

TAXATION IN INDONESIA

A. Indonesia has adopted the Self-Assessment system on its taxation system

The Self-Assessment System is a taxation method where taxpayers are entrusted with the responsibility to calculate, report, and pay their own tax obligations in accordance with applicable tax laws and regulations.

B. Hierarchy of Indonesian Tax Regulation:

- 1) Constitution (Undang-Undang Dasar);
- 2) Law (Undang-Undang);
- 3) Government Regulation (Peraturan Pemerintah / PP);
- 4) President Decree (Keputusan Presiden / Keppres);
- 5) Minister of Finance Decree (Peraturan Menteri Keuangan / PMK);
- 6) Directorate General Decree (Peraturan Dirjen Pajak)

C. Tax Law Rules:

- 1) General Rules (Ketentuan Umum dan Tata Cara Perpajakan / UU KUP);
- 2) Income Tax Rules (Undang-Undang Pajak Penghasilan / UU PPh);
- 3) Value Added Tax Rules (Undang-Undang Pajak Pertambahan Nilai / UU PPN).

For each Tax Laws will be follow by other regulation as stated on point B above.

D. Tax Subjects:

Tax Subjects consist of Individuals, undivided inheritance represented by heir(s) or heiress (es), entities incorporated or domiciled in Indonesia and Permanent Establishment (Bentuk Usaha Tetap / BUT in Indonesian). Any individual and entity that has fulfilled subjective and objective requirements stipulated in Income Tax Law is obliged to self-register to the tax office (Kantor Pelayanan Pajak/KPP in Indonesian) to be registered as a taxpayer and obtain Tax Identification Number (TIN)

E. Taxpayer Responsibility:

- Taxpayers are responsible for calculating their own tax liability.
- They must pay taxes directly to the state treasury.
- Taxes must be reported via tax returns (Surat Pemberitahuan or SPT).

F. Types of Tax Returns (SPT):

- SPT Tahunan (Annual Return): Submitted once a year (March 31 for individuals; April 30 for entities).
- SPT Masa (Periodic Return): Monthly reports, especially for VAT, employee income tax (PPh 21), and other withholding taxes.

G. Common Taxes under Self-Assessment:

1. Income Tax (PPh):

- PPh 21: Employee income tax (withheld by employers).

- PPh Article 22;
 - PPh Article 23 and/or Article 26;
 - PPh Article 24;
 - PPh 25/29: Installments and final settlement of income tax;
 - PPh Article 4 (2) Final;
 - PPh Final: For small businesses under UMKM rules.
2. Value-Added Tax (VAT/PPN): For registered taxable entrepreneurs (PKP).
3. Transfer Pricing

Transfer pricing in Indonesian taxation is a key compliance area, particularly for multinational companies and businesses that engage in transactions with related parties (affiliates). Indonesia follows the arm's length principle and has implemented comprehensive regulations to prevent base erosion and profit shifting (BEPS) through intercompany transactions.

H. **Electronic Filing and Payment:**

- CoreTax System
- e-Filing and e-Billing systems are mandatory for most taxpayers (will be delegate to CoreTax System – by partial)
- Use the DJP Online portal: <https://djponline.pajak.go.id> (will be delegate to CoreTax System – by partial)

I. **Corporate Annual Income Tax Return (CITR):**

- a. The SPT Tahunan PPh Badan (Annual Corporate Income Tax Return) is the yearly report that corporate taxpayers must submit to declare:
 - Total income and allowable expenses
 - Taxable income
 - Corporate income tax (PPh Badan) liability
 - Tax credits (PPh Pasal 22, PPh Pasal 23 and PPh Pasal 24), prepayments (PPh Pasal 25), or tax under/overpayment
- b. Tariff for common CITR is 22% from Taxable Income
- c. Small Medium Enterprise with Gross Turn Over ≤ IDR 50 billion is eligible for 50% rate reduction on the first IDR. 4.8 billion of taxable income. (Income Tax Law Article 31E)
- d. Final Tax for certain sectors (example for UMKM using 0.5% of turnover will be calculate by monthly basis)
- e. The due date for reporting of CITR is at the latest of April 31st or 4 month after fiscal year ended. Can be extension (if needed) until 2 months after the due date and must submitted the request before the original due date.
- f. CITR of underpayment shall be paid on or before the filling deadline.

