



Analysis of The Impact of Actual Paid-Up Capital Difference and Investment Activity Reports (LKPM) on PT PMA's Tax Obligations

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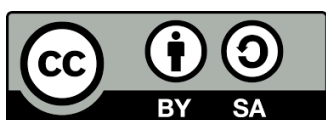
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Abstract

Foreign investment companies in Indonesia are required to ensure consistency among capital commitments, actual capital contributions, accounting records, tax reporting, and Investment Activity Reports (Laporan Kegiatan Penanaman Modal, LKPM). This qualitative descriptive case study examined the factors contributing to discrepancies between paid-up capital reported in LKPM and actual capital deposits, the appropriate accounting classification of shareholder funds under applicable accounting standards, and the potential tax risks arising from inconsistent financial reporting and treatment. Data were collected from corporate legal documents, LKPM reports, financial statements, corporate income tax returns, and semi-structured interviews with financial managers, tax consultants, and business licensing practitioners. The data were analyzed through comparative document analysis and qualitative content analysis. [AUTHOR DATA REQUIRED: Specify the number and selection criteria of companies or cases, informants, and documents; the research period; and the informant selection procedures.] The findings identified four recurring factors contributing to paid-up capital discrepancies: phased capital contributions, delays associated with foreign exchange transactions and banking clearance procedures, shareholder funds received without timely notarial documentation or formalization, and information asymmetry between legal and licensing departments and accounting and taxation functions. Furthermore, the inappropriate classification of equity contributions as shareholder loans could distort the debt-to-equity ratio (DER), affect the deductibility of interest expenses, and create uncertainty regarding the tax treatment of related-party transactions. To address these risks, the study proposed an integrated compliance governance framework emphasizing periodic reconciliation of capital records, standardized documentation of fund transfers, timely completion of notarial and corporate formalities, systematic monitoring of the DER, and regular tax compliance reviews. The study contributed a cross-functional compliance framework that integrated investment reporting requirements, the economic substance of accounting transactions, and tax risk mitigation strategies for foreign investment limited liability companies (Perseroan Terbatas Penanaman Modal Asing, PT PMA) in Indonesia.



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INTRODUCTION

Foreign direct investment (FDI) remains a significant source of development financing, although its global recovery has been uneven. The United Nations Conference on Trade and Development (UNCTAD) reported that global FDI inflows increased by approximately 6% to USD 1.6 trillion in 2025, while developing economies experienced growth of only 2%, reaching USD 901 billion. Furthermore, the world's 20 largest FDI recipient economies accounted for more than 80% of global inflows (UNCTAD, 2026). This concentration underscores the importance of transparent investment administration, credible corporate capital structures, and consistent cross-border tax treatment for countries seeking to attract and retain foreign investment while maintaining investor confidence (Law Number 7 of 2021 Concerning the Harmonization of Tax Regulations, 2021; Law Number 25 of 2007 Concerning Investment, 2007; Law Number 40 of 2007 Concerning Limited Liability Companies, 2007).

Indonesia has continued to attract substantial domestic and foreign investment. The Ministry of Investment and Downstream Industry/Investment Coordinating Board (BKPM) reported that total realized investment reached IDR 1,931.2 trillion in 2025, comprising IDR 900.9 trillion in foreign direct investment and contributing to the creation of approximately 2.71 million employment opportunities (Ministry of Investment and Downstream Industry/BKPM, 2026). The magnitude of these investment flows highlights the importance of regulatory compliance among foreign investment companies. Beyond fulfilling administrative requirements, consistency across business licensing, corporate documentation, accounting records, and tax reporting plays a critical role in supporting effective regulatory oversight, ensuring financial transparency, and strengthening the reliability of reported investment realization (Development, 2024b, 2024a; (UNCTAD), 2025).

