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Legal Protection for the Public in the Implementation of CRS and FATCA in Improving Account Opening Compliance at Bank Indonesia

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Common Reporting Standard, FATCA, banking secrecy, legal protection, Indonesia, tax compliance.

ABSTRACT
This research examines the legal protection for the public in implementing the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA) at Bank Indonesia. The increasing need for transparency in financial transactions highlights the importance of compliance in bank account openings. FATCA aims to combat tax evasion by requiring foreign financial institutions to report accounts held by U.S. taxpayers. However, this poses challenges to Indonesia's banking secrecy laws, particularly *Pasal* 40 of the *Undang-Undang Perbankan*, which protects customer information. The study explores the implications of these regulations on customer trust and the operational readiness of Indonesian banks to meet international standards. Additionally, it evaluates the cooperation between Indonesia and the United States in enforcing FATCA and the CRS framework, emphasizing the need for regulatory adaptation to ensure compliance without compromising customer confidentiality. The findings indicate that while CRS and FATCA enhance transparency, they also necessitate careful consideration of legal protections for customers to maintain their trust in financial institutions. This research contributes to understanding the intersection of international tax compliance and local banking regulations, providing insights for policymakers and financial institutions in Indonesia.

Introduction

Bank account opening is a form of financial transaction that is widely carried out by the public. However, along with the development of information technology and the public's need for personal data protection, banks are required to increase security and compliance in the account opening process. One example of regulations implemented by the Indonesian government to improve the process of opening a bank account is the Common Reporting Standard (CRS) and the Foreign Account Tax Compliance Act (FATCA). These two regulations aim to increase transparency and exchange of financial information between countries in order to overcome illegal fund movements.

The United States is now facing the problem of tax evasion and avoidance carried out by its citizens. A common way to avoid taxes is to create a bank account outside the jurisdiction of the United States. In response to this problem, the United States government created a policy known as the Foreign Account Tax Compliance Act (FATCA). This rule requires foreign financial institutions to report accounts indicated to belong to U.S. citizens directly to the Internal Revenue Service (IRS). The implication of this rule is that there is a possibility that it conflicts with the provisions of bank secrecy in other countries. In Indonesia, this is not possible given the provisions in *Pasal* 41 of the *Undang-Undang Perbankan*. To address this, FATCA also provides an instrument called the Intergovernmental Agreement. This instrument is then applied through the customer consent article contained in *Pasal* 44. However, the problem that arises is that there is an impulse to revise the exemption of bank secrecy provisions for tax purposes. This is understandable, considering the role and function of taxes; however, given recent developments related to cases of extortion and corruption committed by tax employees in relation to their positions, this revision is not feasible, considering that banks are financial institutions that need the trust of their customers. It can be imagined that if the data can be accessed directly, customers will lose trust in banks, which could ultimately affect our country's economy.

This research is an international political economy study that examines the policy of the United States related to tax rules known as the Foreign Account Tax Compliance Act (FATCA) and how cooperation between Indonesia and the United States implements this policy. The Foreign Account Tax Compliance Act (FATCA) is a United States government regulation that refers to the provisions of the Hiring Incentives to Restore Employment Act, which was promulgated on March 18, 2010, and came into effect on July 1, 2014.

The main purpose of establishing FATCA is to overcome tax avoidance by United States citizens who make direct investments through foreign financial institutions or indirect investments through foreign company ownership. FATCA requires foreign financial institutions to report to the Internal Revenue Service, the U.S. government agency responsible for taxation, on financial accounts owned by U.S. taxpayers or owned by foreign institutions in which the U.S. taxpayer has substantial holdings. The U.S. government will impose a 30% withholding tax on all income of Foreign Financial Institutions (FFIs) originating from the U.S., such as income from dividends, interest, and insurance, if the FFI or the country where the FFI is located does not apply FATCA. The Common Reporting Standard, hereinafter abbreviated as CRS, is a standard for the automatic exchange of financial information for tax purposes, including explanations (commentaries) prepared by the Organisation for Economic Cooperation and Development (OECD) together with member countries of the Group of Twenty (Group of Twenty or G20).

The focus of legal research is on the application of the General Reporting Standards (CRS), which are used as standards to ensure the quality of information exchange. Empirical data will be obtained from interviews with the Financial Services Authority (*Otoritas Jasa Keuangan* or OJK) and the Monetary Authority of Singapore (MAS). Meanwhile, normative data will be sourced from legal literature, legislation, journals, and other materials. The Indonesian government also needs to prepare infrastructure such as technological readiness and technical implementation units within designated state financial institutions to support the implementation of FATCA. In addition, the government and banks also need to evaluate and improve local regulations, both taxation and banking regulations, so that they do not clash with FATCA regulations.

However, there are also several obstacles faced in the implementation of CRS and FATCA, such as lack of understanding and coordination among relevant parties in fulfilling the requirements of these regulations.

The application of FATCA from the banking legal aspect is closely related to provisions regarding bank secrecy, namely the provisions for providing information by banks regarding customers and their depository accounts as stipulated in Law No. 10 of 1998 hereinafter referred to as the *Undang-Undang Perbankan*, which amended Law No. 7 of 1992 concerning banking. All banks in Indonesia are bound by the provisions of bank secrecy as referred to in the Banking Law, so that the provision of information related to bank customers, including bank customers who are U.S. taxpayers, is required to comply with the bank's confidentiality provisions.

The provisions of bank secrecy are regulated in *Pasal* 40 of the Banking Law, which states that banks are prohibited from providing information recorded to the bank about the state of profits and other matters of its customers that must be kept secret in accordance with the norms of the banking world. The Foreign Account Tax Compliance Act (FATCA) is a United States government regulation that refers to the provisions of the Hiring Incentives to Restore Employment Act, which was promulgated on March 18, 2010, and became effective on January 1, 2013. This regulation obliges Foreign Financial Institutions (FFIs) to provide financial reports to the Internal Revenue Service (IRS) regarding accounts belonging to U.S. citizens contained in the FFI. The main purpose of establishing FATCA is to overcome tax avoidance by United States citizens who make direct investments through foreign financial institutions or indirect investments through foreign company ownership. Broadly, the implementation of FATCA can be described through the following illustrations:

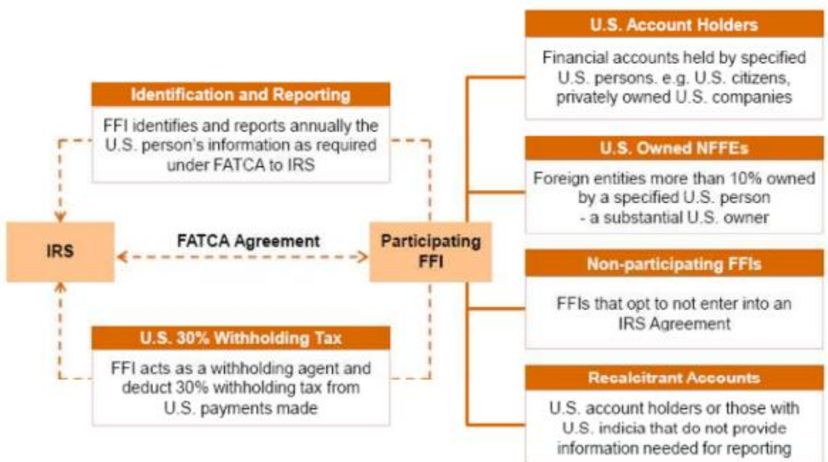

Figure 1. FATCA Implementation

With the implementation of FATCA, FFI and NFFE are required to report to the IRS on accounts belonging to U.S. citizens, both personally and in the form of investments to the entity (>10%). FFI that has agreed to cooperate with the IRS must sign the FATCA Agreement. FFI has the following tasks:

a. Identify and provide annual reports on U.S. account holder information,
b. FFI acts as an agent who has the task of withholding taxes on payments originating from the United States to American citizens who do not comply with FATCA. For FFI and NFFE that do not comply with FATCA rules, the IRS will impose a 30% witholding tax.

