

WAKE UP CALL

BRINGING YOU THE UPDATED NEWS
FROM **RSM INDONESIA**

QUARTER I - 2026

Welcome to issue 76 of Wake Up Call,
RSM Indonesia newsletter covering topics on audit, tax and consulting.

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THE LISTED COMPANIES' ESG ASPECTS OF PERFORMANCE REPORTING

GMB Daniel Probo, Consulting Practice

The Indonesia Stock Exchange (IDX) requires ESG reporting through mandated disclosures aligned with OJK Regulation No.51/POJK.03/2017, focusing on sustainability, and newer 2025 guidelines. Companies submit ESG metrics via Form E020 on SPE-IDXnet, covering 7 environmental, 12 social, and 9 governance metrics, often adopting ASEAN Common Core Metrics.

Backgrounds

With the increasing awareness of Environmental, Social, and Governance (ESG)-related issues that are part of the Company's non-financial information, especially from the perspective of the impact of ESG aspects on corporate sustainability and medium to long-term corporate performance, ESG aspects are not merely additional assessments in investor decision-making but have become an important and inseparable part in making investor investment decisions and in disclosing information transparency by companies.

Besides business aspects, from compliance aspects, several Indonesian regulations also become the main driving factors for Listed Companies to implement and report ESG as part of their Non-Financial information submitted to the public, as follows:

- "Golden Indonesia 2045" in Law Number 59 of 2024 regulates the National Long-Term Development Plan (RPJPN) for 2025–2045 in supporting the realization of the Vision of Golden Indonesia 2045.
- Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector requires financial sector business actors, issuers, and public companies to prepare sustainability reports as part of their accountability for the performance of implementing Sustainable Finance.
- Law Number 16 of 2016 concerning the Ratification of the Paris Agreement enshrines the Paris Agreement into Indonesian national law, which aims to limit global temperature increases to below 2°C.
- POJK 51/POJK.03/2017 is issued as an important foundation in directing Listed Companies to be more concerned about the social and environmental impacts of business operations. Currently, finalization of the existing regulations update are still on-going, with the plan to issue the new POJK and PADK on the implementation of Sustainable Finance for Financial Sector Business Actors, Issuers, and Public Companies.
- SEOJK Number 16/SEOJK.04/2021 includes information that must be reported by issuers, such as financial reports, corporate governance, and information related to ESG aspects.

Key Points

Double Materiality Concept

By using the Double Materiality Concept, the Listed Companies are expected to prepare their ESG Report that inform the impact of a company's activities on the environment, society and economy ("inside-out" impacts) is equal to the impact of external factors on the company's financial performance ("outside-in" impacts).

ESG Reporting Principles

Listed Companies need to prepare their ESG reports in accordance with ESG Reporting principles, as follows:

- Data Quality – To support the delivery of accurate and credible information to company stakeholders, it is recommended to refer to the approach in calculating and reporting indicators as in the reporting framework recognized locally and internationally.

- Transparency – ESG reporting discloses information about the environmental, social and governance aspects of the Listed Company.
- Coverage – It is recommended to report data that covers the entire spectrum of the Listed Company's operations.
- Assurance – It is recommended for Listed Companies to obtain assurance from a certified third party to ensure the credibility of the ESG metrics.

ESG Theme Issues Classification

- Environmental (E) focuses on greenhouse gas emissions, energy consumption, water utilization, waste management, and biodiversity conservation.
- Social (S) covers employment practices, diversity, occupational health and safety, community engagement, and human rights compliance.
- Governance (G) relates to board composition, anti-corruption policies, shareholder rights, transparency, and tax compliance.

ESG Reporting Indicators

- Environmental performance includes greenhouse gas emissions, electricity consumption, water consumption, and waste generated.
- Social performance includes gender equality, employee turnover, employee training and development, number of work accidents, and corporate social responsibility (CSR).
- Governance performance includes management diversity and independence, attendance of directors and commissioners, code of ethics and/or anti-corruption, and prevention of conflicts of interest

Key Considerations

Stakeholder Engagement involves engaging with stakeholders to understand their priorities, concerns, and expectations regarding ESG performance.

Materiality Assessment identifies material issues that are significant both for the organization and its stakeholders.

CONCLUSION

ESG Reporting aims to increase transparency and accountability of companies for environmental, social and governance impacts. It improves the company's reputation, encourages sustainable business practices, and helps companies identify ESG-related risks and opportunities. Companies are expected to use internationally recognized standards, conduct data collection systematically, and prepare ESG reporting annually with recommended third-party assurance.