- g. The amount of Taxable Income for resident Taxpayers and permanent establishments shall be determined based on gross income deducted by the costs to obtain, collect and maintain income, including: (Deductible Expenses on CITR)
- costs which are directly or indirectly related to business;
 - depreciation of costs to acquire tangible assets and amortization of costs to acquire rights and other costs which have useful life of more than 1 (one) year as referred to in Article 11 and Article 11A;
 - contributions to pension funds whose establishment has been approved by the Financial Services Authority;
 - losses due to sales or transfers of property owned and used or held in the company to obtain, collect and maintain income;
 - losses due to differences in foreign currency exchange rates;
 - costs for research and development of companies conducted in Indonesia;
 - costs for scholarships, internships and training;
 - bad debts, provided that:
 1. they have been charged as expenses in the commercial income statement;
 2. the Taxpayer must submit a list of bad debts to the Directorate General of Taxes; and
 3. the collection case has been submitted to the District Court or government agency in charge of state receivables; or there is a written agreement regarding the write-off of receivables/relief of debt between the creditor and the debtor concerned; or the collection case has been published in a general or special publication; or the debtor acknowledges that a certain amount of the debt has been written off;
 4. the conditions referred to in number 3 do not apply to the write-off of bad debts of small debtors as specified in article 4 paragraph (1) subparagraph k Income Tax Law;
 - donations in the context of national disaster management, the provisions thereto are stipulated by a Government Regulation;
 - donations in the context of research and development conducted in Indonesia, the provisions thereto are stipulated by a Government Regulation;
 - costs of social infrastructure development, the provisions thereto are stipulated by a Government Regulation;
 - donations of educational facilities, the provisions thereto are stipulated by a Government Regulation;
 - donations in the context of sports development, the provisions thereto are stipulated by a Government Regulation; and
 - expenses for considerations or remunerations given in kind and fringe benefits.
- h. To determine the amount of Taxable Income for resident Taxpayers and permanent establishments, the following are non-deductible:
- profit sharing in whatever name and form, such as dividends, including dividends paid by insurance companies to policyholders and profit sharing by cooperatives;
 - expenses charged or incurred for the personal benefit of shareholders, partners or members;
 - establishment or accumulation of reserve funds, except:
 1. allowances for bad debts for banks and other business entities that provide credit, finance leases, consumer finance companies and factoring companies, calculated based on applicable financial accounting standards with certain thresholds after coordinating with the Financial Services Authority;
 2. reserves for insurance businesses, including social aids established by the Social Security Administrative Body;
 3. guarantee reserves for Deposit Insurance Institutions;
 4. reclamation reserves for mining businesses;
 5. reforestation reserves for forestry businesses; and
 6. reserves for closing and maintaining industrial waste disposal sites for industrial waste treatment businesses,that fulfil certain requirements;

- premiums for health insurance, accident insurance, life insurance, endowment insurance and scholarship insurance, which are paid by an individual Taxpayer, unless the premiums are paid by the employer, the premiums shall be calculated as income for the Taxpayer concerned;
- amounts exceeding the reasonable amount paid to shareholders or related parties as remunerations in connection with the work performed;
- granted assets, aids or donations and inheritance, except the zakat received by amil zakat board or other amil zakat institutions established or approved by the government or compulsory religious donations for the followers of religions acknowledged by the government, received by religious institutions established and approved by the government, the provisions thereto are stipulated by or based on a Government Regulation;
- Income Taxes;
- expenses charged or incurred for the personal benefit of the Taxpayers or their dependents
- salaries paid to members of a partnership, firm or limited liability company whose equity is not divided into shares;
- administrative penalties in the form of interest, fines and surcharges as well as fine sentences relating to the implementation of statutory tax provisions.

J. Withholding Income Tax (WHT) Article 21

Withholding Tax Article 21 (PPH Pasal 21) in Indonesian taxation refers to the income tax withheld by employers or other payers on income received by individual taxpayers (Indonesian residents) for services rendered in Indonesia.