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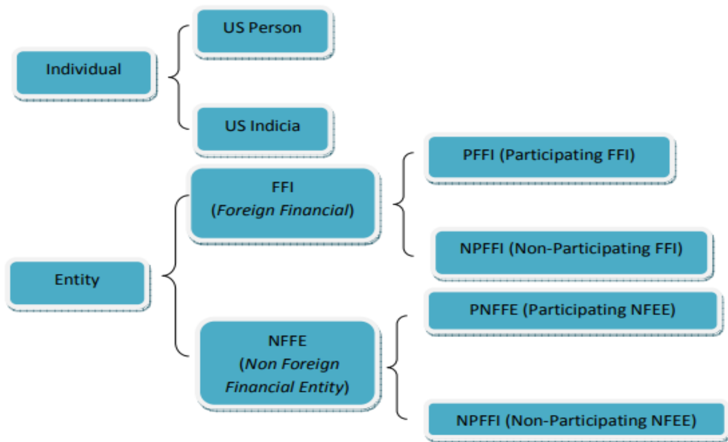

Figure 2. Scope of FATCA

FFI is a foreign entity classified as a financial institution whose activities are: accept deposit; hold financial account; engaged in investment; reinvesting; trading securities; Partnership interest. Meanwhile, NFFE is a foreign entity that is not classified as a financial institution.

On July 26, 2012, the U.S. Treasury Department together with the Ministries of Finance of France, Germany, Spain, Italy and the United Kingdom ("G5 countries") issued a model intergovernmental agreement ("Model IGA") to implement the broad-ranging provisions of FATCA. The IGA model provides a framework for the approach that each country must follow to negotiate bilateral intergovernmental agreements with the United States. Countries that decide to join the bilateral agreement will be Individual US Person, US Indicia Entity, FFI (Foreign Financial), NFFE (Non-Foreign Financial Entity), PFFI (Participating FFI), NPFFI (Non-Participating FFI), PNFFE (Participating NFEE), NPFFI (Non-Participating NFEE), designated as "FATCA Partners". Intergovernmental Agreements have 2 (two) models, namely: Model I and Model II. Model I FFI can report information on U.S. accounts through each country's tax directorate, not directly to the IRS. The tax directorate will later provide the information that has been obtained to the IRS. The Model II FFI reports information on U.S. accounts directly to the IRS in accordance with the IGA framework, effective from 2014 onwards, and will impact financial institutions such as banks, investment firms and securities providers. Some of the possible impacts are:

1. Compliance Issues With the increasing number of reporting carried out by FFI, it will cause problems regarding how this information will be collected and reported.
2. Business Problems With the implementation of FATCA, businesses are faced with 3 choices, namely:
a. Complying with FATCA,
b. Not compliant with FATCA and subject to a 30% deduction on income sourced from the US,
c. Not complying with FATCA and withdrawing all its investments;
3. Legal Issues For certain countries, there may be a prohibition on disclosing personal information to foreign governments or there may be bank secrecy laws. It is likely that these regulations will collide with FATCA, so there is a need for harmonization of regulations to align them with FATCA.
4. Operational Issues In implementing FATCA, every customer information must be up to date, complete and available electronically to meet reporting requirements, this is a data collection

process that is quite burdensome for financial services business players and state financial institutions.

As an effort to prevent tax avoidance, tax evasion, and to increase taxpayer compliance, tax information is exchanged with partner countries or jurisdictions.

Based on the Regulation of the Minister of Finance Number 125/PMK.010/2015 concerning Amendments to the Regulation of the Minister of Finance Number 60/PMK.03/2014 concerning Procedures for the Exchange of Information, Article 3, the exchange of information with partner countries or jurisdictions includes:

a. Exchange of information upon request;
b. Spontaneous exchange of information;
c. Automatic exchange of information.

The mandate of Law Number 9 of 2017 concerning the Stipulation of Government Regulations in Lieu of Law Number 1 of 2017 concerning Access to Financial Information for Tax Purposes becomes a law that supports the obligation to report financial information based on international agreements in the field of taxation.

In order for LJK to support the implementation of Automatic Exchange of Financial Account Information by submitting foreign customer financial information reports to the Directorate General of Taxes through OJK, to then be submitted to the State Tax Authority or Partner Jurisdiction.

Financial information in accordance with International Agreements for each Financial Account identified as a Financial Account that must be reported to the Indonesian Tax Authority LJK in the Banking Sector, namely Commercial Banks (conventional & Sharia), BPR, and BPRS, the identity of the Account holder, the Account number, the identity of the Reporter's LJK, the balance/value of the Account, and the income related to the Account. Based on the agreement, the exchange of tax information is automatically divided into 2 (two).

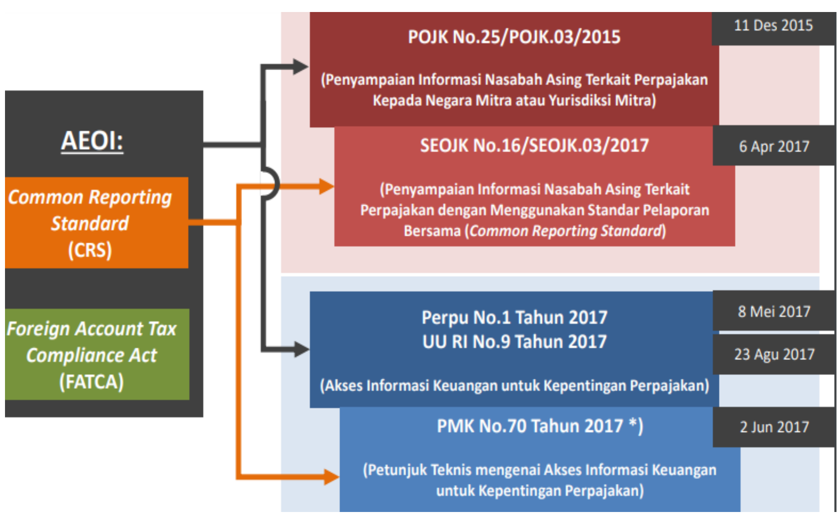

Figure 3. POJK agreement

The main provisions of POJK regarding the Reporting of Foreign Customer Information Related to Taxation to Partner Countries or Partner Jurisdictions (POJK PINA) consist of 5 parts, as follows: General Provisions Discuss the definitions of terms in the RPOJK. There is an expansion of the scope of the definition of "LJK Complainant" which is adjusted to Law 9/2017 and PMK 70/2017. The Obligation to Submit Reports According to the Mandate of Law No. 9 of

2017 LJK submits reports to Indonesian tax authorities through the OJK with an electronic mechanism. This section regulates, among other things:

a. Coverage of the Reporting Financial Services Institution;
b. Coverage of reported financial information; and
c. Submission of reports is nil.

