

Analysis of Transfer Pricing Policy Disclosure: Case Study of PT. Mandom Indonesia Tbk for the 2020–2024 Period

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ABSTRACT

This study analyzes the disclosure of transfer pricing policies in the financial statements of PT Mandom Indonesia Tbk for the period 2020–2024 and evaluates their compliance with PSAK No. 7 and Indonesian tax regulations, particularly the transition from PMK 213/PMK.03/2016 to PMK 172/PMK.03/2023. Using a qualitative descriptive approach with a case study method, the research relies on secondary data obtained from annual financial statements and local transfer pricing documentation. The findings reveal that PT Mandom Indonesia Tbk consistently complies with formal disclosure requirements, presenting information on related parties, transaction types, amounts, and ending balances in line with PSAK No. 7. However, a substantive compliance gap remains evident, as the transfer pricing methods (e.g., CUP or TNMM) are not explicitly disclosed in the Notes to the Financial Statements (CaLK), thereby limiting transparency as required under PMK 172/PMK.03/2023. Furthermore, the Country-by-Country Report (CbCR) is not yet publicly available, and inconsistencies persist between financial statement disclosures and local documentation. Consequently, PTMI's compliance appears administrative rather than substantive, as it has not fully satisfied the arm's length principle and the economic justification emphasized in PMK 172/PMK.03/2023. The study contributes to accounting and taxation literature by offering a framework for improving transfer pricing disclosures that balance formal compliance with substantive transparency, thereby enhancing governance credibility and stakeholder confidence.

Keywords: Transfer Pricing, PSAK 7, PMK 213, PMK 172, Financial Statements, Substantive Compliance.

I. Introduction

Transfer pricing is commonly carried out by multinational enterprises that maintain special relationships or affiliations, whereby they determine the prices of transactions involving goods, services, or intangible assets among entities within the same business group. According to the OECD (2022) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, such arrangements are legitimate as long as they adhere to the arm's length principle; that is, prices charged between related entities must reflect those that would be agreed upon between independent parties under comparable circumstances. Despite this guiding principle, transfer pricing often becomes a contentious issue in international taxation because of its potential misuse in profit shifting to low-tax jurisdictions, which may reduce state revenues. Gunadi (2013) emphasized that transfer pricing can serve as an instrument of tax avoidance if it is not accompanied by

adequate documentation and effective supervision by tax authorities. In Indonesia, transfer pricing practices are strictly regulated through a combination of taxation and accounting frameworks, designed to ensure fairness and transparency. The arm's length principle is embedded in the Minister of Finance Regulations (PMK), which governs transfer pricing documentation, and in accounting standards, particularly PSAK No. 7, which requires companies to disclose all related-party transactions in their financial statements. A major development in Indonesia's transfer pricing regulation occurred when PMK 172/PMK.03/2023 replaced PMK 213/PMK.03/2016, introducing significant reforms in documentation standards, and emphasizing the need for greater economic substance and integration between tax reporting and financial statement disclosures. This regulatory shift is intended not only to enhance compliance, but also to align Indonesia's framework more closely with global best practices under the OECD's Base Erosion and Profit Shifting (BEPS) initiative. Against this backdrop, transparency in the disclosure of transfer-pricing policies has become increasingly important. Publicly available information, particularly in the Notes to the Financial Statements (CaLK), should include the nature of party transactions, their monetary value, and the identities of the affiliated entities involved, as required by PSAK No. 7. Such disclosures are essential to uphold accountability and facilitate monitoring of corporate compliance. For multinational entities, such as PT Mandom Indonesia Tbk, which maintains affiliations with foreign parent companies and domestic subsidiaries, the accuracy and completeness of these disclosures have significant implications. Insufficient transparency not only exposes companies to potential fiscal corrections and tax penalties, but also undermines stakeholder trust and corporate reputation.

