

TAX LAW DISPUTES OVER THE ARM'S LENGTH PRINCIPLE IN AFFILIATED SHARE TRANSFERS

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Abstract

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Affiliated share transfer transactions pose significant challenges in corporate law and governance, particularly when they trigger tax disputes over compliance with the arm's length principle [ALP] (Mwape et al., 2025). Such disputes undermine legal certainty, shareholder protection, and effective corporate governance (Barikova, 2024). This study aims to analyze the underlying causes of tax disputes arising from the application of the arm's length principle in affiliated share transfers and to assess their governance implications. Using Indonesia as a case study, the research adopts a qualitative descriptive methodology based on document analysis of Tax Court decisions from 2020 to 2024, and in-depth interviews with tax officers and tax consultants. A fishbone model is employed to identify the root causes of disputes. The findings reveal that tax disputes are primarily driven by complex cross-ownership structures, cross-border affiliations, inadequate transaction documentation, and differing legal interpretations of fair value in ownership transfers. The study concludes that these disputes reflect broader governance weaknesses and principal-agent problems in related party transactions. This study is relevant to policymakers, tax authorities, and corporations, as it provides governance-oriented insights to enhance regulatory clarity, improve compliance, and strengthen legal certainty in affiliated share transfer transactions.

Keywords: Corporate Governance, Related Party Transactions, Tax Avoidance, Tax Compliance

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1. INTRODUCTION

Related parties between business entities constitute a central issue in corporate law and governance, as they significantly influence transaction structures, pricing decisions, and ownership arrangements (He

et al., 2024). Such extends beyond formal ownership or managerial ties to include economic and strategic linkages that may affect the fairness of transactions (Bellavite Pellegrini et al., 2023). In multinational enterprises (MNEs), related parties are particularly relevant because a substantial proportion of cross-

border transactions occur within corporate groups and are often associated with transfer pricing practices and tax avoidance risks (Singh & Rahman, 2022; Eukeria & Mpofo, 2024; Nguyen et al., 2025).

Globally, approximately 35% of foreign direct investment (FDI) is generated through intra-group transactions, which are frequently linked to profit shifting and tax base erosion, especially in developing countries (Amberger & Kohlhasse, 2023). Share transfer transactions conducted within related parties are therefore of heightened concern, as they directly affect ownership transfer, corporate control, and shareholder protection (He et al., 2025), while also posing a risk of capital gains underreporting through price manipulation (Huang et al., 2025). These risks justify regulatory intervention through the arm's length principle (ALP), which serves as a benchmark for fairness and customary business practice (Mwape et al., 2025).

Indonesia provides a relevant empirical context for examining these issues. The Indonesian government has introduced regulations defining related parties and imposing documentation requirements to support tax compliance (Nasikhudin & Supriyadi, 2024; Sulfia & Rusmanto, 2024; Tanujaya et al., 2026). Enforcement faces persistent challenges, particularly in assessing the substance of complex cross-jurisdictional share transfers and affiliated transactions. Share transfers within related parties may occur through various schemes, including sales, gifts, or inheritance, all of which can be exploited for tax evasion purposes if not properly documented and valued. Under Article 18, paragraph (3) of the Indonesian Income Tax Law, tax authorities are authorized to adjust transaction values based on fairness and arm's length standards.

Differing interpretations between taxpayers and authorities regarding affiliation, valuation methods, and the meaning of "arm's length" frequently trigger tax disputes, particularly in transactions involving low-tax jurisdictions (Barikova, 2024; Monsenego, 2022). Empirical evidence indicates a growing trend of tax disputes related to affiliated share transfers over the past five years, with court decisions reflecting both technical complexity and legal uncertainty (Natalina & Apollo, 2023). Prior studies largely attribute disputes to differences between transaction values and fair market values, capital gains calculations, and the determination of related parties (Abigail & Dharmastuti, 2022; Bigus & Georgiou, 2025).

This study aims to provide a comprehensive analysis of tax disputes arising from affiliated share transfer transactions by examining the characteristics of taxpayers and transaction structures involved, identifying the root causes of disputes through an in-depth review of Tax Court decisions from 2020-2024, and formulating policy recommendations to enhance regulatory clarity, enforcement consistency, and taxpayer compliance. The research addresses how related parties, valuation practices, and taxpayer behavior interact in shaping disputes over the application of the ALP in affiliated share transfers.

The study applies the theory of planned behavior to explain how taxpayer attitudes, subjective norms, and perceived behavioral control influence compliance decisions (Ajzen, 1991). This behavioral framework is integrated with corporate

governance theory, particularly principal-agent problems and disclosure obligations, to explain governance weaknesses in affiliated share transfers. A fishbone model is used to identify legal, technical, and behavioral roots of disputes.