RECOMMENDATION

A structured approach is needed when preparing the ESG Report. This includes defining objectives, conducting materiality assessment, collecting and prepare relevant data, analyzing performance, developing and publishing the report, ensuring compliance, independent third-party assurance, and continuously improving based on feedback.



For further information, please contact : inquiry@rsm.id

PMK 112 OF 2025: TREATY BENEFITS ARE NO LONGER YOURS TO ASSUME

Ichwan Sukardi & T Qivi Hady Daholi, Tax Practice

Indonesia just overhauled its treaty rules. PMK 112 of 2025, issued 30 December 2025, replaces the old procedural framework with a substance-driven, anti-abuse regime carrying Minister of Finance-level authority. This is not a minor update. It is a structural overhaul of how treaty benefits are accessed, defended, and denied. So, if you are still operating under the old assumptions, you are already behind.

Why This Should Keep You Up

Most companies treated treaty compliance as a filing exercise. Submit the DGT Form, get the reduced rate, move on. That approach worked – until now.

PMK 112 of 2025 introduces a fundamentally different proposition: treaty benefits are earned, not assumed. And the burden of proving you have earned them falls on the Indonesian withholding agent.

What Changed	Why It Is Relevant
Legal authority elevated	As a Minister of Finance Regulation, PMK 112 carries real weight in Tax Court – unlike prior DGT-level rules.
PPT codified	Tax authority can deny benefits if obtaining the treaty advantage was one of the principal purposes of your arrangement – even if every form is properly filed.
Beneficial ownership tightened	Recipients must demonstrate control over funds, bear economic risk, retain $\geq 50\%$ of income, and have no obligation – written or unwritten – to pass income onward.
Withholding agents become gatekeepers	Indonesian payers must verify treaty eligibility, not just process forms. Wrong rate = their assessment risk.
365-day holding period enforced	Lower dividend rate requires 365 continuous days of qualifying ownership including the payment date. No exceptions.
PE anti-avoidance strengthened	Contract splitting, commissionaire arrangements, and activity fragmentation are explicitly targeted with aggregation rules.

The Principal Purpose Test: The Rule That Changes Everything

The PPT is drawn directly from BEPS Action 6 and Multilateral Instrument. Indonesia has now operationalized it into domestic procedure. Under Article 28 of PMK 112/2025, the tax authority can now deny treaty benefits if it concludes that one of the principal purposes of a transaction or arrangement was to obtain those benefits.

The analysis is not limited to reading contracts. PMK 112 of 2025 directs the tax authority and withholding agent to examine the full picture: the transaction structure, the timing, the parties involved and their relationships, the legal form versus the economic substance, the allocation of rights and obligations, and – critically – whether the treaty benefit obtained outweighs any genuine commercial rationale.

Beneficial Ownership: Substance Over Paper

For corporate recipients of Indonesian-sourced income, the regulation requires four substantive conditions: control over the funds, retention of at least 50% of income, risk-bearing on own assets and liabilities, and no obligation, written or unwritten, to pass income onward. Consequently, intermediate holding companies, regional treasury centers, and IP holding structures that lack genuine substance are the primary targets.

PE Risk Just Got Real

PMK 112 of 2025 does not just restate existing PE rules. It actively targets avoidance techniques that have worked to keep foreign enterprises below the PE threshold. It targets three avoidance techniques.

- Contract splitting: project periods of the foreign enterprise and closely related persons at the same site are aggregated (each must exceed 30 days).
- Agency PE: a PE arises even without formal contract signing if the agent habitually plays the principal role leading to contract conclusion.
- Anti-fragmentation: individually "auxiliary" activities can create a PE when they form complementary functions of a cohesive business.

When the DGT finds PE avoidance, it can issue a tax ID ex officio which triggering full obligations retroactively.

Withholding Agents: First Line of Liability

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What You Should Do

- Audit treaty-dependent structures by mapping every cross-border flow relying on treaty benefits and test whether the recipient has genuine substance.
- Stress-test beneficial ownership against Article 19(2).
- Reassess PE exposure under the aggregation, agency, and anti-fragmentation rules.
- Upgrade withholding controls by building treaty verification into your compliance calendar.
- Build PPT defense files: document the commercial rationale for every treaty-benefited arrangement.
- Verify 365-day dividend holding periods, including the payment date.

