

Based on OECD estimates shown in Figure 3, developed countries are expected to experience an increase in corporate income tax revenue of 5.1% to 8%, while developing countries will only see an increase of 3.6% to 7.8%. Although this percentage difference seems small, in absolute terms it is very uneven. Countries with large tax bases, such as the United States, Germany, and Japan, will receive much larger additional revenues than developing countries with limited fiscal capacity. This disparity is further highlighted in the ICRICT (2022) report, which states that of the total potential additional global revenue of USD 275 billion, G7 countries claim around 60% of that amount, while developing countries only receive around 10–15% (Global Alliance For Tax Justice, 2021). This means that although this policy is “global” in nature, its implementation still benefits the established structure, with developed countries dominating as the center of multinational corporations.

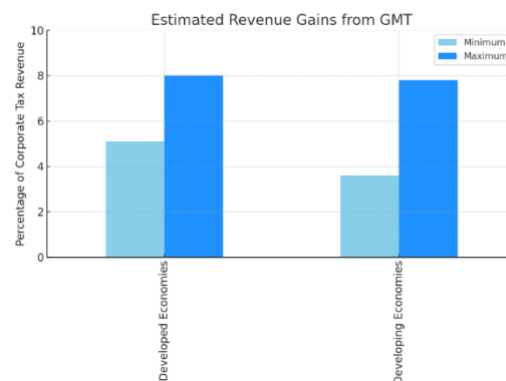


Figure 5: Estimated Revenue Gains from GMT

Source: Data from (Regfollower, 2024) Visualized by The Author

Although projections for additional tax revenue are very optimistic, preliminary data from countries such as Switzerland show that actual GMT revenue is well below estimates. According to a Deloitte study (2025), Switzerland only earned CHF 243 million, far lower than the initial expectation of CHF 1–2.5 billion. This shows that even in countries with high fiscal capacity, the GMT mechanism still faces complex technical and administrative challenges, let alone in developing countries (Deloitte, 2025).

Indonesia as one of Southeast Asia’s most attractive destinations for Foreign Direct Investment (FDI), has long leveraged competitive tax incentives including tax holidays, special economic zones, and preferential corporate income tax rates to attract multinational enterprises (MNEs). According to data from the Indonesian Investment Coordinating Board (BKPM, 2024), FDI inflows reached USD 50.3 billion in 2023, accounting for nearly 46% of total domestic investment realization, with manufacturing, mining, and digital economy sectors as dominant recipients. The implementation of the Global Minimum Tax (GMT) through the OECD’s Pillar Two rules fundamentally shifts the way tax competition operates. Under this framework, large MNEs with revenues above €750 million are subject to a minimum effective tax rate of 15% regardless of where they operate. Countries that offer incentives lowering the effective rate below this floor risk having “top-up taxes” collected by the MNEs’ home countries or by using a Qualified Domestic Minimum Top-Up Tax (QDMTT) mechanism to keep that revenue domestically.

Hypothesis 2a posits that while the QDMTT can retain some of the top-up tax revenue in Indonesia, the relative attractiveness of generous tax incentives will be eroded. Empirical evidence from the Deloitte

Swiss GMT Impact Study (2025) shows that Switzerland's GMT receipts fell far below initial estimates CHF 243 million instead of CHF 1–2.5 billion partly because MNEs restructured operations to mitigate exposure to top-up taxes. Similarly, the OECD (2023) highlights that countries relying heavily on tax incentives may need to pivot towards non-tax investment drivers: infrastructure, regulatory certainty, and labor quality. For Indonesia, this implies two scenarios is Short-term revenue gain: Indonesia may benefit fiscally through the QDMTT by collecting additional taxes that otherwise would be claimed by high-tax jurisdictions. The Ministry of Finance (2024) projects potential additional revenues of up to IDR 50 trillion per year if the domestic top-up is effectively enforced. This could strengthen the budget for infrastructure and human capital development. Long-term FDI competitiveness risk: The elimination of “race to the bottom” incentives could reduce Indonesia's comparative edge relative to regional peers. Sectors that previously received generous holidays such as manufacturing might reassess Indonesia's cost-benefit appeal vis-à-vis other ASEAN members that simultaneously improve ease of doing business and logistics.