The issue of transfer pricing disclosure has gained greater prominence amid the economic uncertainty caused by the COVID-19 pandemic. OECD (2020) observed that the pandemic created exceptional challenges in applying the arm's length principle, particularly in conducting comparability analyses, allocating losses, and determining appropriate pricing adjustments in volatile markets. These conditions compelled companies to re-evaluate their transfer pricing strategies and documentation. Dahlan (2022) further noted that Indonesian tax auditors are required to examine these adjustments more carefully, focusing on comparability assessments, intragroup service arrangements, and financial projections to ensure alignment with both OECD guidelines and domestic tax regulations. Within this evolving landscape, the integration of financial reporting and transfer pricing documentation has become a critical component of corporate transparency and compliance. Although Indonesia's regulatory framework, comprising PMK 213, PMK 172, and PSAK No. 7, provides clear guidance on disclosure requirements, practical challenges remain. Preliminary observations of PT Mandom Indonesia Tbk's financial statements between 2020 and 2024 show that the company has fulfilled the administrative requirements mandated by PSAK No. 7, including the identification of related parties and reporting of transaction types, values, and outstanding balances. However, there appears to be a substantial gap in substantive compliance, as the methods used to determine transfer prices, such as the Comparable Uncontrolled Price (CUP) or the Transactional Net Margin Method (TNMM), are not explicitly disclosed in the publicly accessible Notes to the Financial Statements. These omissions suggest that compliance continues to focus more on formality than on providing economic transparency, as envisioned by the arm's length principle and broader objectives of PMK 172/PMK.03/2023.

The transition from PMK 213 to PMK 172 was designed to enhance the quality of disclosure by emphasizing economic substance and harmonization between tax documentation and financial reporting. However, evidence from PT Mandom Indonesia Tbk suggests that this regulatory update has not yet translated into improved public disclosure of transfer-pricing methodologies. Furthermore, inconsistencies between financial statements and local documentation remain evident, raising questions about the depth of integration and the alignment of financial reporting with the principles of economic justification. The absence of a publicly available Country-by-Country Report (CbCR) further highlights the limitations in the visibility of the company's global profit allocation, hindering the comprehensive assessment of potential base erosion risks.

These issues reveal that, while administrative compliance has been achieved, substantive compliance, reflected in the transparent disclosure of transfer pricing methods and economic reasoning, remains incomplete. Therefore, this study seeks to analyze the extent and quality of PT Mandom Indonesia

Tbk's transfer pricing disclosures over the 2020–2024 period and evaluates their alignment with PSAK No. 7 and Indonesia's evolving transfer pricing regulations. By doing so, the study aims to provide insights into how the regulatory transition from PMK 213 to PMK 172 has influenced disclosure practices, to identify persisting compliance gaps, and to offer recommendations for improving the substantive transparency of transfer pricing reporting. Academically, this research contributes to the growing literature on corporate disclosure and taxation in emerging economies, as it serves as a reference for policymakers, regulators, and corporate managers seeking to enhance governance, accountability, and investor confidence through more transparent transfer-pricing disclosures.

II. Literature Review and Hypothesis Development

2.1. Definition of Transfer Pricing

Transfer Pricing refers to the determination of prices in transactions between two or more related parties such as between a parent company and its subsidiaries. These transactions may involve goods, services, or intangible assets and are essential in allocating profits within a corporate group. According to Elliott (2012), transfer pricing represents a policy for setting prices among divisions or affiliated companies within a group, serving as both a performance measurement and financial control tool. This mechanism ensures internal efficiency and accountability across business units. However, because transfer pricing influences the distribution of income and tax obligations among jurisdictions, clear regulations and transparent disclosure are necessary to prevent manipulation and tax avoidance. The existence of global and national frameworks reflects efforts to ensure that transfer-pricing practices align with the principles of fairness and compliance.

2.2. Purpose and Function of Transfer Pricing

Transfer pricing has managerial and fiscal objectives. Internally, transfer pricing enables companies to measure the efficiency of their business units and to support decentralized management structures. Kaplan (1998) emphasized that transfer pricing facilitates performance evaluation, resource allocation, and the motivation of divisions to operate independently, promoting responsibility and competitiveness within the organization. From the taxation perspective, transfer pricing can be used for tax planning. Zimmerman (2017) states that appropriate transfer pricing arrangements can optimize overall profitability and minimize tax liabilities within legal limits. However, the misuse of transfer pricing for tax avoidance has prompted authorities worldwide to strengthen their supervision and enforce compliance. Hence, transfer pricing plays a dual role: as a managerial instrument for efficiency, and as a fiscal mechanism requiring strict regulations to prevent abuse.