The scope of Income Tax article 21 is not limited only to salaries received by employees of a company but also includes various types of income received by resident individual taxpayers from various types of activities or businesses. The following are individuals whose income in connection with their employment, services or activities is subject to Art. 21 (and/or Art. 26 – Foreign Individual Taxpayer):

- Permanent Employees;
- Pensioners;
- Member of board commissioners or supervisory board who receive non-routine remunerations;
- Non-permanents employee;
- Non-employees receiving or accruing income in connection with the provision of services, including:
 - 1) Professionals who perform individual services, consisting of lawyers, accountants, architects, doctors, consultant, notaries, conveyancers, appraisers and actuaries.
 - 2) Musicians, presenters, singers, comedian, film stars, soap opera stars, commercial stars, directors, film crews, photo models, models, actors/actress, dancers, sculptors, painters, content creator in online media, (influencers, celebgrams, bloggers, vloggers and the like) and other artist;
 - 3) Sportsmen;
 - 4) Advisor, teacher, trainers, public speakers, extension employments and moderators;
 - 5) Author, researcher and translator;
 - 6) Service provider in all fields, including engineering, computer and application systems, telecommunications, electronics, photography, economics and social affairs as well as service providers to committee;
 - 7) Advertising agencies;
 - 8) Project supervisors and managers;
 - 9) Couriers or brokers or intermediaries;
 - 10) Salespeople;
 - 11) Insurance agents; and
 - 12) Distributors of multilevel marketing or direct selling companies and other similar activities.
- Activity participants receiving or accruing income in connection with their participation in an activity, among others:

- 1) Participant in competition in all fields, including sport, religious, art, agility, science, technology and other competitions;
 - 2) Participants in meeting, conferences, session, gathering, employments visit, seminars, workshops or shows or other certain activities;
 - 3) Participants in members in a committee as organizers of certain activities; or
 - 4) Student, trainers and interns
- Participants in pension programs of employee status; and
 - Former Employees.
1. The Income Tax art.21 will be withholding by:
 - Employers (for employee salaries)
 - Government agencies
 - Companies, cooperatives, firms, partnerships
 - Individuals designated as tax withholders
 - Payers of professional service fees (e.g., to consultants, freelancers)
 2. Monthly withholding income tax return art. 21 must be withhold and paid by the 15th of the following of the month and reporting on 20th of the following of the month
 3. Tax withheld under PPh 21 is a prepayment of income tax for the individual;
 4. Employers are required to issue a Form 1721-A1 at year-end for employees (used in annual tax return filing)
 5. The Basic formula to calculate income tax art 21 is as below:

Basic Formula PPh 21:

$$\begin{array}{lcl}
 \text{Gross Income} & = & \text{XXXXX} \\
 \text{Deduction} & = & \frac{(\text{XXXXX})}{\text{XXXXX}} * (\text{Pensiun contribution, job expense, income tax threshold/PTKP}) \\
 \text{Taxable income} & & \text{XXXXX}
 \end{array}$$

$$\text{Income Tax Art. 21} = \text{XXXXX} * \text{Taxable Income} \times \text{Progressive Tax Rate}$$

6. The rates of art. 21 WHT are currently determined based on the calculation of the following:
 - The progressive rate pursuant to Income Tax Law which using on December period only. The progressive rate as below:

<u>Taxable Income (IDR/Year)</u>	<u>Tax Rate</u>
Up to 60 million	5%
>60 million to 250 million	15%
>250 million to 500 million	25%
>500 million to 5 billion	30%
above 5 billion	35%

- The effective tax rates of art. 21 WHT (TER) which is using on period of January – November which consist of:
 - a. monthly effective tax rate; or
 - b. daily effective tax rate (using by employee who receive the salaries on daily basis).
- The subject of income tax art. 21 are also entitled to have the tax threshold (PTKP) with the calculation as below:

<u>Status</u>	<u>PTKP Amount</u>
Taxpayer - Single	54.000.000
Spouse	4.500.000
Additonal per dependent (Max 3)	4.500.000

K. Withholding Income Tax (WHT) Article 22

1. Income Tax Article 22 (PPH Pasal 22) deals with withholding tax on certain business activities related to import-export, government procurement, and specific industries. It is designed to ensure tax collection at the source for specific economic activities, particularly those involving goods and trade.
2. The entities who to collect the income tax art. 22:
 - Government institutions (ex. Minister Department);
 - State-owned enterprise (BUMN/BUMD);
 - Certain private companies in sector such as:
 - i. Importers;
 - ii. Automotive, mining, cement, steel industries; and
 - iii. Fuel and gas distributors
 - Banks and other financial institutions (for specific transactions)
3. Tariff of the income tax art. 22:

EVENT	TAX RATES	TAX BASE
IMPORT (WITH API ID)	2.5%	IMPORT VALUE (CIF+DUTIES)
IMPORT (WITHOUT API ID)	7.5%	IMPORT VALUE (CIF+DUTIES)
SALE OF GOODS TO GOV (BUDGET USER/KPA)	1.5%	SELLING PRICE
PURCHASE OF FUEL (SPBU PERT.)	0.25%	
PURCHASE OF FUEL (NON SPBU)	0.30%	
BELOW IS BASED ON APPOINTMENT FROM DIRECTOR GENERAL OF TAX ONLY:		
PURCHASING OF STEEL PROD	0.30%	SELLING PRICE
PURCH. AUTOMOTIVE PROD	0.45%	
PURCH. PAPER PRODUCT	0.10%	
PURCH. CEMENT	0.25%	
PURCH. LUXURY GOODS	5%	

4. Monthly withholding income tax return art. 22 must be withhold and paid by the 15th of the following of the month and reporting on 20th of the following of the month

L. Withholding Income Tax (WHT) Article 23

1. Withholding income tax article 23 is income tax that is withheld by Government agencies, corporate taxpayers, event organizers, Permanent Establishment or Representative Office on Income paid or payable or due for payments to other taxpayers or Permanent Establishment on the gross income from following Income:

No	Type of Income	Tax Rate	Remarks
1	Dividends	15%	Calculate on the Gross Amount Paid
2	Interest (including discount, premiums)	15%	
3	Royalties	15%	
4	Prize, awards and bonuses and the like other than those have been subject to art. 21	15%	
5	Service fees (technical, consulting, management, etc)	2%	
6	Rental (beside Land and/or buildings)	2%	
7	Other Income for services other than those that have been subject to Art. 21 WHT	2%	

2. Fees in connection with technical services, management services, construction services as stated on Minister of Finance regulation number PMK 141/PMK.03/2015 can be refer as below:

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> • Appraisal • Actuary • Accounting, bookkeeping and attestation • Design • Drilling for oil and gas mining except for those performed by a Permanent Establishment • Support for geothermal, oil and gas mining • Support for general mining (i.e. other than geothermal, oil and gas) • Flight and airport support • Forest felling • Waste processing | <ul style="list-style-type: none"> • Labour supply/ outsourcing • Intermediary/agency • Securities trading, except for those performed by stock exchanges, KSEI, and KPEI • Custodianship and storage except for those performed by stock exchanges, KSEI and KPEI • Sound dubbing • Film mixing • Computer-related (i.e. software, hardware or system) • Installation (e.g. electricity, machinery, or telephone equipment) except for those rendered by licensed construction companies | <ul style="list-style-type: none"> • Maintenance and improvement (e.g. electricity, machinery, or telephone equipment) except for those rendered by licensed construction companies • Toll manufacturing (<i>maklon</i>) • Investigation and security • Event organisation • Provision of space and/or time in mass media, outdoor media and other media for the dissemination of information, and/or advertising • Pest eradication • Cleaning • Catering • Packaging |
| <ul style="list-style-type: none"> • Legal • Architecture • City planning and landscape architecture • Creation of film promotion tools, advertisements, posters, photos, slides, banners, pamphlets, and billboards • Website development • Internet • Storage, processing, and/or distribution of data, information, and/or programs • Maintenance of vehicle and/or land, marine, and air transportation means • Suction of septic tank • Pool maintenance | <ul style="list-style-type: none"> • Freight forwarding • Logistics • Document handling • Loading and unloading • Laboratory and/or testing, except for those performed by educational institutions in academic research • Parking management • Soil test for construction • Land preparation and/or cultivation • Seeding and/or seeds planting • Plant maintenance • Harvesting • Processing of agricultural, plantation, fishery, livestock, and/or forestry products • Decoration | <ul style="list-style-type: none"> • Printing/publishing • Translation • Freight/expedition, except for those subject to Article 15 Income Tax • Port-related matters • Transport via pipelines • Child care • Training and/or course • Delivery and loading money to ATM • Certification • Survey • Tester • Services other than those mentioned above which payment is charged to central or regional government budget |