Report Submission Mechanism

a. The submission of reports is carried out online.
b. Appointment of the officer in charge of the report.
c. Registration in the foreign customer information delivery system.
d. Deadline for submission of reports.
e. Correct misinformation in reports.

Imposition of Sanctions Administrative sanctions in the form of a warning or written warning Closing Provisions for the Revocation of POJK 25/2015 and SEOJK 16/2017.

The Reporting LJK is required to submit a report containing financial information in accordance with the International Agreement for each Financial Account identified as a Financial Account that must be reported to the Indonesian tax authorities.

Previous studies on FATCA and CRS have highlighted important aspects of international tax compliance but still leave gaps in the context of Indonesian banking regulations. De Simone, Lester, and Markle (2019) demonstrated that FATCA successfully reduced offshore tax evasion by analyzing a 21% decline in investment flows from tax-haven jurisdictions after FATCA implementation. However, their research focused on U.S. outbound investments and did not address how FATCA interacts with local banking laws, especially in countries with strict bank secrecy regulations like Indonesia. Similarly, Ekawati et al. (2022) proposed a regulatory model to optimize Automatic Exchange of Information (AEOI) in Indonesia, Malaysia, and Singapore, emphasizing the harmonization of CRS with domestic bank secrecy principles. Despite its contribution to the legal discourse, the study lacks an empirical perspective on how FATCA's intergovernmental agreements (IGAs) impact customer trust and operational readiness in Indonesian banks.

The objective of this study is to provide a comprehensive understanding of FATCA and CRS implementation within Indonesia's banking framework and to offer practical insights for improving regulatory alignment. The benefits of this research include informing policymakers and financial institutions on balancing tax transparency with customer confidentiality, enhancing legal certainty, and strengthening public trust in the financial sector.

Materials and Methods

To further direct this research in studying existing phenomena, a relevant theory was needed. The author explained the perspective of Neoliberalism, which views the state in international relations as a set of strong and interconnected rules and practices that determine behavioral roles, restrict activities, and shape expectations. In this perspective, the state remained the dominant actor in cooperation, aiming to maximize absolute gains. This study used the Nation-State as the level and unit of analysis.

The author sought to explain phenomena such as the cooperation between Indonesia and the United States by applying the Theory of International Cooperation. As K.J. Holsti pointed out, cooperation or collaboration arises from a combination of diverse national, regional, or global problems requiring the attention of multiple countries. According to him, several reasons drive states to collaborate.

The cooperation between the United States and Indonesia regarding FATCA was a policy initiated by the U.S. for its national economic interests. This cooperation aimed to prevent negative consequences and threats to common interests posed by tax avoidance. Indonesia could not avoid this cooperation due to the interconnectedness of countries in international relations and the United States' significant influence in political, security, and economic affairs.

The research method employed was explanatory analysis, which provided a detailed explanation of the phenomenon supported by facts, data, and analysis.

Results and Discussions

The implementation of CRS and FATCA in improving account opening compliance is linked to banking regulations in Indonesia

Analysis of Indonesia's Response to Foreign Account Tax Compliance ACT (FATCA)

Banking secrecy is one of the principles in the banking world that provides guarantees for its customers regarding the confidentiality of information related to their depositors and depositors (Article 1 Number 28 of Law No. 10 of 1998 concerning Amendments to Law No. 7 of 1992 concerning Banking). Banking secrecy reached the end point on the agenda of the London Summit-Leader's Statement held on April 2, 2009 which emphasized the joint statement from G20 member countries that the era of banking secrecy has ended.

This is stated in discussion number 15 point 7 regarding Strengthening Financial Supervision and Regulation G20 London Summit-Leader's Statement as follows (London Summit-Leader's Statement, 2009): "to take action against non-cooperative jurisdictions, including tax heavens. We stand ready to deploy sanctions to protect our public finances and financial systems. The era of banking secrecy is over. We note that the OECD has today published a list of countries assessed by the Global Forum against the international standard for exchange of tax information;" After a joint statement between the leaders of G20 member countries, in September 2009 Indonesia declared itself a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes under the auspices of the Organization for Economic Co-operation and Development (OECD) (OECD, 2018).

The end of the era of banking secrecy was positively welcomed by the United States government by issuing the American Citizen Tax Compliance Act (FATCA) by the US Congress in 2010 (Goraahe, 2017). The FATCA policy is considered by most countries to be more favorable to the United States government because basically FATCA is a unilateral policy of the United States. Therefore, FATCA only requires Foreign Financial Institutions (FFIs) outside the United States to report financial information of United States citizens annually to the United States government (Pribadi & Kusumawardani, 2013).

So the United States government has no obligation to provide information on foreign customers in the territory of the United States to the government of their home country. If the governments of other countries want periodic data exchange, there must be in-depth negotiations with the United States government. On November 3, 2011, Indonesia participated in the signing of the Convention on Mutual Administrative Assistance in Tax Matters (MAC) in Cannes, France (OECD, 2018).

In September 2013, G20 member countries including Indonesia also issued a joint statement in support of the implementation of the Automatic Exchange of Information (AEOI) and the "Foreign Account Tax Compliance Act (FATCA)" policy (Indonesian Life Insurance Association, 2016). This means that every country, including Indonesia, seems to be forced to respond to the phenomenon of the end of the era of banking secrecy and FATCA. Thus, the issue of sovereignty is important in the midst of external and internal threats. The internal factors in question come from the media, political parties, public opinion, political elites, legislative institutions, political culture, state status, group interests and forms of government (Maksum, 2015, p.10). Meanwhile, external factors come from the international sphere that can encourage and force a country to issue or even change its foreign policy to follow these international conditions (Maksum, 2015, p.9). If we do a deeper analysis, Indonesia's foreign policy in dealing with FATCA is influenced by internal factors, namely the support of the Indonesian legislature which encourages efforts to increase tax revenues and increase the awareness of Indonesian taxpayers who have low awareness to pay taxes. Meanwhile, external factors come from the dynamics of international politics which are being preoccupied with several phenomena including the end of the era of banking secrecy, then Indonesia's entry as a member in the Global Forum on Transparency and Exchange of Information for Tax Purpose in September 2009, Indonesia's agreement to sign the Convention on Mutual Administrative Assistance in Tax Matters (MAC) on November 3, 2011 and the issuance of a policy unilateral United States, namely FATCA. As a form of Indonesia's compliance with the Convention on Mutual Administrative Assistance in Tax Matters (MAC) which was signed in November 2011, Indonesia must ratify the convention into Indonesian domestic regulations. This is related to the theory of Compliance Bargaining which states that a country can comply with an agreement or agreement because the agreement is a sun servanda pact (Chayes, Abram & Chayes, 1993, p. 175).