2.3. Arm's Length Principle

The arm's length principle forms the foundation of transfer pricing regulations worldwide. It stipulates that transactions between related parties must be conducted under conditions comparable to those between independent entities that act in their own interests. According to the OECD (2022), this principle ensures that party transactions reflect market-based prices. The OECD recognizes five standard methods for determining arm's length prices:

1. Comparable Uncontrolled Price (CUP) Method,
2. Resale Price Method,
3. Cost Plus Method,
4. Transactional Net Margin Method (TNMM), and

5. Profit Split Method.

In Indonesia, the arm length principle is enforced through PMK No. 213/PMK.03/2016 and PMK No. 172/PMK.03/2023. PMK 213 introduced a three-tier documentation system (Master File, Local File, and Country-by-Country Report), while PMK 172 emphasizes economic substance, requiring that transfer pricing documentation be aligned with information disclosed in financial statements. Understanding this regulatory evolution is crucial in assessing corporate compliance and disclosure quality.

2.4. Transfer Pricing and Tax Avoidance

Transfer pricing can serve as a tax avoidance mechanism, particularly when used to shift profits to jurisdictions with lower tax rates. Desai (2006) finds that multinational enterprises often apply aggressive transfer pricing strategies to relocate profits and minimize tax burdens, creating challenges for tax authorities to detect such practices without transparent documentation. In response, the OECD Base Erosion and Profit Shifting (BEPS) initiative recommends strict documentation, enhanced comparability analysis, and sanctions for non-compliance. Indonesia has integrated these principles into its tax system, underscoring the importance of protecting national tax revenue while maintaining fair business competition. Thus, transparency and regulatory enforcement play a vital role in ensuring that transfer pricing serves legitimate business purposes, rather than tax evasion.

2.5. Transfer Pricing and Good Corporate Governance

Good corporate governance (GCG) is closely linked to responsible transfer-pricing practices. Sari Dewi et al. (2024) demonstrated through a meta-regression study that strong governance, such as independent oversight, ethical leadership, and transparency, reduces the likelihood of tax avoidance through transfer pricing manipulation. The disclosure of transfer pricing policies is an integral part of the GCG principles, emphasizing transparency, accountability, and responsibility. La Porta et al. (2000) highlighted that transparent financial reporting strengthens investor confidence and public trust. Comprehensive transfer pricing disclosure not only mitigates fiscal risks, but also enhances a company's reputation and long-term sustainability. Therefore, transfer pricing should be viewed not merely as a technical accounting requirement but also as an ethical commitment to uphold integrity in corporate governance.

2.6. Regulations and Standards on Transfer Pricing Disclosure

The disclosure of transfer-pricing policies in financial statements is governed by a combination of tax regulations and accounting standards.

1. PMK No. 213/PMK.03/2016: Introduced a three-tier documentation system (Master File, Local File, and Country-by-Country Report) in line with the OECD BEPS Action Plan. It established thresholds for documentation and sanctions for non-compliance, serving as the reference for earlier years of analysis in this study.
2. PMK No. 172/PMK.03/2023: Replaced PMK 213, shifting focus from documentation compliance to economic substance. It emphasizes functional analysis of assets and risks, documentation alignment with financial statements, and new fiscal correction rules. This reform reflects Indonesia's commitment to transparency and integration of tax and financial reporting.
3. PSAK No. 7: Govern-related party disclosures, requiring companies to report the identity of affiliates, the nature of relationships, and the value of transactions, even when no transactions occur. PSAK No. 7 provides the accounting benchmark used in this study to assess disclosure completeness and accuracy in PT Mandom Indonesia Tbk's financial reports.

Together, these frameworks form the legal and technical foundation for evaluating transfer-pricing transparency in Indonesia.