3. Monthly withholding income tax return art. 23 must be withheld and paid by the 15th of the following of the month and reporting on 20th of the following of the month

M. Withholding Income Tax (WHT) Article 4 par 2 Final Tax

1. WHT Article 4 par 2 Final Tax is certain types of income that are subject to final income tax. The final income tax withheld by the income payer cannot be used as a tax credit against income tax payable for the income recipient. The final income tax are imposed on several income as follows

No	Description	Final Income Tax Rate	Remarks
1	Rent of Land and/or Buildings	10%	
2	Transfer of land/building rights	2.5%	
3	Lottery Prizes	25%	
4	Interest on time deposits and savings	20%	
5	Interest or discount on bonds	10%	
6	Construction services	1.75% / 2.65% / 3.5% / 4% / 6%	Varies of tariff depends on classification
7	Dividends paid to individual	10% or exempt	to obtain the exemption, the dividends need to be reinvested in Indonesia for three consecutive years and the reinvestment must be reported annually
8	Income from Micro, Small and Medium Enterprise (MMEs)	0.5%	On turnover ≤ IDR 4.8 billion/year (for eligible taxpayers)

2. Characteristics of Final Tax are:
 - a. Not Creditable or deductible. Cannot be credited against annual income tax liability;
 - b. Gross Basis. No deductions allowed from Income (e.g. cost, expenses);
 - c. Reporting: Generally, these are reported only as informative income in the Annual Tax Return (SPT), unless stated otherwise;
 - d. Simplifies tax compliance, especially for small businesses and passive income earners.
3. Monthly withholding income tax final (WHT art. 4 par 2) must be withheld and paid by the 15th of the following of the month and reporting on 20th of the following of the month

N. Withholding Income Tax (WHT) Article 26

1. WHT Article 26 is a withholding tax (WHT) imposed on income earned in Indonesia by non-resident individuals or foreign companies, which does not have a permanent establishment (BUT - Bentuk Usaha Tetap) in Indonesia.
2. The WHT Art. 26 are imposed on several income as follows:

No	Description	Final Income Tax Rate	Remarks
1	Dividends	20%	Tax Base from Gross Amount and must be withheld by the Indonesian payer
2	Interest	20%	
3	Royalties	20%	
4	Fees for Services (technical, management consulting etc)	20%	
5	Prizes, Bonuses	20%	
6	Rents or income from property/assets	20%	
7	Gains from sale of assets in Indonesia	20%	

3. Tax Treaty (P3B) Reductions: Indonesia has signed double taxation agreements (DTAs) with many countries. If the recipient is a tax resident of a treaty partner country, the 20% rate may be reduced — often to:

- Dividends: 10% or 15%
- Interest: 10% or 15%
- Royalties: 10% or lower
- Service fees: Depending on treaty — some countries exempt these

To claim treaty benefits, the foreign taxpayer must submit a Certificate of Domicile (SKD - Surat Keterangan Domisili) using Form DGT-1 or DGT-2.

4. Monthly withholding income tax return art. 26 must be withheld and paid by the 15th of the following of the month and reporting on 20th of the following of the month

O. Value Added Tax

1. Value Added Tax (VAT) is imposed on supplies of taxable supplies and/or utilization of taxable supplies from outside or within Indonesia occurring in the Indonesian custom territory.
2. VAT Rate and Tax Base:
 - Tax Base = $11/12 \times \text{Selling Price}$
 - VAT Rate = 12%
 - VAT calculation = $\text{Selling Price} \times 11/12 \times 12\%$
3. Under the Indonesian VAT Law, there is the term taxable persons (Pengusaha Kena Pajak/PKP in Indonesian), which is defined as an entrepreneur supplying taxable goods (Barang Kena Pajak/BKP in Indonesian) That are subject to taxes pursuant to VAT Law.
4. In further detail, the following are events subject to VAT:
 - a. Supplies of taxable goods within the custom territory conducted by the entrepreneurs;
 - b. Import of Taxable Goods;
 - c. Supplies of taxable services within the customs territory conducted by the entrepreneurs;
 - d. Utilizations of intangible taxable goods from outside the custom territory within the customs territory;
 - e. Utilizations of taxable services from outside the custom territory within the customs territory;
 - f. Exports of tangible taxable goods by taxable person;
 - g. Exports of intangible taxable goods by taxable person; and
 - h. Exports of taxable services by taxable person.
5. Delivery of Taxable Goods:
 - a. Delivery of title of goods based on agreement
 - b. Transfer of leased assets
 - c. Delivery by intermediary trader
 - d. Own use/free gift, sample
 - e. Transfer with branch (unless centralization)
 - f. Delivery of consignment goods
 - g. Supplies of taxable goods based on sharia principal
6. The following are events excluded from the definition of supplies of taxable goods:
 - a. Supplies of taxable goods to a broker as referred to in the Indonesian Commercial Code;
 - b. Supplies of taxable goods to guarantee debts;
 - c. Supplies of taxable goods in the event that taxable persons centralize the place of supply;
 - d. Transfer of taxable goods in the context of a merger, consolidation, spin off, split up and acquisitions and transfer of taxable goods for paid up capital, provided that parties transferring and receiving such transfer are taxable person; and
 - e. Taxable goods in the form of assets that, according to their original purpose, are not for sale.