This means that the agreement or agreement is mandatory to be implemented by the parties who sign it. Indonesia is one of the parties that signed the convention. If Indonesia does not ratify, then Indonesia will be classified as a non-cooperative jurisdiction and Indonesia is considered a tax haven country that supports Base Erosion and Profit Shifting (BEPS) actions (Directorate General of Taxes, 2016). The impact of non-cooperative jurisdiction will obviously be very detrimental to Indonesia and even Indonesia can be excluded from international politics. Therefore, Indonesia is seeking to ratify the agreement in the convention through a compromising foreign policy. Indonesia's compromising foreign policy is used to implement one of the main points of the Convention on Mutual Administrative Assistance in Tax Matters (MAC), namely the Automatic Exchange of Information (AEOI). The United States has responded to the convention first by issuing FATCA and then encouraging countries in the world, including Indonesia, to participate in implementing the FATCA. The main response that Indonesia must make to implement FATCA and other tax policies is that Indonesia must first open the confidentiality of its banks.

Indonesia must have domestic regulations equivalent to laws as a legal umbrella for the implementation of AEOI through FATCA or through other policies. A. Mechanism for Opening Banking Secrecy in Indonesia Indonesia is one of the countries involved in the joint declaration of the end of the era of banking secrecy in the world at the London Summit-Leader's Statement on April 2, 2009. In addition, Indonesia has also signed the Convention on Mutual Administrative Assessment in Tax Matters (MAC) on November 3, 2011. Therefore, if Indonesia does not ratify the convention, Indonesia will be categorized as non-cooperative jurisdictions. If Indonesia enters as a non-cooperative jurisdiction, then Indonesia will be included as a tax haven group that supports the Base Erosion and Profit Shifting (BEPS) action. Therefore, before implementing the Automatic Exchange of Information (AEOI), the OECD and G20 provide conditions for countries that have been involved in the declaration and signing of the MAC to ratify the MAC and create a legal umbrella for the implementation of the AEOI that is equivalent to the law.

This requirement must be implemented no later than June 30, 2017. In accordance with Article 10 and Article 11 of Law No. 24 of 2000 concerning International Treaties, it is stated that international agreements can be ratified through two ways, namely laws and presidential regulations. Indicators of the ratification of international agreements include the following (Law No. 24 of 2000, 2000): The ratification of international agreements is carried out by law when it relates to:

a. Political, peace, defense and security issues;
b. Changes in the territory or determination of the territorial boundaries of the Republic of Indonesia;
c. The sovereignty or sovereign rights of the state;
d. Human rights and the environment;
e. Establishment of new legal rules;
f. Foreign loans and/or grants (Article 10) The ratification of international agreements whose material does not include material as intended in Article 10, is carried out by presidential decree.

(Article 11) Matters that are not included in Article 10 of Law No. 24 of 2000 concerning International Agreements are everything related to science and technology, economics, engineering, trade, culture, commercial shipping, double tax avoidance, investment protection cooperation and technical agreements (Law No. 24 of 2000, 2000).

The ratification process of the Convention on Mutual Administrative Assessment in Tax Matters (MAC) broadly focuses on the establishment of new legal rules because the convention emphasizes the implementation of automatic exchange of information which requires the disclosure of banking secrecy. Therefore, the process of ratification or ratification of the convention is carried out using the law. The steps that must be taken to ratify international agreements using laws include the following:

a. There is an initiating institution that identifies and takes initiatives to ratify or ratify international agreements. In the case of this study, the initiating institution, namely the Ministry of Finance of the Republic of Indonesia, first identified the "Convention on Mutual Administrative Assessment in Tax Matters (MAC)" and participated as a representative from Indonesia to declare the end of the era of banking secrecy. Then the Ministry of Finance of the Republic of Indonesia coordinated with the Directorate General of Law and International Agreements of the Ministry of Foreign Affairs of the Republic of Indonesia.
b. Then the draft revision of the banking law is included in the preparation of the National Legislation Program or known as Prolegnas.
c. After the draft revision of the banking law was included in the Prolegnas, the initiating institution in this case was the Ministry of Finance of the Republic of Indonesia to form an Inter-Ministerial Committee (PMK) consisting of the Ministry of Finance, the Ministry of Foreign Affairs, the Ministry of Law and Human Rights, the Cabinet Secretary, the State Secretariat and the Directorate General of Taxes. The task of the Inter-Ministerial Committee (PMK) is to discuss and draft the ratification bill and make an unofficial translation of the agreement or convention to be ratified. Then the Ministry of Finance of the Republic of Indonesia conducted socialization related to the plan to form a bill on automatic delivery of banking information which aims to solicit suggestions from the public regarding the formation of the bill. One example of the input provided is the need for a limit on information that can be accessed by the Directorate General of Taxes. If

there is no limit to the information that can be accessed, it is feared that the DGT will have great power like the KPK (Florentin, 2017).

d. Then the Ministry of Finance of the Republic of Indonesia submitted an application to strengthen the conception of the bill to the Ministry of Law and Human Rights. After that, submit the ratification document to the Minister of Foreign Affairs and the Minister of Law and Human Rights to obtain approval and paragraphs. The Minister of Foreign Affairs and the Minister of Law and Human Rights have no later than 14 days to determine their consideration and provide a paragraph of acceptance or rejection.
e. The Automatic Information Submission Bill has been approved by the Minister of Foreign Affairs and the Minister of Law and Human Rights, so that the Ministry of Finance of the Republic of Indonesia has the obligation to make a final draft of the Bill of Ratification to be submitted to the president. The submission to the president was made through the Directorate General of Law and International Agreements of the Ministry of Foreign Affairs of the Republic of Indonesia.
f. Then the Minister of Foreign Affairs submitted the mandate of the Bill to the President with a copy to the Vice President, Minister of Internal Affairs, Minister of Cabinet Affairs and the Ministry of Finance.
g. On May 8, 2017, the President approved the bill that had been submitted which then gave the Ministry of Foreign Affairs the obligation to prepare 1 file of the Ratification Bill, 1 file of Academic Manuscript, 1 file of Official Copy of Agreement and 45 files of photocopies of agreements and their translations in Indonesian. The files will be given to the Minister of Internal Affairs (Florentin, 2017).
h. The Minister of Internal Affairs prepared a Presidential Mandate letter that will be given to the Leader of the House of Representatives of the Republic of Indonesia regarding the submission of the bill. Then the Minister of Internal Affairs made a letter of appointment of the Deputy Government which was sent to the Minister of Foreign Affairs, the Minister of Law and Human Rights and the Minister of Finance. The letter of appointment of the Government Representative contains the following:
    1) The Minister who is given the mandate to represent the President in discussing the Bill together with the House of Representatives of the Republic of Indonesia is the Minister of Finance of the Republic of Indonesia.
    2) The nature of the bill is an emergency, so it asks the House of Representatives of the Republic of Indonesia to immediately pass it no later than June 30, 2017.
    3) The way of discussion in the submission of the bill, the President agreed to ratify it into a Government Regulation in Lieu of Law (Perppu) first. This is considering that the deadline given to Indonesia to ratify is June 30, 2017. If Indonesia fails to meet the requirements given by the specified deadline, then Indonesia will be classified as noncooperative jurisdictions.
i. The next stage is the stage of the discussion of the bill between the Government and the House of Representatives of the Republic of Indonesia. The discussion session on the bill went very hard. The reason is, members of Commission XI of the House of Representatives of the Republic of Indonesia have a problem with the time to submit the bill that will be passed into the Perppu first considering that the deadline is very limited. However, the Indonesian government continues to urge the House of Representatives of the Republic of Indonesia to immediately approve Perppu No. 1 of 2017 concerning Access to Financial Information for Tax Purposes. In June 2017, the House of