The study contributes academically by extending the literature on tax dispute resolution and affiliated transactions, and practically by offering governance-oriented recommendations to reduce dispute risks, improve documentation quality, and support a fair and transparent tax environment.

The rest of the paper is structured as follows. Section 2 reviews the relevant literature on related party transactions, affiliated share transfers, and the ALP. Section 3 describes the research methodology and analytical framework. Section 4 presents and analyzes the empirical findings from Tax Court decisions. Section 5 discusses the implications for corporate governance and tax compliance. Section 6 concludes with key findings and policy recommendations.

2. LITERATURE REVIEW

2.1. Concept of share transfer transaction

A share transfer transaction is a legal process that involves the transfer of share ownership rights from one party to another, either through buying and selling, grants, inheritance, or other forms (Musselli, 2022). This process has a significant impact on capital structure, company control, and legal compliance. In Indonesia, the transfer of shares is regulated in Corporate Law No. 40 of 2007 concerning Limited Liability Companies, which requires the existence of a deed of transfer of rights and registration in the register of shareholders (Articles 50 and 56). The share transfer procedure generally includes: 1) making a deed of transfer of rights, 2) approval of the general meeting of shareholders (GMS) if required by the articles of association, and 3) recording in the company's register of shareholders. Compliance with these procedures is important to guarantee legality and avoid disputes. The transfer of shares is also subject to International Chamber of Commerce regulations to prevent monopolies and follows the Organisation for Economic Co-operation and Development (OECD) guidelines related to the principle of fairness in transactions between multinational companies (Hewitt, 2024). The risk of dispute arises if the transfer of shares is not carried out in accordance with the law, for example, the absence of a deed, not recorded in the register of shareholders, or a lack of transparency with the authority. Based on a tax dispute case, for example, the court stated that the transfer of shares without official documents has no legal force.

2.2. Regulations related to share transfer transactions in Indonesia

Share transfer transactions in Indonesia are governed by a number of key regulations to ensure legality, transparency, and legal protection for all parties involved. Under Corporate Law No. 40 of 2007 on Limited Liability Companies, share transfers must be executed by deed (Article 56),

recorded in the register of shareholders (Article 50), and, for public companies, comply with capital market regulations, while private companies must follow the provisions in their articles of association (Article 52). The Financial Services Authority of Indonesia also imposes specific requirements, which require reporting for material transactions and submitting the report electronically. Regulation issued by the Minister of Law and Human Rights also stipulates that any change in the list of shareholders must be registered through the system of General Legal Administration. Profits from share transfers are subject to income tax, with public companies subject to a final tax rate of 0.1%. Value-added tax (VAT) may also apply if the transfer is considered a taxable service. The Indonesian Competition Commission (ICC) regulates share acquisitions that require reporting if the transaction may lead to monopoly practices, and ICC regulation specifically governs the reporting of share acquisition transactions that could affect company control (Haryadi et al., 2025).

2.3. Types of share transfer transactions

Share transfer transactions can generally be categorized into three main types. The first is a direct transfer, in which shares move directly from one party to another without intermediaries. This type of transfer typically occurs through sale and purchase agreements, grants, or exchanges, and is usually transparent as well as legally documented (Rogers & Oats, 2022). The second type is an indirect transfer, which involves intermediary entities such as subsidiaries, parent companies, or affiliates. Indirect transfers are often used in corporate restructuring, consolidation, or for achieving tax efficiency. Their complexity can make it difficult to assess the fairness of the transaction price. The third type is transfer through related parties, which involves parties with related parties, including affiliates, family members, or company management. This type of transaction is particularly vulnerable to price manipulation and tax evasion, making it a primary focus of supervision by the tax authorities (Kalra & Afzal, 2023).

2.4. The concept of related parties

Related parties refer to a condition when two parties have a through ownership, control, or family that can affect the fairness of the transaction (Mioduchowska-Jaroszewicz, 2023). From the tax regulator's perspective, this has the potential to constitute a tax avoidance practice through a transfer pricing: the transfer of profits through the use of unreasonable pricing in transactions between related entities. To address these risks, the Government of Indonesia requires, for tax purposes, the application of the ALP to transactions between affiliates. Provisions regarding related parties are generally regulated in the Income Tax Law and the Value-Added Tax Law, which state that related parties can arise due to share ownership of 25% or more, direct or indirect control by the same party, and a one-degree blood or family relationship. When transactions are made not in accordance with the fair market price (non-arm's length), the tax authority is authorized to make fiscal corrections.