Foreign investment limited liability companies (Perseroan Terbatas Penanaman Modal Asing, PT PMA) operate within Indonesia's investment and corporate legal frameworks, which establish requirements concerning minimum investment values and paid-up capital under applicable BKPM regulations. The investment licensing framework requires companies to report investment values and capital commitments through the Online Single Submission (OSS) system and submit periodic Investment Activity Reports (Laporan Kegiatan Penanaman Modal, LKPM). In addition, corporate capital contributions and changes in capital structure must be supported by legally valid documentation in accordance with applicable company law. These requirements establish multiple reporting mechanisms intended to reflect the same underlying capital transactions, although the corresponding records are frequently maintained by different organizational departments, potentially increasing the risk of inconsistencies.

The LKPM serves as a regulatory reporting instrument for monitoring investment realization and compliance with business licensing obligations (Fitri, 2021; Kusumastito, 2022; Lisa, 2022). In practice, legal and licensing personnel may prepare LKPM submissions based on notarial deeds and documented investment commitments, whereas finance and taxation personnel record actual capital inflows, maintain accounting records,

and prepare financial statements and corporate income tax returns (Development, 2025b, 2025a, 2026; (UNCTAD), 2026). Without systematic reconciliation between these functions, reported paid-up capital may differ from the actual capital contributions received by the company. Such discrepancies can create inconsistencies across regulatory and financial reporting systems, potentially raising compliance concerns when authorities conduct cross-checks or reconcile investment, corporate, banking, and taxation records. Nevertheless, differences between reported capital and bank deposits must be assessed in light of the timing, form, and supporting documentation of each capital contribution.

The accounting classification of shareholder funding depends on the economic substance of the transaction and the contractual rights and obligations associated with the financial instrument. Under the principles governing the presentation of financial instruments, an instrument is generally classified as equity when it does not impose a contractual obligation on the issuer to deliver cash or another financial asset, whereas a contractual repayment obligation generally supports classification as a financial liability (Accountants, 2023; Foundation, 2024). Accordingly, shareholder contributions received before the completion of formal capital documentation require careful evaluation to determine their appropriate accounting treatment. The classification of these funds as equity or liabilities should reflect their contractual substance and applicable accounting requirements rather than relying solely on the terminology used in corporate deeds, investment licensing documents, or internal financial records.

Potential tax consequences may arise when shareholder funds reported as paid-up capital in investment documentation are recognized as shareholder loans or related-party financing in accounting records. Indonesia's Minister of Finance Regulation No. 169/PMK.010/2015 establishes a maximum debt-to-equity ratio of 4:1 for determining the deductibility of borrowing costs for certain corporate taxpayers, subject to applicable exclusions and other tax requirements. Furthermore, related-party financing arrangements must comply with the arm's-length principle and applicable transfer pricing requirements, including the accurate delineation of financial transactions based on their contractual terms, economic substance, and actual conduct of the parties (Development, 2022; OECD, 2020; Regulation of the Minister of Finance Number 172 of 2023 Concerning Application of the Arm's Length Principle in Transactions Influenced by Special Relationships, 2023). Consequently, inconsistencies in the classification of shareholder funding may affect the deductibility of interest expenses, necessitate fiscal adjustments, increase transfer pricing risks, and create uncertainty regarding the tax characterization of payments made to foreign shareholders.

Table 1. Comparison of LKPM Reporting and Financial/Tax Records

Evaluation Aspects	LKPM Report (BKPM)	Financial Statements & Tax Returns (DGT)
Base Runway	Commitment of Notary Deed / OSS Licensing	Realization of Factual Cash Flow (Bank Proof)
Main Functions	Monitoring Investment Realization	Calculation of the Basis of Tax Imposition (DPP)
Risk of Non-Conformity	Administrative Sanctions / OSS Warnings	DER Fiscal Correction & Income Tax 26 Reclassification

Source: Processed by the authors from the regulatory and accounting framework used in this study.