Representatives of the Republic of Indonesia approved the Perppu and then sent it to the President for signature (Rahadian, 2017).

j. After the Perppu was approved, the Indonesian government again urged the House of Representatives of the Republic of Indonesia to enact Perppu No. 1 of 79 of 2017 concerning Access to Financial Information for Tax Purposes into law. On July 27, 2017, the House of Representatives of the Republic of Indonesia approved Perppu No. 1 of 2017 concerning Access to Financial Information for Tax Purposes into Law No. 9 of 2017 concerning Access to Financial Information for Tax Purposes (Sukmana, 2017). Then the House of Representatives of the Republic of Indonesia sent a Decree of approval to the Minister of Internal Affairs.
k. The Minister of Foreign Affairs then issued the bill using the President's paper to get a paragraph from the Foreign Minister and then submitted to the President for signature.
l. Then the President signed and ratified the bill and the Minister of Internal Affairs provided the number of the Law and asked the Ministry of Law and Human Rights for the number of the State Sheet.
m. Furthermore, the Minister of Finance provides a Copy of the Law of Ratification to the Minister of Foreign Affairs attached by a declaration if any.
n. Then the Directorate General of Law and Human Rights of the Ministry of Foreign Affairs will make a Ratification/Ratification Charter and submit it to the depository institution. After the submission, the Minister of Foreign Affairs will obtain acknowledgement and the date of validity of the international agreement. So officially international agreements or conventions on taxation can be implemented. The enactment of Perppu No.1 of 2015 concerning Access to Financial Information for Tax Purposes became Law No.9 of 2017 concerning Access to Financial Information for Tax Purposes became a legal umbrella for the Directorate General of Taxes of Indonesia in implementing and implementing the Automatic Exchange of Information (AEOI). The implementation of AEOI can be carried out bilaterally or multilaterally. Indonesia issued two main policies in response to the AEOI. First, Indonesia conducts bilateral cooperation with the United States within the framework of FATCA cooperation. Second, Indonesia, together with G20 member countries, encourages the OECD to form a new system that adopts FATCA, namely the Common Reporting Standard (CRS).

FATCA implementation model to bind CRS and the impact of its implementation on legal protection for communities in Indonesia

Indonesia's response to FATCA in the context of Indonesia-United States bilateral cooperation

Indonesia's steps after the signing of the MAC The implementation of FATCA is not an easy thing to do, there are still many preparations that must be made by the Indonesian government regarding the implementation of FATCA.

This is related to problems of technology, human resources, information transfer budgets and the opening of financial confidentiality accounts in Indonesia. This preparation was carried out as a follow-up step from Indonesia after the signing of the "Convention on Mutual Administrative Assistance in Tax Matters (MAC)" on November 3, 2011 (OECD, 2018). This is also the first step in the implementation of the Automatic Exchange of Information (AEOI).

Basically, FATCA can only be carried out with the existence of AEOI and the disclosure of financial secrecy in every country, including Indonesia. The joint statement issued by Indonesia and G20 member countries places their position as an Agreement in Substance country. Indonesia has become an Agreement in Substance country since June 30, 2014 using Intergovernmental Agreement (IGA) Model 1 (U.S Department Of The Treasury, 2018).

The status of the Agreement in Substance will expire on December 31, 2014, so Indonesia must sign the IGA to ratify it as an official partner of FATCA (PwC Indonesia, 2014). This means that from June 30, 2014 to December 31, 2014, Indonesia's status can only identify and report US taxpayers in Indonesia without having to provide 30% withholding tax for American taxpayers (PwC Indonesia, 2014).

If until December 31, 2014 Indonesia does not sign the Intergovernmental Agreement (IGA), then Indonesia's status will be downgraded from IGA Model 1 Country to FFI Participant so that Indonesia is obliged to impose a 30% withholding tax for American taxpayers until Indonesia signs the IGA (PwC Indonesia, 2014). The Internal Revenue Service (IRS) and the U.S. Department of the Treasury issued Announcement 2014-38 stating an extension of time for countries in the status of Agreement in Substance to sign the IGA until June 30, 2015 (PWC Indonesia, 2015).

As a form of compliance with FATCA and so that the FATCA policy can be implemented immediately, in 2015 the Indonesian government through the Fiscal Policy Agency (BKF) coordinated with the United States government through the Internal Revenue Service (IRS) in terms of postponing the schedule for submitting FATCA information (Directorate General of Taxes, 2016). The reason is that in 2015 Indonesia was still in the stage of making a draft agreement in Indonesian and changing the FATCA regulations into Indonesian.

Then the IRS issued an announcement regarding the submission of FATCA information can be carried out after the signing of the IGA. This is in accordance with one of the compliance steps in the compliance bargaining theory which states that agreements can be realized properly if there is transparency, coordination and analysis as well as dispute resolution procedures for problems that arise in the process of implementing agreements. Then in 2016, the Indonesian government through Finance Minister Bambang Brodjonegoro and Bank Indonesia Governor Agus Martowardojo held a meeting with the United States Finance Minister Jacob Lew after attending The IMF – World Bank Spring Meetings (Kuncoro, 2016).

On this occasion, the Indonesian government aims to learn more about the tax system in the United States and discuss the follow-up of the two countries' support in implementing tax governance and administration in Indonesia in the implementation of FATCA (Kuncoro, 2016). In 2017, the Indonesian government sent back a draft agreement in Indonesian to the United States government for review (Directorate General of Taxes, 2016). Until 2018, the Indonesian government is still waiting for the results of discussions from the United States government regarding the draft FATCA agreement in Indonesian.

After the results of the study of the draft agreement in two languages (English and Indonesian) are completed and a mutual agreement is reached, it will be signed by both parties immediately. Therefore, FATCA can run effectively if there has been an agreement signed between the Indonesian government and the United States.