The Bottom Line

PMK 112/2025 is not something to read once and file away. It's a live risk factor for any business with cross-border flows touching Indonesia. The regulation is designed to make treaty abuse harder, treaty access more conditional, and treaty disputes more consequential.

Companies that move early – reviewing structures, building documentation, tightening controls – will be in a defensible position. Those that don't will find out the hard way, in an audit or an assessment notice, that the old assumptions no longer apply.

Don't wait for the audit. Act now.



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GOVERNING AGENTIC AI IN INDONESIA: BRIDGING GLOBAL STANDARDS WITH LOCAL LAW AND CULTURE

Sindhu Wardhana, Consulting Practice

AI That Acts, Not Just Answers

Artificial intelligence in Indonesia is undergoing a qualitative shift. Systems are moving beyond answering questions to autonomously planning tasks, calling tools, updating records, and executing decisions across enterprise workflows—without waiting for human instruction at every step. The OECD defines agentic AI as coordinated systems that decompose goals, collaborate, and operate with higher autonomy in open-ended environments.

The distinction is not incremental; it is structural. A flawed summary is inconvenient. An AI agent with access to internal systems can generate operational, financial, legal, and reputational consequences. ISACA's 2026 analysis identifies four emerging risk areas: agent security, organizational liability, data integrity, and the widening gap between AI ambition and governance readiness.

The central question for boards has therefore changed: it is no longer only whether AI outputs are accurate, but under what conditions AI may act on the organization's behalf. Governance must shift from output assurance to action assurance.

Feature	AI Co-Pilot	Agentic AI
Level of Autonomy	Low – works under human guidance	High – operates independently
Primary Role	Assistive, supportive	Autonomous, decision-making
Learning Capability	Limited – requires user input	High – learns and adapts over time
Ideal Use Cases	Creative tasks, decision support	Process automation, real-time operations
Dependency on Humans	High – collaborates with users	Low – minimal human intervention
Implementation Complexity	Low to medium	Medium to high

Figure 1. Agentic AI moves beyond static copilots by planning tasks, calling tools, and executing actions across enterprise systems

Indonesia's Regulatory Trajectory

This capability shift arrives as Indonesia enters a regulatory transition. In January 2026, the Minister of Communication and Digital stated that AI regulation had become a presidential priority, with a presidential regulation on the national AI roadmap and safety-and-ethics guidelines under preparation. Derivative sector rules and mandatory labelling of AI-generated content will follow.

Three regulatory pillars are converging. The forthcoming presidential regulation will formalize national AI governance. Stranas KA 2020–2045 and the Komdigi National AI Roadmap already provide the normative foundation—framing AI around ethics, human-centric decision-making, transparency, non-discrimination, and alignment with Pancasila values. The UU PDP supplies the compliance backbone: clear consent, purpose limitation, and data minimization, with full enforcement expected by late 2026. In financial services, OJK strengthened its AI ethics guidance in late 2025, sharpening focus on consumer protection, data reliability, inclusion, cyber resilience, and fairness.