Previous studies have examined various aspects of the regulatory framework governing foreign investment companies in Indonesia but have not comprehensively integrated these dimensions. (Fitri, 2021) and (Candra, 2023) discussed legal protections and licensing requirements for foreign investment, while (Danianto, 2022) focused on company establishment procedures and risk-based business licensing through the Online Single Submission (OSS) system. Meanwhile, (Setyanto et al., 2024) investigated the relationship between foreign investment and tax revenue in Indonesia. Although these studies provide valuable insights into the legal, regulatory, and economic aspects of foreign investment limited liability companies (Perseroan Terbatas Penanaman Modal Asing, PT PMA), they offer limited explanations of how discrepancies arise between paid-up capital reported in Investment Activity Reports (Laporan Kegiatan Penanaman Modal, LKPM), actual capital contributions, accounting classifications, and tax reporting. Furthermore, the mechanisms through which these inconsistencies generate specific tax compliance risks within companies remain insufficiently explored.

The research gap is therefore both operational and interdisciplinary, as existing studies have generally examined investment licensing, corporate documentation, financial accounting, and taxation as separate regulatory and administrative functions. In practice, however, the same shareholder funding transaction may be recorded and reported differently across these interconnected systems, potentially creating inconsistencies between legal documentation, investment realization reports, financial statements, and tax records. The urgency of addressing this issue has increased with the growing digitalization of investment licensing and tax administration, which has strengthened opportunities for data integration, cross-agency verification, and the identification of reporting discrepancies. Without systematic reconciliation procedures, temporary differences arising from transaction timing, foreign exchange settlement, or incomplete corporate formalization may be mistaken for substantive inconsistencies, potentially exposing companies to regulatory scrutiny, tax adjustments, administrative sanctions, or disputes.

The novelty of this study lies in identifying and integrating four recurring patterns of paid-up capital discrepancies: phased capital contributions, delays associated with foreign exchange transactions and banking clearance procedures, shareholder funds received before the completion of notarial documentation, and internal information asymmetry among legal, licensing, accounting, and taxation functions. These patterns were examined within an integrated compliance risk framework to explain how inconsistencies arise, persist, and potentially affect corporate financial reporting and taxation. Rather than attempting to quantify the financial magnitude of potential tax liabilities, the study explored the mechanisms through which differences in transaction documentation and accounting classification could influence debt-to-equity ratio (DER) calculations, the deductibility of borrowing costs, and the tax characterization of payments to shareholders. This approach contributes to the literature by connecting investment reporting obligations, the economic substance of shareholder financing arrangements, and tax compliance risks at the transaction and organizational process levels.

Accordingly, this study aimed to identify the primary causes of discrepancies between reported paid-up capital and actual shareholder contributions, assess the appropriate accounting treatment of shareholder funding, examine the associated tax risk mechanisms, and develop an integrated compliance governance framework for PT PMA in Indonesia. The findings are expected to provide practical insights for corporate management, legal and licensing personnel, accounting and taxation departments, professional consultants, and regulatory authorities. The study contributes an interdisciplinary analytical framework emphasizing periodic reconciliation, standardized transaction documentation, coordination among organizational functions, and proactive tax compliance monitoring. Its practical significance lies in supporting the early identification and resolution of capital reporting inconsistencies, thereby improving financial reporting reliability, strengthening regulatory compliance, and reducing the likelihood of administrative findings, tax adjustments, and disputes.

METHOD

This study employed a descriptive qualitative case study approach to examine discrepancies between reported and actual paid-up capital contributions and their accounting and taxation implications for foreign investment limited liability companies (Perseroan Terbatas Penanaman Modal Asing, PT PMA) in Indonesia. Data were obtained from corporate legal documents, including deeds of establishment and amendment, Investment Activity Reports (Laporan Kegiatan Penanaman Modal, LKPM), financial statements, annual corporate income tax returns, and semi-structured interviews with financial managers, tax consultants, and business licensing practitioners.