Regulation issued by the Financial Services Authority of Indonesia requires public companies to

disclose affiliate transactions, to prevent conflicts of interest, ensure transparency, and protect minority shareholders. Complementing this, other government regulation emphasizes the impact of related parties on transaction independence, highlighting three key dimensions: ownership, control, and family, as benchmarks in identifying potential tax avoidance practices within internal company transactions (Almutairi et al., 2023). The Financial Accounting Standards define a related party as any individual or entity with significant control or influence over the reporting entity, and mandate full disclosure of all related party transactions in financial statements to enhance transparency during audits and tax examinations (Solikhah et al., 2025).

To substantiate that affiliate transactions comply with the ALP, taxpayers are required to prepare transfer pricing documentation, comprising a master file, a local file, and a country-by-country report (Islam et al., 2025). This obligation applies to entities meeting specific thresholds, such as those engaging in affiliated transactions or dealing with entities in low-tax jurisdictions. Failure to provide complete and consistent documentation may result in tax adjustments, penalties, and potential disputes with tax authorities (Melega, 2025).

2.5. The concept of the arm's length principle in transactions affected by related parties

The arm's length principle (ALP) is an approach used in OECD Transfer Pricing guidelines and domestic regulations to ensure that transactions between affiliated entities are conducted in proportion to transactions between independent parties. This concept applies a separate entity approach, which treats each entity in a multinational business group separately. This principle is important because it guarantees tax equality, is effective in various cases of affiliation, and reflects open market mechanisms. The ALP principle is used as a measuring tool to assess the fairness of the price or profit of affiliate transactions by comparing them to similar transactions between independent parties under similar conditions (Brugger & Engebretsen, 2022).

Differences in conditions will affect prices and profits generated, so an in-depth analysis of comparability factors such as transaction conditions, economic integration, resource synergy, and business that have been formed is required. In practice, this ALP principle provides benefits for tax authorities and taxpayers, especially in avoiding double taxation and determining appropriate transfer prices. The Directorate General of Taxes regulation related to the ALP principle requires a comparability analysis and the selection of the appropriate transfer pricing method in accordance with the indicators adopted from the OECD Transfer Pricing Guidelines (OECD, 2022) and the United Nations Practical Manual 2021 (Akhand & Mawani, 2023).

2.6. Transfer pricing dispute resolution

Tax disputes frequently occur due to differences in interpretation or calculation between taxpayers and tax authorities, particularly under the self-assessment system, where taxpayers are responsible for calculating and reporting their own taxes

(Gershgoren et al., 2024). Common causes of such disputes include differing interpretations of tax regulations, limited understanding by tax authorities of taxpayers' business processes and accounting systems, and taxpayers' lack of knowledge of regulations (Romulo & Dalimunthe, 2024). These issues are compounded by difficulties in distinguishing between commercial and tax reporting, as well as differences in recognizing transactions and evaluating supporting evidence (Greggi & Miotto, 2024). Based on the causes, tax disputes are classified into two types: formal disputes, which relate to administrative procedures and rule interpretation, and material disputes, which concern the substance of tax calculations and can have an impact on financial sanctions (Chaisse & Mosquer, 2023).

Dispute resolution in taxation can be pursued through three main stages. The first stage is objection, which the taxpayer may submit if they disagree with the contents of the Tax Assessment Letter issued after an audit. If the objection is rejected by the Directorate General of Taxes, the taxpayer may proceed to the second stage, namely appeal, which can only be filed against the final objection decision, with a filing deadline of three months from the date the objection decision is received. The final stage is judicial review, which can be submitted to the Supreme Court if the taxpayer still considers the Tax Court's decision to be unfair (Greggi & Miotto, 2024).

Tax disputes in the context of Transfer Pricing generally also arise due to differences in interpretation or calculation between taxpayers and tax authorities, especially in a self-assessment system. The main causes include differences in regulatory interpretation, limited understanding of the authorities of taxpayers' business processes, taxpayers' ignorance of tax rules, and differences in the recognition and proof of transactions (Eukeria & Mpofo, 2024). To resolve transfer pricing disputes, three procedural stages as discussed above can be taken: objections to the tax authority, appeal to the Tax Court if the objection is rejected, and submit a judicial review to the Supreme Court by including relevant new evidence, if the appeal decision is not satisfactory.

3. RESEARCH METHOD

This study employs a qualitative research approach using a case study design to examine tax disputes arising from share transfer transactions involving related parties. The qualitative approach is appropriate because the research focuses on legal interpretation, dispute dynamics, and governance issues that cannot be adequately captured through numerical analysis alone (Rosario & Wa-Mbaleka, 2022). This study employs a diagnostic approach to identify taxpayer characteristics, dispute triggers, and stakeholder arguments, and to assess governance and compliance implications. The unit of analysis is the Tax Court decision, examined through a single-case embedded design that captures transaction structures, valuation methods, and documentation practices within a consistent institutional context. Data credibility is ensured through documentary triangulation. Alternative quantitative or survey-based designs are less suitable, as they cannot adequately capture judicial

reasoning and interpretative conflicts central to arm's length disputes in affiliated share transfers.