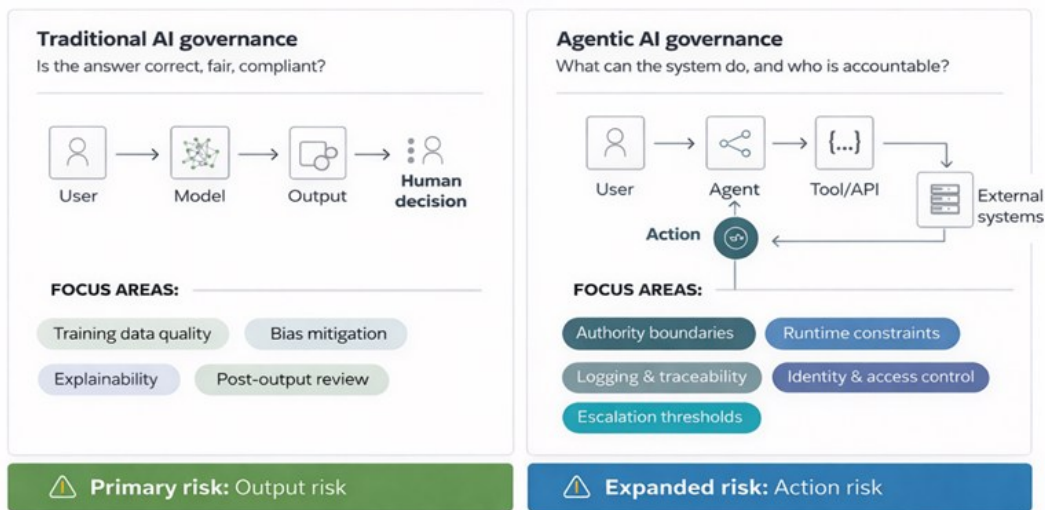


Figure 2. Agentic AI adds an “action governance” layer that defines what the system may do, where it can act, and how those actions are controlled and audited.

From Model Governance to Action Governance

Traditional AI governance focuses on model quality—fairness, robustness, explainability, validation. Those controls remain essential. But agentic AI demands an additional layer: action governance—defining what the AI may do, which systems it can access, when human approval is mandatory, what is logged, how anomalies are escalated, and how actions are reversed when things go wrong.

The analogy is straightforward: model governance is like checking the quality of an analyst’s recommendation; action governance is like defining that analyst’s delegated authority, approval limits, and audit trail. Agentic AI turns that distinction from useful theory into an operational necessity.

Global Standards, Local Implementation

Global frameworks are highly relevant, but must not be imported mechanically. ISO/IEC 42001 provides the AI management system backbone; ISO/IEC 42005 extends it with structured impact assessments; ISO/IEC 42006 strengthens certification credibility; and the NIST AI RMF offers practical guidance for governing, mapping, measuring, and managing AI risk.

The challenge is translation, not imitation. Global standards describe sound control architecture; Indonesian law determines how those controls are operationalized locally. Organizations must weave Pancasila-based ethics, UU PDP obligations, labelling expectations, and sector-specific requirements into one coherent governance model. Global standards supply the chassis and safety engineering; Indonesian law supplies the road rules and cultural expectations. Companies need both.

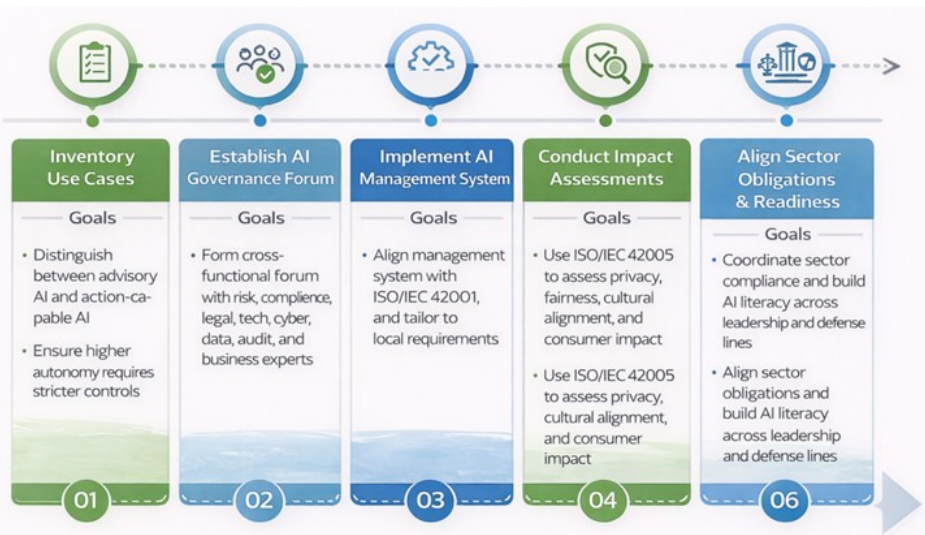
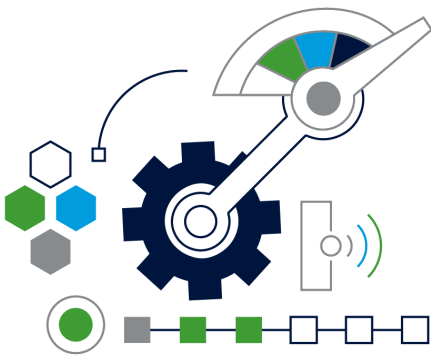


Figure 3. A phased roadmap helps Indonesian organizations move from isolated experiments to a structured, certifiable model for governing agentic AI.