Data were analyzed using comparative document analysis and qualitative content analysis. The document analysis involved comparing paid-up capital amounts and transaction dates across notarial deeds, bank transaction records, LKPM submissions, accounting records, financial statements, and corporate income tax returns. The findings

were subsequently assessed against applicable investment regulations, financial accounting standards, and taxation provisions to identify reporting discrepancies and their potential compliance implications. Interview data were analyzed to identify organizational and administrative factors contributing to these discrepancies. The analysis focused on four recurring patterns: phased capital contributions, foreign exchange and banking clearance delays, incomplete notarial documentation, and information asymmetry among organizational functions. Findings from documentary and interview evidence were compared to support the interpretation of discrepancies and their associated accounting and tax risks.

RESULTS AND DISCUSSION

Patterns and Root Causes of Paid-Up Capital Discrepancy

Based on the results of comparative analysis of documents and interviews, four main patterns were found that triggered the difference between the actual paid-up capital and the LKPM report at PT PMA:

1. **Installment Capital:** The paid-up capital commitment in the deed has been listed as IDR 2.5 billion or more, and fully reported to the LKPM. However, in real terms, shareholders send funds periodically according to operational working capital needs.
2. **Foreign Exchange Traffic Barriers and Banking Clearing:** Deposits from abroad are held back by the clearance process, Anti-Money Laundering (AML-PPT) compliance, or foreign exchange regulation limits of the country of origin, resulting in a time lag between reporting periods.
3. **Receipt of Funds Without Deed Confirmation (Unconfirmed Funds):** Shareholders deposit additional funds into the company's account, but do not proceed with the creation of a Capital Change Deed. As a result, the accounting team records it as *a shareholder loan*, while the legal team reports it as a capital investment in LKPM.
4. **Internal Information Asymmetry:** Lack of periodic coordination between the legal/licensing division and the accounting-tax division, so that data updates in OSS-LKPM are not in line with the *general ledger*.

Taken together, the four patterns show that the discrepancy is not a single accounting error but a coordination problem across transaction timing, banking processes, corporate formalization, and internal reporting. The first two patterns primarily create timing differences between commitment and realization, whereas the third and fourth can create classification and control differences that persist across reporting periods. This distinction is important because temporary timing differences and substantive shareholder-loan arrangements should not be treated as equivalent tax risks.

Analysis of accounting treatment according to SAK

In accordance with the SAK, the determination of the position of the account must reflect economic substance. If funds are received from shareholders without a definite return schedule and without interest liabilities, then the fund does not meet the definition of liability. The correct recording is to present it in the Equity group as "Advance for

Future Capital Increase". Presenting it as a liability/debt will mislead the reader of the financial statements and trigger a misinterpretation by the tax authorities.

Taxation Implications and the Risk of Fiscal Disputes

If the funds from the shareholders have been recorded as debts (*shareholder loans*) due to the absence of a deed of change, the tax implications are detailed in the following table:

Table 2. Tax Risks Arising from Paid-Up Capital Discrepancies

Tax Risk Areas	Fiscal Impact Mechanism	Potential Legal & Financial Consequences
Debt:Capital (DER) Ratio	An increase in the debt balance lowers the value of equity, triggering a 4:1 DER >.	Positive fiscal correction on loan interest costs (PMK 169/2015).
Concealed Dividends	Interest/principal payments are reclassified as profit sharing.	Article 26 Income Tax withholding obligation of 20% (or P3B rate).
Administrative Sanctions	Lack of tax payments due to fiscal correction.	Late interest penalty in accordance with the KUP Law / HPP Law.

Source: Processed by the authors from the applicable tax regulations and case analysis.