The empirical context of this study is Indonesia, which provides a relevant setting due to the prevalence of intra-group transactions, increasing tax enforcement, and a growing number of tax disputes related to share transfers. Informants were selected purposively to ensure relevance and analytical depth (Szulc & King, 2024). Selection criteria included direct involvement in or professional analysis of tax disputes concerning affiliated share transfers, as well as institutional roles in the dispute resolution process. Two key informants participated in this study: a tax officer who worked as a tax objection evaluator from the Directorate of Objections and Appeals of the Indonesian Tax Authority and a tax consultant with more than five years of experience representing taxpayers in dispute proceedings. These informants provided complementary regulatory and taxpayer perspectives, supporting triangulation and enhancing the validity of interpretations.

This study integrates primary and secondary data sources to ensure comprehensive and reliable findings (Miles et al., 2018). Secondary data consists of 41 Tax Court decisions issued between 2020 and 2024 concerning share transfer disputes involving related parties. Decisions were obtained from official Tax Court and tax authority sources. Due to access limitations, convenience sampling was applied to publicly available cases. The data collection process included defining case selection criteria, conducting keyword searches, downloading and verifying decisions, classifying cases based on transaction type and dispute characteristics, and conducting preliminary content analysis. Primary data were collected through document analysis findings and documentation requirements from court decisions (Patton, 2023).

Several analytical instruments were employed to structure the analysis (Elhami et al., 2024). First, demographic and transaction profile analysis was used to map taxpayer characteristics and disputed transaction attributes, including business classification, domicile, transaction value, and transaction schemes. This profiling enabled the identification of recurring patterns, such as direct affiliate transfers, intra-group transfers, and corporate restructuring transactions. The main dispute was positioned as the core problem, with causative factors grouped into administrative, substantive, behavioral, and relational dimensions. This tool facilitated a structured cause-and-effect analysis of complex dispute drivers, including documentation weaknesses, valuation disagreements, affiliation ambiguity, and compliance behavior.

Data analysis was conducted using method triangulation by integrating content analysis of Tax Court decisions. Court decisions were analyzed using a predefined classification framework to identify dispute types, causes, trends, and taxpayer characteristics (Creswell & Creswell, 2022). Data validity was ensured through limited triangulation by comparing judicial reasoning with insights from tax authority officials and tax practitioners. This validation process focused on consistency in the interpretation of related parties, fair value determination, and transfer pricing documentation requirements. Practitioner validation was used to

confirm that the findings reflect both legal doctrine and field realities, thereby enhancing the credibility of the qualitative analysis (Patton, 2023).

4. RESULTS

4.1. Taxpayer characteristics analysis

This analysis includes three dimensions: fiscal, psychological, and social. The study examined 41 Tax Court decisions (2020–2024) to identify patterns of tax disputes related to related parties. The focus of the analysis includes:

- 1) type of business;
- 2) the taxpayer's country of domicile;

3) the value of the transaction of the transfer of shares;

4) the data is classified by transaction type and then analyzed to understand the characteristics and patterns that affect taxpayer compliance.

Table 1 shows that manufacturing industry disputes related to stock transfer transactions represent the highest number of cases among the sectors examined, including information and communications, as well as agriculture and plantations, and financial services and insurance. Appeals filed against various business models of the manufacturing industry, ranging from pharmaceutical manufacturing to automotive, textile, and polymer-based industrial components, have varied outcomes, consisting of full and partial approvals, as well as full rejections.

Table 1. Tax Court decisions based on the business type, business model, and business classification