Therefore, the core economic prospect is a paradigm shift: Indonesia will likely shift focus from tax incentives to fundamental competitiveness including supply chain integration, green energy transition, digital transformation, and skilled workforce development to continue attracting quality FDI. This transition aligns with the OECD's projection that investment decisions will increasingly depend on real economic factors once the effectiveness of tax arbitrage is curtailed. In this context, Indonesia's continued structural reforms under the Omnibus Law and the Sovereign Wealth Fund (INA) could help offset the declining allure of tax breaks.

RESULT AND DISCUSSION

Impact of The GMT on Developed vs Developing Countries

The results show that the implementation of the Global Minimum Tax (GMT) does lead to a significant reallocation of global tax revenue, confirming Hypothesis 1a. According to OECD estimates (2023) and the ICRIT report (2022), developed countries especially those applying the Income Inclusion Rule (IIR) are expected to secure up to 60% of the total additional revenue, while developing countries collectively receive only about 10–15% of the estimated USD 275 billion in new tax receipts. This outcome occurs because most Ultimate Parent Entities (UPEs) of large MNEs are headquartered in G7 and other high-income countries. When a subsidiary in a lower-tax jurisdiction does not face a Qualified Domestic Minimum Top-up Tax (QDMTT), the parent country's IIR ensures that any tax shortfall is collected by the residence jurisdiction, not the source jurisdiction. Additionally, Figure 4 illustrates that the GMT reduces the share of global profits taxed below 15% from 36% to about 7%, demonstrating its effectiveness in curbing base erosion. However, the remaining 7% reveals that profit shifting still exists through mechanisms like Substance-Based Income Exclusion (SBIE), which is more accessible to MNEs operating across multiple jurisdictions with large tangible asset bases. These results can be interpreted through the lens of tax competition theory: GMT limits the “*race to the bottom*” but simultaneously entrenches advantages for developed economies that already host most MNE headquarters. From a dependency theory perspective, it reinforces structural asymmetry by channeling tax revenues to capital-exporting countries rather than source countries in the Global South. Therefore, the empirical evidence validates that the GMT closes tax loopholes but structurally favors high-capacity tax administrations and parent jurisdictions in developed economies. The key policy trade-off for developing countries, therefore, lies between aligning

with a global system that promises stability but concedes part of their taxing rights, versus pursuing unilateral measures to preserve fiscal autonomy at the risk of reduced investment attractiveness.

Indonesia's Economic Prospects under GMT Implementation

The implementation of the Global Minimum Tax (GMT) presents both opportunities and challenges for Indonesia as one of Southeast Asia's major FDI destinations. According to data from the Indonesian Investment Coordinating Board (BKPM, 2024), Indonesia recorded FDI inflows of USD 50.3 billion in 2023, accounting for nearly 46% of total domestic investment realization. The dominant sectors include manufacturing (30%), mining (25%), and the digital economy (15%), which historically rely on generous tax incentives such as tax holidays and special economic zones to attract multinational enterprises (MNEs).

Table 1. The Sectoral Breakdown of FDI and Examples of MNEs Operating in Indonesia

Sector	FDI Share (%)	Example MNE
Manufacturing	30%	Toyota Motor Manufacturing Indonesia, Samsung Electronics Indonesia
Mining	25%	Freeport Indonesia
Digital Economy	15%	Google Asia Pacific Indonesia
FMCG / Consumer	10%	Unilever Indonesia
Others	20%	Various
Total FDI (2023)	100%	USD 50.3 billion

Source: BPKM (2024)

As shown in Table 1, Indonesia's reliance on large MNEs highlights the significance of sector-specific impacts under the GMT regime. Companies like Toyota, Samsung, Freeport, Unilever, and Google operate cross-border supply chains and can easily restructure operations to optimize global tax positions. If Indonesia fails to enforce a robust Qualified Domestic Minimum Top-Up Tax (QDMTT), the Income Inclusion Rule (IIR) will allow parent jurisdictions (mostly developed countries) to claim the top-up tax on profits generated in Indonesia, potentially eroding the fiscal benefits of domestic tax incentives.