Five Priorities for Boards

- First, inventory AI use cases and distinguish advisory AI from action-capable AI—higher autonomy demands stronger controls.
- Second, establish a cross-functional AI governance forum spanning risk, compliance, legal, technology, cybersecurity, data, audit, and business ownership.
- Third, implement an AI management system aligned with ISO/IEC 42001, adapted to local requirements and sector obligations.
- Fourth, design action-governance controls: least-privilege access, approval thresholds, human-in-the-loop checkpoints, comprehensive logging, and incident response.
- Fifth, invest in workforce readiness across both lines of defense—agentic AI does not eliminate the need for human judgment; it changes where that judgment sits.



Indonesia has a genuine opportunity to shape an AI governance model that is both globally credible and locally grounded. The organizations that will benefit most are those that recognize the next challenge early: governing what AI does, not just what it says.

The question for leadership is no longer whether agentic AI will arrive, but whether the governance architecture is ready to deploy it safely, lawfully, and at scale.



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OUR ACTIVITIES

RSM INDONESIA ANNIVERSARY

On 4 March 2026, RSM Indonesia celebrated its 41st anniversary. The celebration was enriched by the many prayers and heartfelt wishes shared by our people for the firm's continued success and growth.

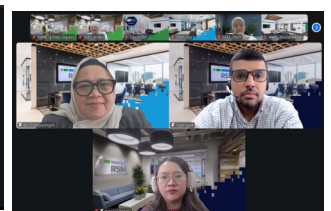
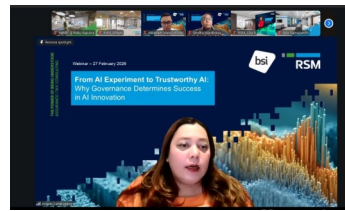
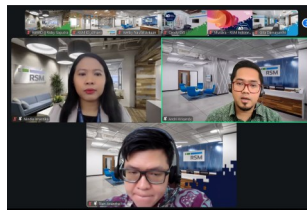
Over the past 41 years, RSM Indonesia has grown significantly, with offices in Jakarta and Surabaya and a team of more than 1,000 professionals, supporting clients across Indonesia and abroad, reflecting our continued growth and strength as a firm.



RSM INDONESIA WEBINAR

Throughout the first quarter, we successfully delivered a series of webinars focused on timely issues with meaningful impact across businesses and industries. Our professionals provided in-depth perspectives on key topics, including the latest updates on the implementation of Coretax for both individual and corporate tax return, as well as practical approaches to building trustworthy AI systems within organizations.

Recordings of these sessions are available on our official [YouTube](#) channel. Stay tuned for more details on our upcoming webinar series.



RSM INDONESIA HALAL BIHALAL



Still in the spirit of Eid al-Fitr, we held a Halal Bihalal gathering at Financial Hall Jakarta. The event was attended by more than 600 participants, including staff, partners, and advisors of RSM Indonesia. The event served as a meaningful occasion for employees to reconnect, strengthen relationships, and exchange apologies in the spirit of forgiveness.

In this event, we had a religious talk, a quiz session, and a dinner together. The atmosphere was warm and engaging, reflecting togetherness and strong team spirit among staff.

Through this gathering, we reaffirmed our commitment to fostering unity, collaboration, and a positive working environment moving forward.

INDONESIA FACTS

KOMODO DRAGON – Endemic Species of Indonesia



The Komodo dragon is the largest living lizard in the world and one of Indonesia's most remarkable endemic species, often regarded as a living relic from prehistoric times. It can grow up to 3 meters in length, weigh between 70 and 90 kilograms, and live for around 30 years in the wild. Today, there are fewer than 6,000 individuals remaining, primarily found in Komodo National Park and nearby islands such as Rinca and Flores.

Komodo dragons are powerful and efficient predators. They can run at speeds of up to 20 km/h over short distances and are capable of consuming up to 80% of their body weight in a

single feeding. Their highly developed sense of smell allows them to detect prey from as far as 5 kilometers away. Using their sharp, serrated teeth and venomous bite, they can bring down large animals such as deer and wild boar. After an initial attack, they may track their prey for hours or even days until it weakens.

RSM INDONESIA PUBLICATIONS

We issued 2 Client Alert publications during 1st quarter of 2026.

- Extension of Tax Incentive for Government Borne Article 21 Income Tax
- Revisions to Framework for Implementing Tax Treaties

Click [here](#) to read more on our publication – Client Alert.



Thank you for reading



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