FATCA Implementation Model in Indonesia Indonesia is one of the countries that decided to implement FATCA using the Intergovernmental Agreement (IGA) model 1

Until this year, Indonesia is still in the status of Agreement in Substance Model 1 Country until the Intergovernmental Agreement (IGA) is signed by the governments of Indonesia and the United States. The IGA-1 model emphasizes that information exchange is carried out indirectly (Personal & Kusumawardani, 2013). That is, FFI can only report banking accounts belonging to U.S. citizens to the designated financial services authority in that country. Then the financial services authority will send the account information of a United States citizen to the IRS. So that the FFI in the country in question cannot be directly related to the IRS. The implementation of FATCA in Indonesia is specifically regulated by the Ministry of Finance of the Republic of Indonesia, the Directorate General of Taxes and the Financial Services Authority.

One of the institutions that has prepared a mechanism for submitting foreign customer information to partner countries or partner jurisdictions is the Financial Services Authority. The Financial Services Authority has prepared the establishment of the Draft Circular Letter of the Financial Services Authority (RSEOJK) on the Submission of Foreign Customer Information Related to Taxation in the Context of the Implementation of the Agreement Between the Government of Indonesia and the Government of the United States (RSEOJK FATCA) (Financial Services Authority, 2016).

The FATCA RSEOJK was formulated based on the Financial Services Authority Regulation (POJK) No.25/POJK.03/2015 and the agreement between the Indonesian government and the United States government regarding the implementation of FATCA. RSEOJK FATCA regulates several important things, including the reporting Financial Services Institution (LJK), the criteria for US customers, the process of identifying US customers and reporting procedures, which are as follows (Financial Services Authority, 2016):

a. Reporting Financial Services Institutions (LJK) Consist of:
    1) Commercial Banks including Sharia Commercial Banks;
    2) Securities Company;
    3) Custodian Bank; and
    4) Life Insurance Companies and Sharia Life Insurance Companies.
b. United States Customer Criteria Consists of:
    1) United States Customer Criteria based on the Reporting Financial Institution (LJK); and
    2) Criteria for United States Individual and Corporate Customers.
c. The United States Customer Identification Process Consists of:
    1) U.S. Individual and Corporate Customer Identification Process; and
    2) Procedure for requesting a declaration of consent for the forwarding of information to the Directorate General of Taxes (DGT).
d. Reporting Procedures Consist of:
    1) The information conveyed;
    2) Reporting Time; and
    3) In addition to formulating the RSEOJK FATCA, the Financial Services Authority (OJK) has prepared the Foreign Customer Information Submission System or often known as SiPINA. The establishment of SiPINA is one of the steps of the OJK in implementing Article 6 of POJK No.25/POJK.03/2015 which states that (Financial Services Authority, 2016): "In the context of the implementation of the Automatic Information Exchange agreement, the LJK is obliged to submit a report to the Indonesian tax authorities in the form of information from Foreign Customers related

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to taxation to be forwarded to the tax authorities of Partner Countries or Partner Jurisdictions" (Article 2). "The submission of Foreign Customer Information reports by LJK to the tax authorities as intended in Article 2 can be done:

a) through the Financial Services Authority; or
b) Directly to the tax authorities" (Article 6).

SiPINA is a form of reporting used by the Financial Services Authority to submit foreign customers' financial statements to the Directorate General of Taxes. In accordance with POJK No.25/POJK.03/2015 states that Financial Services Institutions (LJK) that use SiPINA are Commercial Banks and Sharia Commercial Banks, Securities and Custodian Banks, Life Insurance Companies and Sharia Life Insurance Companies, as well as other LJKs that have met the criteria in accordance with the automatic data exchange agreement (Financial Services Authority, 2016). The mechanism for submitting financial statement information for foreign customers by Financial Services Institutions (LJK) through SiPINA begins with the submission of financial statements that are submitted online.

Financial Services Institutions have three alternative ways that can be done to send the report, including uploading reports in XML format, uploading reports in EXCEL format or manually entering through SiPINA (Financial Services Authority, 2016). If the Financial Services Institution (LJK) chooses to upload the report in EXCEL, SiPINA will automatically convert the report to XML. Then SiPINA will validate the report automatically.

If the foreign customer's financial statements pass the validation stage, then the report can be downloaded by the Directorate General of Taxes (DGT) (Financial Services Authority, 2016). However, RSEOJK FATCA and SiPINA can be officially issued and implemented if the FATCA Intergovernmental Agreement has been officially signed by both parties. Until now, the draft IGA-FATCA agreement is still waiting for the results of the inspection from the United States government and will then be signed in the near future.

Indonesia's response to FATCA in the context of multilateral cooperation

History of the Common Reporting Standard (CRS) Multilateral cooperation in terms of the implementation of FATCA was motivated by the response from The Group of Twenty Finance Ministers and Central Bank Governors or known as the G20. The G20 is a group consisting of 19 countries and the European Union that has a large economic growth rate in the world (G20, 2015).

The purpose of the G20 is to discuss problems related to the world economy (G20, 2015). The G20 was formed in 1999 and has been attended by 19 countries and the European Union including the United States, Saudi Arabia, Argentina, South Africa, Australia, Brazil, the United Kingdom, India, Italy, Indonesia, Germany, Japan, Canada, South Korea, Mexico, France, Russia, Turkey, China and the European Union (G20, 2015). The history of the establishment of global standards began after Indonesia and G20 member countries signed the "Convention on Mutual Administrative Assistance in Tax Matters (MAC)" on November 3, 2011 (OECD, 2018). Then Indonesia and G20 member countries gave a joint statement regarding support in the implementation of the Automatic Exchange of Information (AEOI) and adopted FATCA (G20 Russia, 2013). The statement was delivered at the Saint Petersburg Summit in Russia in September 2013 (G20 Russia, 2013).

In addition, the meeting also discussed the G20's encouragement to "Organizations Economic for Cooperation and Development (OECD)" through the "Global Forum on Transparency and Exchange of Information for Tax Purposes" to form a global standard for the implementation of AEOI based on FATCA, namely the Common Reporting Standard (CRS) (G20 Russia, 2013).

Then the encouragement received a positive response from the OECD. In September 2014, the OECD published the CRS and it was approved by G20 member countries (Indonesian Life Insurance Association, 2016). At the G20 Leaders' Brisbane Summit in November 2014, many countries gave a joint statement to start implementing AEOI in 2017 and 2018 (Ministry of Finance of the Republic of Indonesia, 2017).