<i>Business type</i>	<i>Business model</i>	<i>Business classification</i>	<i>Results of the verdict</i>	<i>Total</i>
Real estate and rental	Property and hospitality	68110 — Self-owned or rented real estate	Fully granted (1)	1
	Industrial estate developer	68111 — Industrial estate real estate	Fully granted (1)	1
Information and communication	Information technology	62090 — Information technology activities and other computer services	Fully granted (1)	4
		Partially granted (3)		
Processing industry	Pharmaceutical capsule manufacturing	21021 — Pharmaceutical industry for human medicine	Partially granted (1)	1
	Soft drinks and consumer products	11041 — Soft drink industry	Fully granted (1)	1
	Steel industry	24102 — Basic iron and steel industry	Appeal rejected (1)	1
	Agricultural machinery manufacturing	28210 — Agricultural machinery industry	Appeal rejected (1)	2
	Fully granted (1)			
	Pharmaceuticals and drug active ingredients	21021 — Pharmaceutical industry for human medicine	Appeal rejected (1)	2
	Fully granted (1)			
	Chemical manufacturing and personal care	20230 — Cosmetics and hygiene industry	Appeal rejection (1)	1
	Household chemical products manufacturing	20231 — Pesticide and other agrochemical products industry	Partially granted (1)	2
	Fully granted (1)			
	Electrical components manufacturing	27320 — Electronic equipment and accessories industry	Fully granted (1)	1
	Electrical components manufacturing	27320 — Electronic equipment and accessories industry	Fully granted (1)	1
	Textile and chemical manufacturing	20230 — Chemical industry for textiles	Appeal rejected (1)	1
	Chemical manufacturing (labels & barcodes)	18115 — Label and barcode printing industry	Partially granted (1)	1
	Polymer-based industrial system products	22210 — Plastic goods industry for construction	Partially granted (1)	1
Bioenergy and agribusiness	10432 — Vegetable oil and other vegetable fats industry	Partially granted partially granted (1)	1	
Textile production and garment export	13132 — Textile fabric weaving industry	Fully granted (1)	1	
Sanitary ware and ceramics manufacturing	23931 — Porcelain and ceramics goods industry	Fully granted (1)	1	
Financial services and insurance	Stock holding	64200 — Activities of holding companies	Appeal rejected (1)	1
Upstream oil and gas	Mining and quarrying	06100 — Oil and gas mining	Fully granted (2)	2
Agriculture, forestry	Oil palm plantation	01261 — Oil palm plantation	Fully granted (5)	5
Information and communication	Telecommunications and data services	61921 — Wireless telecommunications services	Appeal rejected (1)	1
		61929 — Other information technology services	Partially granted (1)	1
Upstream mining and quarrying	Upstream oil and gas (production sharing contract [PSC])	06100 — Oil and gas mining	Fully granted (1)	1
	Nickel mining	07292 — Nickel ore mining	Fully granted (1)	1
Agriculture and plantations	Oil palm plantation	01261 — Oil palm plantation	Fully granted (1)	1
Financial services	Energy holding company	64200 — Activities of holding companies	Appeal rejected (1)	1
	Financial technology services	64993 — Other activities of non-bank financial institutions	Fully granted (1)	1
	Electronic payment system (fintech) services	64992 — Other financial activities (including digital wallets)	Partially granted (1)	1
Total verdicts				41

Source: Authors' elaboration.

The oil palm plantation segment in the agriculture and plantation sector shows a high tendency for granting among most court decisions that achieve satisfaction. Most of the judges' rulings in the upstream oil and gas sector relate to stock transfers, as they show high prudence in assessing energy transactions. Information and communications disputes are primarily centered on information technology (IT) and telecommunications services, but judges reach varying results, ranging from partial granted to rejection of appeals. The business model in the financial services sector includes energy holding companies along with fintech services, which demonstrates how digital financial operations are becoming increasingly complex while challenging tax challenges. Tax

disputes tend to consistently affect sectors with complex business frameworks and cross-border intra-group operations, while share transfer agreements face interpretation challenges, both for the principles of fairness and business practice (arm's length) and the principle of business customs.

The tax dispute decision related to the transfer of shares shows the statistics described in Table 2, regarding the domestic location of each party. The study examines the most common country of origin of disputed companies and the resulting judgments by assessing cross-border partnerships in tax disputes. Table 2 illustrates the distribution of tax dispute judgments related to share transfer transactions worldwide.

Table 2. Tax Court decisions based on the country of domicile

Country of domicile	Results of the verdict			Number of verdicts
	Partly granted	Fully granted	Appeal rejected	
Japan	1	6	3	10
US	4	3	1	8
Singapore	-	5	1	6
UK	-	4	1	5
Indonesia	2	1	1	4
Australia	-	-	1	1
British Virgin Islands	-	1	-	1
China	-	-	1	1
Germany	1	-	-	1
Canada	-	1	-	1
South Korea	-	1	-	1
Malaysia	-	1	-	1
Seychelles	-	1	-	1
Total	8	24	9	41

Source: Authors' elaboration.

Based on Table 2, share transfer transaction disputes for the period 2020–2024 primarily involved Japanese parties, with a total of 10 cases. The US and Singapore tax entities experienced eight and six decisions, respectively. The decision results showed that 24 cases were fully granted, indicating that the tax arbitrator granted most of the plaintiffs' requests. The US cases exhibit an unusual pattern of judicial arbitrariness, as they resulted in four partially granted, three fully granted, and one rejected. The Japanese, UK, and Singapore taxpayers achieved the most favorable outcome, as most decisions were fully granted. Taxpayer appeals were rejected due to the difficulty of providing evidence of fairness in cross-border transactions. The results

show that tax disputes concerning related-party transfers of shares primarily arise between Indonesia and companies operating in countries with prominent investment activity or holding companies. In the future, cross-border transaction disputes can be prevented by improving the standards for transfer pricing documentation and the supervision of such transactions.