2.7. Theory of Financial Statement Disclosure

Disclosure theory provides a conceptual foundation for analyzing transfer pricing information in corporate reporting. Baridwan (2014) defined disclosure as the process of presenting all necessary information to prevent misleading interpretations and ensure that users can make informed economic decisions. Adequate disclosure must represent a company's true economic conditions, including related party transactions and transfer-pricing activities. Scott (2015) explains that disclosure levels are influenced by firm size, ownership structure, profitability, leverage, and regulatory pressure. Moreover, stakeholder demands from investors, creditors, and regulators drive companies to provide comprehensive and transparent information. PSAK No. 7 aligns with this theory by mandating both quantitative and qualitative disclosures of party relationships and transactions. Harahap (2007) emphasizes that related-party disclosure serves not only as a formal accounting requirement but also as a governance tool to build public trust. Thus, disclosure theory underscores the importance of transparency and accountability in financial reporting, forming the theoretical basis for this research to evaluate the conformity and completeness of PT Mandom Indonesia Tbk's transfer pricing disclosures.

III. Research Method

3.1. Research Design

This study adopts a qualitative descriptive approach to analyze the disclosure of transfer pricing policies in the financial statements of PT Mandom Indonesia TBK. This qualitative method allows for an in-depth exploration of how accounting standards and tax regulations are applied in practice, emphasizing interpretation rather than statistical testing. The descriptive design systematically portrays the extent of the disclosure practices and evaluates their conformity with PSAK No. 7, PMK No. 213/PMK.03/2016, and PMK No. 172/PMK.03/2023. The purpose is to assess both administrative and substantive compliance with the arm's-length principle.

3.2. Research Object and Period

The object of this research is PT Mandom Indonesia Tbk, a multinational enterprise engaged in manufacturing and distribution that conducts cross-border related-party transactions. The company was purposively selected because of its consistent public disclosure of related-party information, making it a relevant case for examining transfer-pricing transparency in Indonesia. The period of analysis spans fiscal years 2020–2024, encompassing two regulatory regimes: PMK 213 emphasizing documentation compliance and PMK 172 emphasizing economic substance and disclosure integration.

3.3. Data Type and Sources

This study relied on secondary data derived from

1. Audited annual financial statements and Notes to the Financial Statements (CaLK) of PT Mandom Indonesia Tbk
2. Official transfer-pricing documentation prepared for tax purposes
3. Relevant regulations and accounting standards include PMK 213, PMK 172, PSAK No. 7, and the OECD Transfer Pricing Guidelines (2020, 2022).

4. Supporting the academic literature on transfer pricing and disclosure practices. Using audited and published sources ensures objectivity, consistency, and comparability across reporting years.

3.4. Data Collection Technique

Data collection was performed through documentary analysis involving systematic review and extraction of information from the company's reports and regulatory texts. The researcher identifies all sections that disclose the following:

1. Identities and relationships of related parties
2. Transaction types and monetary values
3. Statements concerning transfer-pricing policies or methods; and
4. Other relevant disclosure elements required by PSAK No. 7 and applicable PMK regulations. Each disclosure item is then matched with the specific requirements outlined in PSAK 7 and transfer-pricing documentation rules to determine the degree of conformity.

3.5. Data Analysis Technique

This study applies a content analysis method to systematically interpret qualitative data. The evaluation focuses on five analytical dimensions.

1. Disclosure of related-party identities and relationships
2. Completeness of transaction information (type, amount, nature)
3. Disclosure of transfer-pricing methods (e.g., CUP or TNMM)
4. Consistency between financial-statement disclosures and local TP documentation; and
5. Availability or mention of country-by-country reports (CbCR).

Each component was assessed based on the principles of transparency, accountability, and fairness. The analysis distinguishes between administrative compliance, which fulfills formal disclosure obligations, and substantive compliance, which reflects economic justification consistent with the arm's-length principle.

3.6. Triangulation and Validation

To enhance validity and credibility, this research employs triangulation by cross-checking information from three sources:

1. Financial statements and CaLK disclosures
2. Regulatory provisions (PMK 213, PMK 172, and PSAK 7); and
3. Previous empirical studies and OECD guidelines.