The country consists of 51 countries implementing it in 2017 and as many as 51 countries in 2018, these countries are as follows (Ministry of Finance of the Republic of Indonesia, 2017): The list of countries participating in the Automatic Exchange of Information (AEOI) includes various countries that participated in the automatic exchange of information initiative between 2017 and 2018. In 2017, some of the countries listed included Argentina, Anguilla, Belgium, Bermuda, the British Virgin Islands, Bulgaria, the Cayman Islands, Colombia, and Croatia. In 2018, the list underwent changes with the addition of countries such as Andorra, Antigua and Barbuda, Aruba, Australia, Austria, and many others. Some of the countries that emerged in both years were Germany, France, Italy, and the United Kingdom. This initiative is led by the Organization for Economic Co-operation and Development (OECD) which in January 2015 published the Handbook Common Reporting Standard (CRS) as a guideline for participating countries in implementing the AEOI. Through this exchange of information, it is hoped that transparency and international cooperation in taxation can be improved, and tax avoidance practices can be minimized. This source of information was obtained from the Ministry of Finance of the Republic of Indonesia, which underscores the country's commitment to international standards in the exchange of tax information.

Then on June 3, 2015, Indonesia signed the Multilateral Competent Authority Agreement (MCAA) as a form of Indonesia's commitment to implement AEOI in September 2018 (Indonesian Life Insurance Association, 2016). The emergence of the Panama Papers case opened the eyes of the international world that the actions of Base Erosion and Profit Safthing (BEPS) are increasing. This has prompted several countries, including the United States, to emphasize that countries in the world should immediately ratify FATCA. In addition, the Panama Papers are also used by Indonesia to further encourage G20 member countries to implement AEOI.

At the G20 Summit at the Hangzhou International Expo Center on September 5, 2016, President Joko Widodo encouraged the formation of a fair and transparent international tax system and urged other G20 member countries not to make policies that harm other countries (Public Relations of the Cabinet Secretariat of the Republic of Indonesia, 2016). On the occasion of the G20 Summit, President Joko Widodo also encouraged the implementation of tax information disclosure which will be useful to overcome illicit financial flows. The illicit financial flows that have been running for many years have caused huge losses for developing countries (Public Relations of the Cabinet Secretariat of the Republic of Indonesia, 2016). In addition, President Joko Widodo also conveyed a declaration that has been prepared by Indonesia regarding the implementation of the CRS-based Automatic Exchange of Information. The declarations include the following (Directorate General of Taxes, 2016):

a. Indonesia's insistence on all G20 member countries to invite all countries, especially those that have financial centers, to sign and ratify the Convention on Mutual Administrative Assistance in Tax Matters (MAC).

b. Indonesia urges all G20 member countries to invite all countries, especially those with financial centers, to jointly commit to implementing AEOI based on the Common Reporting Standard (CRS) no later than 2018.
c. Fully supports 3 criteria that can be used to identify the country as a non-cooperative jurisdiction, including the following:
   1) Obtain an overall rating of "partially compliant" or "non-compliant" when conducting a peer review assessment conducted by the Global Forum on the implementation of AEOI;
   2) Not committed to implementing the AEOI based on the CRS by 2018; and
   3) Not a signatory to the "Convention on Mutual Administrative Assistance in Tax Matters (MAC)" for sovereign states.
d. Indonesia's encouragement to the Organization for Economic Cooperation and Development (OECD) to add information "that countries that are indicated to do two of the 3 criteria, will be revoked their participation status in the AEOI based on CRS".
e. Encourage the OECD to immediately prepare a list of countries that are included in the non-cooperative jurisdiction category to be submitted at the upcoming G20 Summit. As well as asking the OECD to implement defensive measures for countries that fall into the category of non-cooperative jurisdiction

CRS and FATCA in improving account opening compliance are linked to banking regulations and the FATCA implementation model to bind CRS and FATCA as well as legal protection for the community in Indonesia

Requirements for the implementation of the Common Reporting Standard (CRS) The implementation of the Common Reporting Standard (CRS) is a form of compliance with international agreements in carrying out the Automatic Exchange of Information (AEOI)

The legal basis for implementing the Automatic Exchange of Information (AEOI) mechanism is the signing of an international agreement consisting of the Double Tax Avoidance Agreement (P3B) or Tax Treaty, the Convention on Mutual Administrative Assistance in Tax Matters (MAC) on November 3, 2011 and the Tax Information Exchange Agreement (TIEA) (Directorate General of Taxes, 2016). The implementation of international agreements in terms of Automatic Exchange of Information (AEOI) can be implemented through multilateral cooperation such as the implementation of the Common Reporting Standard (CRS) or through bilateral cooperation frameworks such as the implementation of the Foreign Account Tax Compliance Act (FATCA). In order for a country to ratify the international agreement, the Organization of Economic Co-operation and Development (OECD) provides requirements that must be met before the implementation deadline. For countries that approved the implementation of AEOI through CRS in September 2017, the country concerned must complete the requirements from the OECD by the end of December 2016 (Directorate General of Taxes, 2016).

Meanwhile, for countries that approved the implementation of AEOI through CRS in September 2018, the country concerned must complete the requirements from the OECD by the end of December 2017 (Directorate General of Taxes, 2016). If by the end of the limit set by the OECD has not been reached, then the country concerned will be included in the "at risk country" group (Directorate General of Taxes, 2016). These requirements are the ratification of international agreements in the form of primary and secondary legislation, the existence of a data transmission system, and the existence of confidentiality and data protection (Hutagaol, 2017). Indonesia is one of the countries that signed the Convention on Mutual Administrative Assistance in Tax Matters (MAC) on November 3, 2011 and has signed Tax Treaty and Tax Information Exchange Agreement (TIEA) with several countries such as Japan, Germany, South Korea, the Netherlands and so on (Hutagaol, 2017). In addition, in Annex F of the Multilateral Competent Authority Agreement (MCAA), Indonesia has stated that it will start exchanging information on a CRS basis in September 2018 (OECD, 2018). Therefore, Indonesia must complete the requirements that have been given by the OECD by the end of December 2017. The first step that must be taken by Indonesia is to ratify the international agreement into Indonesian domestic regulations.

The ratification should result in primary legislation explaining the implementation of the AEOI on the basis of the CRS and the sanctions given for non-compliance as well as secondary legislation under the primary legislation that aims to regulate in more detail the AEOI based on the CRS. Indonesia's primary legislation or law to implement CRS-based AEOI is Article 35 of Law No. 6 of 1983 which has been amended by the issuance of Law No. 16 of 2009 concerning General Provisions and Tax Procedures, Article 32 A of Law No. 7 of 1983 which has subsequently been amended by Law No. 36 of 2008 concerning Income Tax (Directorate General of Taxes, 2016).

In addition, the primary legislation for the implementation of AEOI is Government Regulation in Lieu of Law (PERPPU) No.1 of 2017 concerning Access to Financial Information for Tax Purposes (Hutagaol, 2017). Then the Indonesian government should re-establish secondary legislation that explains more deeply about the exchange of information. Indonesia's secondary legislation consists of Government Regulation (PP) No.74 of 2011 concerning Procedures for the Implementation of Tax Rights and Fulfillment, Minister of Finance Regulation (PMK) No.125/PMK.010/2015 concerning Amendments to the Regulation of the Minister of Finance (PMK) No.60/PMK.03/2014 concerning Exchange of Information Procedures and Financial Services Authority Regulation (POJK) No.25/POJK.03/2015 concerning the Submission of Foreign Customer Information Related to Taxation to Partner Countries or Partner Jurisdiction (Directorate General of Taxes, 2018). In addition, Indonesia's secondary legislation is also contained in the Minister of Finance Regulation (PMK) No.73/PMK.03/2017 concerning Technical Guidelines on Access to Financial Information for Tax Purposes which is an amendment to the Minister of Finance Regulation (PMK) No.70/PMK.03/2017 (Hutagaol, 2017).