The Tax Court decisions regarding the dispute over the transfer value of the shares are depicted in Table 3. The table shows the initial pattern of dispute resolution across various transaction values and whether significant transactions affect the outcome of the taxpayer's application in tax dispute resolution.

Table 3. Results of the Tax Court decision based on the transaction value

Share transfer transaction value	Results of the verdict			Number of verdicts
	Partly granted	Fully granted	Appeal rejected	
< IDR 100 billion	7	18	4	29
> IDR 100 billion-< IDR 500 billion	1	5	4	10
≥ IDR 500 billion	-	1	1	2
Total	8	24	9	41

Note: * IDR 1 billion equals around USD 59,373.08.

Source: Authors' elaboration.

Table 3 shows that most share transfer tax disputes during the 2020–2024 period involved transactions valued at less than IDR 100 billion, accounting for 29 of the 41 decisions issued. Of the total 41 appeals in the share transfer tax dispute, only 18 were fully granted, seven cases were partially granted, and four cases were rejected. The 10 decisions recorded in the share transfer transaction, priced between IDR 100 billion and

IDR 500 billion, yielded positive outcomes for taxpayers, with five fully granted and four partially granted, while only one was rejected. Two decisions were issued regarding transactions exceeding IDR 500 billion: one resulted in a complete success for the taxpayer, while the other was unfavorable. According to Table 3, small- to medium-sized stock transfer transactions generate more disputes than larger-value stock transfers. Taxpayer appeals

exhibit a high probability of success across all transaction types, regardless of value, particularly those below IDR 500 billion.

4.2. The causes of tax disputes

Stock transfer transactions between parties that have related parties are prone to causing tax disputes because they have the potential to deviate from the ALP. Related parties often create opportunities for transactional engineering that obscure economic substance to secure tax advantages. Based on an analysis of 41 Tax Court appeal decisions for the 2020-2024 period, Table 4 depicts the causes of disputes, which can be grouped into four main factors: regulation and interpretation, economics and business, taxpayer administration and compliance, and law enforcement and tax audit. These factors can be further examined using the fishbone diagram (cause-and-effect diagram) shown in Figure 1, thereby enabling a systematic analysis of the root causes of disputes. This diagram is based on triangulation between analyses of the content of court decisions and concrete case narratives from informants. As a form of operationalization, the classification of

causes consists of regulatory interpretation, economic and business factors, taxpayer administration, and law administration. Each category has a subcategory that describes the diversity of problems that arise repeatedly in similar dispute cases. This category is formed through thematic codification of the content of the Tax Court decision, and was synthesized in a comprehensive cause-and-effect visualization.

Table 4 shows clear differences between fully granted and rejected judgments, mainly in documentation quality and legal arguments. Fully granted decisions (24 cases) typically involve strong evidence, solid arguments, and successful rebuttals of disproportionate fiscal corrections, while rejected decisions (nine cases) stem from weak evidence, inadequate transfer pricing documentation, and indications of tax evasion. Key factors favoring taxpayers include questionable audit methods and unsupported tax authority decisions, whereas failure to prove fair transfer pricing is the main weakness in rejections. Documentation quality, argument precision, and proof of reasonable economic substance distinguish the outcomes, with a fishbone diagram mapping root causes into four categories: man, methods, measurements, and environment.

Table 4. Cause of tax disputes of stock transfer transactions in related parties

Fishbone category	Cause of tax disputes	Indicators	Results of the verdict			Number of verdicts
			Partly granted	Fully granted	Appeal rejected	
Method Measurement Environment	Regulatory and interpretation aspects	Differences in regulatory interpretations	2	2	1	5
		Inconsistency with the ALP	1	2	1	4
		Lack of supporting evidence	1	2	2	5
		Changes in tax policy	-	1	-	1
Environment	Economic and business factors	Tax avoidance motive	1	-	1	2
		Company restructuring	-	1	-	1
		Fluctuations in stock value	-	-	1	1
		Impact of macroeconomic changes	1	-	-	1
Man Measurement	Taxpayer administration and compliance factors	Lack of compliance in tax reporting	-	2	1	3
		Inadequate transfer pricing documentation	1	-	1	2
		Lack of understanding of taxpayers	-	-	1	1
Method	Law enforcement and tax audit factors	Tax audit methods and results	1	8	-	9
		Decision of the tax authority in question	-	4	-	4
		The role of tax courts in deciding disputes	-	2	-	2
Total verdicts			8	24	9	41

Source: Authors' elaboration.