This evidence supports Hypothesis 2a, which states that while QDMTT may help Indonesia retain some top-up revenue domestically, the effectiveness of traditional tax incentives in attracting FDI will decline under the GMT framework. Consequently, the country must adapt its investment strategy by strengthening non-tax competitiveness drivers. This includes improving infrastructure, ensuring regulatory certainty, investing in skilled human capital, and accelerating green economy initiatives all of which align with OECD projections that FDI decisions will increasingly depend on real economic fundamentals once tax arbitrage opportunities are limited. From the perspective of fiscal federalism theory, this reflects a classic trade-off: Indonesia can preserve some taxing rights through QDMTT but risks undermining its ability to use tax incentives as a policy tool for regional development. In line with Hypothesis 2b, Indonesia's manufacturing and mining sectors, which account for more than half of total FDI, are especially exposed to this paradigm shift. Without proactive policy measures, Indonesia may lose its comparative advantage to regional peers that can offer more competitive non-tax factors. Therefore, the findings imply

that the government must balance the short-term fiscal gains from the GMT with long-term structural reforms to secure sustained economic growth.

CONCLUSION

This study concludes that the implementation of the Global Minimum Tax (GMT) under the OECD's BEPS 2.0 framework successfully addresses long-standing loopholes in international tax avoidance, particularly by reducing profit shifting through coordinated global minimum effective tax rates. However, the findings indicate that the GMT's benefits are unevenly distributed, with developed countries especially those hosting ultimate parent entities of multinational enterprises (MNEs) reaping the largest share of additional tax revenue through mechanisms like the Income Inclusion Rule (IIR).

For Indonesia, the analysis demonstrates two critical points. First, the Qualified Domestic Minimum Top-up Tax (QDMTT) offers a vital opportunity to retain top-up taxes domestically rather than allowing them to flow back to residence jurisdictions abroad. Second, in the long term, Indonesia's historical reliance on tax-based incentives to attract foreign direct investment (FDI) will diminish in effectiveness under the GMT framework.

IMPLICATION/LIMITATION AND SUGGESTIONS

Implication for Policy Implications, Indonesia the results highlight the need to move beyond aggressive tax incentives and accelerate structural reforms to strengthen non-tax competitiveness drivers such as infrastructure, regulatory certainty, skilled workforce, digital transformation, and green economic transition. Maximizing GMT benefits requires robust domestic enforcement of QDMTT and stronger tax administration capacity. For Academic Contributions, this study advances the literature by connecting global GMT debates to Indonesia's specific case and by interpreting the findings through tax competition, dependency theory, and fiscal federalism. It demonstrates how GMT reshapes fiscal sovereignty and investment strategies in developing economies with high FDI dependence.

Nonetheless, this study has limitations. The analysis relies entirely on secondary data and global estimates; actual outcomes may vary significantly once the GMT is fully operational, particularly due to differences in countries' administrative readiness and enforcement capabilities. This paper does not include firm-level behavioral data or detailed econometric modeling specific to Indonesia's revenue scenarios. Also, since the study focuses on Indonesia as a single case study, its conclusions should be generalized to other developing economies with caution, considering each country's unique fiscal structure and institutional context. Given these limitations, it is recommended that the Indonesian government expedite the finalization and enforcement of QDMTT regulations before the full implementation of the IIR and Undertaxed Payment Rule (UTPR). It should also prioritize building stronger tax administration systems, enhancing digital tax reporting, and fostering inter-agency cooperation to minimize leakage of potential revenue. Strategically, Indonesia must accelerate structural reforms in infrastructure, supply chain integration, renewable energy, and human capital development to maintain its investment appeal in a more balanced global tax environment.

Future research should employ primary data collection, firm-level case studies, and econometric modeling to capture behavioral responses of MNEs under GMT. Comparative analysis across ASEAN

economies will also be essential once post-implementation data becomes available, enabling a deeper understanding of how different institutional capacities shape the distributional effects of GMT.

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