Integrated Compliance Governance Strategy

To mitigate the risk of tax disputes, PT PMA is recommended to implement the following five compliance governance steps:

- **Quarterly Reconciliation Mechanism:** Requires data reconciliation between LKPM, Financial Statements, and Period/Annual Return before the LKPM report is uploaded to the OSS system.
- **Standardization of Fund Receipt Documents:** Every transfer from shareholders must be accompanied by a *Remittance Advice* and Minutes of the GMS that explicitly state the purpose of the capital deposit.
- **Acceleration of Notarial Legality:** Immediately ratify the capital deposit advance into an official Capital Change Deed to obtain the approval of the Ministry of Law and Human Rights.
- **Periodic DER Ratio Simulation:** Conduct periodic monitoring of DER positions to ensure that loan interest costs remain safe below the 4:1 threshold.
- **Continuous Compliance Check (Tax Health Check):** Relying on a tax consultant or independent auditor to review capital structure and reporting suitability between agencies.

CONCLUSION

The findings identified four principal patterns contributing to discrepancies between actual paid-up capital contributions and amounts reported in Investment Activity Reports (Laporan Kegiatan Penanaman Modal, LKPM): phased shareholder capital contributions, delays associated with foreign exchange transactions and banking clearance procedures, receipt of shareholder funds without timely completion of notarial documentation, and information asymmetry between legal and licensing departments and accounting and taxation functions. These discrepancies may generate different accounting and taxation consequences depending on the economic substance, contractual characteristics, and supporting documentation of the transactions. When shareholder funding is classified as debt, companies may become subject to debt-to-equity ratio (DER) limitations on interest deductibility and increased scrutiny of related-party financing arrangements. Inappropriate classification may also create withholding tax risks, necessitate fiscal adjustments, and increase the likelihood of tax disputes. The primary contribution of this study was the development of an integrated compliance framework connecting investment licensing records, corporate legal documentation, banking transactions, accounting classifications, and tax reporting within a unified governance approach. From a practical perspective, periodic reconciliation and timely completion of corporate legal formalities were identified as essential preventive controls for mitigating regulatory and taxation risks. For regulatory authorities, the findings emphasized the importance of distinguishing temporary reporting discrepancies arising from transaction timing from substantive inconsistencies in shareholder financing arrangements. Nevertheless, the study was limited by its qualitative case study design and incomplete reporting of case and informant characteristics, which restricted the generalizability of the findings and prevented reliable estimates of the prevalence and financial magnitude of these risks across foreign investment limited liability companies (Perseroan Terbatas Penanaman Modal Asing, PT PMA) in Indonesia.

Based on these findings, the management of PT PMA is encouraged to establish and implement standardized operating procedures (SOPs) for periodic reconciliation of paid-up capital records across legal, licensing, accounting, and taxation departments. These procedures should include systematic verification of shareholder capital contributions, regular reconciliation of LKPM submissions with bank statements and financial records, timely completion of notarial documentation, and continuous monitoring of compliance with applicable accounting standards and tax regulations. Strengthening coordination among departments and establishing clear responsibilities for capital transaction reporting are also recommended to minimize inconsistencies and improve internal compliance governance. Future research should adopt a mixed-methods approach involving a larger and more diverse sample of PT PMA across multiple industries and geographic regions. Quantitative analysis could further examine the relationships between capital reporting discrepancies, accounting classification practices, tax compliance adjustments, and the frequency of tax audits or disputes. Such investigations would provide broader empirical evidence regarding the financial and

regulatory implications of paid-up capital discrepancies and support the development of more effective corporate compliance strategies and investment supervision policies.

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CONFLICT OF INTEREST

The authors declare that there are no conflicts of interest related to the conduct of the research, preparation, or publication of this article.

AUTHOR CONTRIBUTIONS

All authors contributed to the preparation of this article. Ida Bagus Suadmaya and Nataherwin, was responsible for the conceptualization of the study, data collection and analysis, interpretation of the results, and manuscript preparation. The other authors contributed to the review, editing, and final approval of the manuscript.

GENERATIVE AI STATEMENT

The authors declare that no generative artificial intelligence was used in the preparation of this article.

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