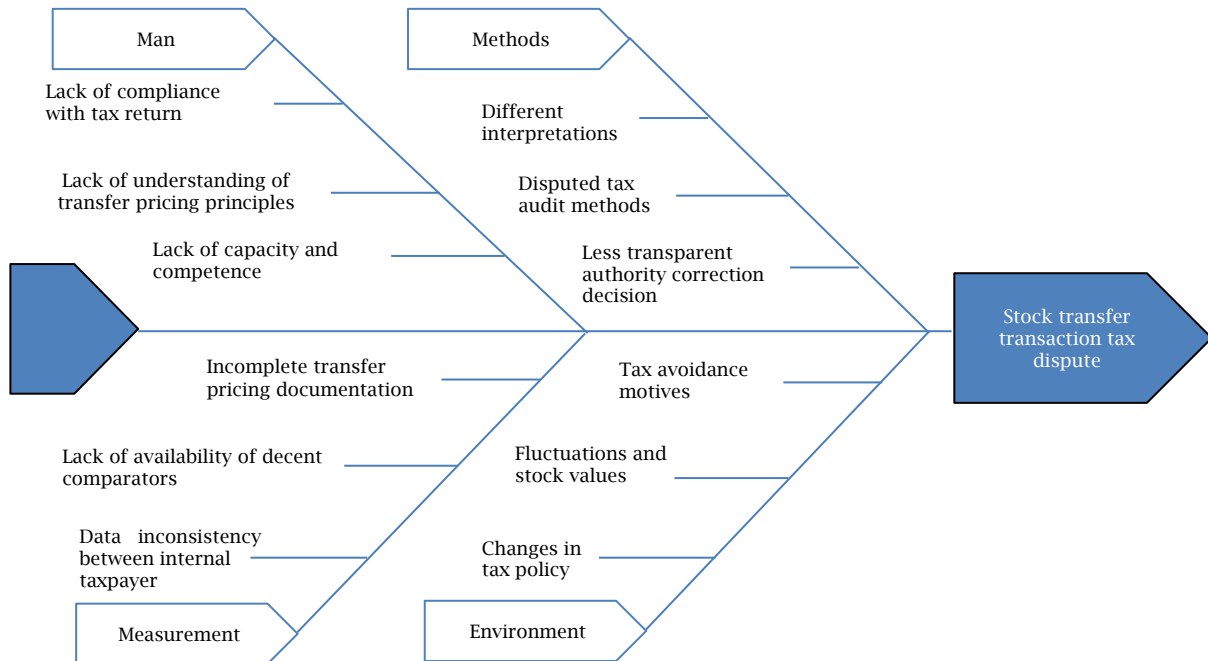
Figure 1 depicts a complex causal pattern in tax disputes over stock transfer transactions involving related parties, with the primary drivers arising from the methods and man factors. The inconsistency of the examination method and the non-uniform interpretation of the ALP reveal weaknesses in consistent law enforcement. Meanwhile, the low reporting competence and understanding of transfer pricing from taxpayers indicate a lack of tax literacy. The measurement and environment aspects add complexity through data mismatches, the absence of reasonable comparators, and tax-avoidance motives in business restructuring. These findings reflect the importance of three factors of tax compliance related to law enforcement, tax fairness, and tax

morality (Malovicki-Yaffe et al., 2025). Enforcement tends to be repressive, fairness is questionable when legitimate transactions are subjectively corrected, and low tax morale is reflected in weak documentation. Based on the analysis of the 2020-2024 court decision, the primary root of the dispute is inadequate taxpayer documentation, inconsistent fiscal corrections, and a lack of alignment between international principles and domestic practices. Dispute resolution requires a holistic approach through education, transparency, and fair law enforcement. These findings are further reinforced by insights from key informants at the Directorate of Objections and Appeals of the Indonesian Tax Authority, who emphasized

the economic and business dimensions of tax disputes. Based on in-depth interviews, objection review officers explained further that claims of business restructuring are frequently advanced by taxpayers as a justification for share transfer transactions. However, such claims are not accepted automatically by the tax authority. Instead, the tax authority conducts a thorough examination of the transaction's underlying economic substance. As highlighted by one informant, the tax authority critically assesses the economic motivation behind the restructuring to determine whether it reflects

genuine business considerations or merely constitutes a formal arrangement aimed at tax avoidance. Where evidence indicates that the restructuring lacks a substantive economic rationale and serves primarily as a tax-driven scheme, the tax authority consistently applies the substance-over-form principle in its assessment and dispute-resolution processes. This approach underscores the tax authority's commitment to safeguarding the integrity of the tax base by prioritizing economic reality over legal form in the evaluation of share transfer transactions.

Figure 1. Fishbone diagram of the causes of tax disputes on share transfer transactions



Source: Authors' elaboration.