7. The following are goods not subject to VAT:

- a. Food and Beverages served in hotels, restaurant, eateries, grocery shop and the like;
- b. Money, gold bullion for foreign exchange reserves and securities.

8. The following are services not subject to VAT:

- a. Religious services;
- b. Art and entertainment services;
- c. Hospitality services;
- d. Services provided by government in the context of governance in general;
- e. Car park services; and
- f. Catering Service.

9. VAT Administration

- a. Invoice requirement = must issue a Tax Invoice (Faktur Pajak);
- b. VAT Credit = PKP can credit input VAT against output VAT;
- c. Filling of VAT Return = Must be filled to the DGT by the end of the following month after the taxable period.

VAT Return consist of a list of total VAT Output and total VAT Input in one period. The different of total amount VAT Output and VAT Input can be tax underpayment or tax overpayment.

P. Transfer Pricing

1. Transfer pricing refers to the pricing of goods, services, or intangibles transferred between related parties, especially across borders.

The concern: Is the price fair ("arm's length"), or is it manipulated to reduce taxable income in Indonesia?

2. Transfer pricing in Indonesian taxation refers to the rules and practices that govern pricing transactions between related parties, particularly in cross-border dealings. Indonesia, like many other countries, closely monitors transfer pricing to prevent tax avoidance and ensure that profits are properly reported and taxed in the correct jurisdiction.

3. Indonesia refer to OECD Transfer Pricing Guidelines (Indonesia aligns broadly with OECD principles).

4. Related parties are defined by ownership or control relationships, including:

- a. Parent-subsidiary;
- b. Sibling companies under common control;
- c. Significant influence/shareholding (>25%); or
- d. Related through management or ownership.

Domestic and cross-border related-party transactions are both covered.

5. Transfer Pricing Documentation Requirements (TP Doc);

a. Local File

Details of transactions between the taxpayer and its related parties in Indonesia, including:

- Functional and risk analysis
- Benchmarking study
- Comparability analysis
- Transaction details

b. Master File

Global overview of the multinational enterprise (MNE), including:

- Group structure
- Transfer pricing policies
- Intangible assets
- Financial arrangements

c. Country by Country Report (CbCr Report)

Required if:

- Consolidated group revenue \geq IDR 11 trillion
- Parent entity is Indonesian or the report is not available via exchange mechanisms

Indonesia has adopted BEPS Action Plan (especially Action 13 on TP documentation) and participates in the Multilateral Competent Authority Agreement (MCAA) for CbCR exchanges.

d. Thresholds for Documentation Requirements

Taxpayers must prepare **Local and Master Files** if:

- Annual gross revenue > IDR 50 billion, and
- Related-party transactions exceed:
 - i. Tangible goods: IDR 20 billion
 - ii. Services, royalties, interest, etc.: IDR 5 billion

6. Indonesian tax law requires that transactions between related parties follow the ALP. Accepted methods include:

- a. Comparable Uncontrolled Price (CUP)
- b. Resale Price Method
- c. Cost Plus Method
- d. Profit Split Method
- e. Transactional Net Margin Method (TNMM)

7. Advance Pricing Agreements (APA) – Indonesia allows:

- a. Unilateral APA; and
- b. Bilateral/Multilateral APA (with treaty partner's)

APA help businesses avoid future TP disputes by agreeing on pricing methods in advance.