The second step that must be taken by the Indonesian government is to prepare a data transmission system. The data transmission system is used to conduct AEOI reporting and due diligence. In implementing a data transmission system, Indonesia through the Financial Services Authority (OJK) issued a Circular Letter of the Financial Services Authority (SEOJK). On April 6, 2017, OJK has issued a Circular Letter of the Financial Services Authority (SEOJK) Number 16/SEOJK.03/2017 concerning the Submission of Foreign Customer Information Related to Taxation in the Context of Automatic Information Exchange between Countries by Using Common Reporting Standard (SEOJK, 2017). The SEOJK regulates in more detail the implementation of AEOI reporting and due diligence as well as sanctions given for non-compliance for Financial Services Institutions (LJK).

CTS is not a freely used system. The government of each country must provide contributions every year to run the CTS. The amount of costs incurred is in accordance with the Gross Domestic Product (GDP) of each country. Indonesia must spend around US$50 thousand or around Rp. 644,000,000 annually to finance the CTS infrastructure that can support the process of exchanging financial information (Hutagaol, 2017). The CTS will be a temporary stopping place for the transferred data until it is verified by the tax authorities in the destination country. The third step is the confidentiality and protection of customer data. The Directorate General of Taxation of Indonesia states that Financial Services Institutions must make special provisions to maintain confidentiality and data protection. These provisions include the following (Directorate General of Taxes, 2018):

1) Information that has been received from Financial Services Institutions, Other Financial Services Institutions and Other Entities is used solely as the Tax Database of the Directorate General of Taxes (DGT);
2) Information received from Financial Services Institutions, Other Financial Services Institutions and Other Entities must be kept confidential in accordance with the provisions that have been stated in laws and regulations and listed in international agreements;
3) Tax officials and experts in the field of taxation are strictly prohibited from taking actions that can leak, disseminate and notify information received from Financial Services Institutions, Other Financial Services Institutions and Other Entities to unauthorized parties; and
4) Tax officials and experts in the field of taxation who are proven to have violated confidentiality and data protection obligations can be subject to criminal penalties with imprisonment and fines in accordance with the provisions that have been stated in Article 41 of the KUP Law.

Common Reporting Standard (CRS) Implementation Mechanism for Automated Information Exchange (AEOI)

through the CRS basis is carried out in accordance with the Regulation of the Minister of Finance (PMK) No.73/PMK.03/2017 concerning Technical Instructions Regarding Access to Financial Information for Tax Purposes which is an amendment to the Minister of Finance Regulation (PMK) No.70/PMK.03/2017 (Directorate General of Taxes, 2016). Financial Services Institutions, Other Financial Services Institutions and Other Entities can report financial information electronically (online) through the Exchange of Information (EOI) web portal, namely https://eoi.pajak.go.id/login (Directorate General of Taxes, 2018).

The first step that must be taken by Financial Services Institutions, Other Financial Services Institutions and Other Entities is to register an account first. Account registration can be done by filling in an active NPWP, email address as an activation link, EFIN (Electronic Filing Identification Number) and password (Directorate General of Taxes, 2018).

The second step that must be taken by Financial Services Institutions, Other Financial Services Institutions and Other Entities after registration is the registration of Financial Institutions (LK). Registration of financial institutions is carried out by downloading e-form reviews and downloading eforms (Directorate General of Taxes, 2018).

Then fill in the data as usual. If the data filling has been completed, then the e-form is saved in XML form. Then the e-form in XML form is uploaded by validating the NPWP that is still active, validating the name, checking the data, and entering the verification code (Directorate General of Taxes, 2018).

If these things have been done, then an e-form can be sent. After making the delivery, the financial institution will receive the Electronic Proof of Receipt (BPE) and Registered Certificate (SKT) via e-mail (Directorate General of Taxes, 2018). The third step after the registration of financial institutions (LK) is completed, Financial Services Institutions, Other Financial Services Institutions and Other Entities can report financial data periodically. The financial data reporting mechanism begins with the creation of financial data documents in the form of Excel or XML in accordance with the regulation PER-04/PJ/2018 (Directorate General of Taxes, 2018). Then fill out the Financial Institution Reporting Form which consists of filling in the reporting purpose, reporting period, type of reporting, then upload the Excel or XML data and affix a mark (v) to the statement sentence at the bottom. After filling out the Financial Institution Reporting Form is completed, the financial institution will receive a verification code from the Directorate General of Taxes (DGT) which can only be used for the submission of financial statements (Directorate General of Taxes, 2018).

After obtaining the verification code, the exchange of financial information can be carried out. After the financial statements from Financial Services Institutions, Other Financial Services Institutions and Other Entities have been sent in EXCEL or XML formats, then the Directorate General of Taxes (DGT) will download the file. Then the DGT will group the report according to the country where the taxpayer comes from (Saksama, 2018).

After the grouping process according to the country of origin is completed, the Directorate General of Taxes will send it to the taxpayer's country of origin using the Common Transmission System (CTS) system. The process of automatic exchange of financial information (AEOI) using the Common Reporting Standard (CRS) basis in Indonesia was officially implemented on September 30, 2018 (Suwiknyo, 2018).

The official exchange was in accordance with Indonesia's statement of readiness at the time of the signing of the Multilateral Competent Authority Agreement (MCAA) on June 3, 2015 (Indonesian Life Insurance Association, 2016). The Government of Indonesia will conduct a review of the effectiveness of the financial information exchange process through the Common Reporting Standard (CRS) basis again in 2020 (Sembiring, 2018).

Conclusion

The study concludes that Indonesia’s implementation of FATCA remains in tension with national banking laws that strongly protect customer confidentiality, compelling the country to disclose sensitive financial data to meet international standards. Lessons from Japan’s successful Automatic Exchange of Information (AEOI) system since 2017 underscore the importance of early tax education, public trust in tax authorities, and a unified national identity system, which together promote enhanced compliance and transparency. Despite Indonesia’s bilateral FATCA cooperation with the United States and alignment with G20’s Common Reporting Standard (CRS), challenges persist due to non-participating countries obstructing cross-border data exchange and ongoing Base Erosion and Profit Shifting (BEPS) practices that undermine tax revenues. To address these issues, Indonesia must harmonize FATCA and CRS requirements with domestic banking confidentiality laws to maintain public trust, invest in tax awareness campaigns and capacity building within tax offices, and advocate broader international cooperation for effective Automatic Exchange of Information. Future research should explore pragmatic frameworks for balancing international tax transparency with domestic privacy protections, as well as the technological and governance innovations needed to strengthen Indonesia’s compliance infrastructure and public confidence.

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