5. DISCUSSION OF THE RESULTS

Business sector characteristics significantly affect the risk of tax disputes in affiliated share transfer transactions, particularly in complex sectors such as finance, property, mining, manufacturing, and digital services. Large transaction values, layered ownership, and cross-border structures complicate fair value assessment and frequently lead to undervaluation and insufficient transfer pricing documentation (Anjarwi et al., 2024; Bobek et al., 2025). Dispute risks are further intensified in sectors characterized by multinational profit shifting and opaque corporate arrangements, underscoring the need for sector-specific transfer pricing analysis and adaptive enforcement strategies to ensure legal certainty (Adem et al., 2024; Amani, 2024; Gao et al., 2025; Sesini et al., 2025).

Multinational status significantly increases the risk of tax disputes in affiliated share transfer transactions, particularly in cross-border cases involving jurisdictions with limited transparency, where information asymmetry constrains tax authority assessments and heightens correction risks (OECD, 2022). Differences in documentation standards for local files, master files, and country-by-country reports complicate compliance and intensify audit pressure, prompting multinational

enterprises to strengthen transfer pricing documentation and benchmarking to support arm's length pricing. Consistent with the slippery slope framework, dispute resolution in cross-jurisdictional share transfers requires an integrated approach that combines regulatory clarity, international cooperation, and compliance behavior shaped by trust and enforcement authority.

Transaction value is a key factor in tax disputes over affiliated share transfers, as high-value and cross-border transactions attract greater scrutiny due to their potential fiscal impact and documentation complexity. In such cases, inconsistent transfer pricing documentation, limited access to comparable data, and weak economic justification undermine taxpayers' ability to defend transaction fairness, particularly when multiple valuation methods are applied by tax authorities (Robu et al., 2025; Yang, 2023). This study confirms that discrepancies in transfer pricing documentation and benchmarking across jurisdictions significantly increase dispute risks, underscoring the need for transparent, consistent, and economically grounded documentation to support arm's length pricing in high-value.

Tax disputes in affiliated share transfer transactions are primarily driven by weak transfer pricing documentation, complex affiliation

structures that obscure economic substance, unconvincing share valuations, and divergent interpretations of applicable regulations between taxpayers and tax. These risks intensify in cross-border cases and high-risk sectors, where inconsistent local files, master files, and the absence of credible benchmarking studies significantly weaken taxpayers' defensive positions. Consistent with compliance and dispute resolution literature, a preventive, risk-based approach that prioritizes economic substance, documentation coherence, and valuation transparency is essential to reduce disputes and enhance legal certainty (Castañeda, 2024).

6. CONCLUSION

This study finds that tax disputes over share transfer transactions involving related parties are most prevalent in complex business sectors and multinational enterprises with cross-jurisdictional affiliations, particularly those linked to Japan, the US, Singapore, and the UK. Although most disputed transactions are valued below IDR 100 billion, weak transfer pricing documentation, inadequate economic justification, and inconsistent valuation practices are the primary triggers of tax corrections. Tax Court decisions tend to favor taxpayers who provide coherent, well-supported documentation, while adverse rulings are commonly associated with poor evidence and indications of aggressive tax behavior. The fishbone analysis confirms that disputes arise from regulatory interpretation gaps, limited taxpayer capacity in preparing documentation, complex affiliation structures, and inconsistent audit approaches. From a policy and regulatory perspective, the results imply the need for a risk-based, sector-specific approach to auditing affiliated share transfers, prioritizing high-complexity industries and cross-border transactions.

Harmonization of transfer pricing documentation standards across jurisdictions, particularly local files, master files, and country-by-country reports, is essential to reduce information asymmetry and interpretative conflicts. The tax authority should also strengthen audit capacity and adopt clearer, more uniform regulatory interpretations to improve legal certainty. From a managerial and taxpayer perspective, multinational groups are encouraged to treat transfer pricing documentation not merely as a compliance obligation but as a strategic defense instrument, supported by credible benchmarking and transparent valuation methodologies (Robu et al., 2025; Elumilade et al., 2022). Improved tax literacy, ethical awareness, and compliance readiness are critical to mitigating dispute risks (Castañeda, 2024; Bobek et al., 2025). From an academic perspective, this study contributes to the literature by integrating tax compliance theory, corporate governance, and dispute resolution analysis in the context of affiliated share transfers in developing countries, responding to calls for more governance-oriented and behavioral approaches in tax research (Alsultan & Hussainey, 2024; Soana & de Arruda, 2024).

This study is subject to several limitations, including reliance on convenience sampling of publicly available Tax Court decisions, a focus on the 2020-2024 period, and the qualitative nature of the analysis, which does not quantify the relative strength of each causative factor. Future research should employ larger and more representative datasets over longer periods, integrate quantitative methods such as econometric modelling, and conduct cross-country comparative studies to identify international best practices in preventing and resolving tax disputes over affiliated share transfers.

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