This multi-source comparison minimizes researcher bias, confirms the consistency of interpretation, and strengthens the conclusion regarding whether a company's disclosure represents administrative formality or genuine substantive compliance.

3.7. Research Scope and Limitation

The study focuses exclusively on the qualitative and disclosure aspects of transfer pricing without measuring the quantitative impact on tax liabilities or financial performance. This limitation is intentional because the objective is to evaluate transparency and regulatory compliance rather than profitability

outcomes. Nonetheless, the results provide a strong foundation for future research linking disclosure quality to fiscal risk, corporate governance, and investor perceptions.

IV. Results and Discussion

4.1. Identification of Related Parties, Types of Transactions, Values, and Year-End Balances for 2020

Based on a review of the Local Transfer Pricing Documentation and 2020 financial statements, PT Mandom Indonesia Tbk consistently identified its related parties with special relationships. The main affiliated entities are Mandom Corporation Japan, as the majority shareholder and the controlling party. Transactions were also recorded with regional affiliates such as Mandom Corp SDN. Bhd., Mandom China Trading Co. Ltd., and domestic affiliates, such as PT Mandom Packaging Indonesia. The transactions included purchases of raw materials and packaging from the parent company, royalty payments for trademark use, technical and management services, employee training and incentive fees, and procurement of packaging materials from a domestic affiliate. This information is explicitly presented in the 2020 Local File and confirmed in the Notes to Financial Statements. The disclosure meets the formal requirements stipulated under PMK No. 213 regarding the obligation to identify the related parties in the Local File.

31. NATURE AND TRANSACTIONS WITH RELATED PARTIES	
Nature of Related Parties	
a.	Mandom Corporation, Japan is the parent entity of the Company.
b.	Related parties that are shareholders of the same ultimate parent entity as the Company include: <ul style="list-style-type: none"> - Mandom Corporation (Singapore) Pte., Ltd. - Mandom Corporation (Thailand) Ltd. - Mandom Corporation (India) Pvt., Ltd. - Mandom China Corporation - Mandom Korea Corporation - Mandom (Malaysia) Sdn. Bhd. - Mandom Philippines Corporation - Mandom Taiwan Corporation - Mandom Vietnam Company Limited - Sunwa Marketing Co., Ltd. - Zhongshan City Rida Cosmetics Co., Ltd.
c.	PT Asia Paramita Indah is an entity controlled by a member of the Company's key management personnel.
d.	Dana Pensiun Mandom Indonesia (DPMI) is an entity established by the Company to manage its defined benefit pension program.

Figure 1. Excerpt of PTMI Affiliated Parties List for 2020

Thus, the disclosure of related parties and transaction types complies with the formal requirements stipulated in paragraphs ten and 13 of PSAK No. 7. For fiscal year 2020, transfer pricing documentation compliance was evaluated under PMK No. 213, and PTMI fulfilled the requirements regarding the identification of related parties and transaction types as mandated by the regulation. Quantitatively, affiliated transactions for the year included purchases of raw and packaging materials, as well as royalty payments, as reported in the 2020 financial statements of PTMI.

Table 1. Summary of Affiliated Transactions for 2020

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Purchase of finished goods	Mandom Corporation Japan (MCJ)	80,840,086,178
Royalty payments	Mandom Corporation Japan (MCJ)	80,144,500,489

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Technical and management services	Mandom Corporation Japan (MCJ)	-
Incentives and training	Mandom Corporation Japan (MCJ)	-
Purchase of packaging/raw materials	PT Mandom Packaging Indonesia (MPC)	-

The year-end balances arising from these transactions can be traced to page 44 of a local file. These balances represent trade payables and accrued expenses from affiliated entities at the end of December 2020. The details are presented in the following table.

LIABILITIES AND EQUITY	
Short-Term Liabilities	
Trade payables	
Related parties:	Rp 5,228,609,465
Independent parties:	Rp 45,812,541,277
Other payables to independent parties: Rp 11,932,133,956	
Tax payables: Rp 6,405,247,806	
Accrued expenses	
Related parties:	Rp 10,962,768,556
Independent parties:	Rp 46,050,694,484
Lease liabilities – right of use assets (short-term): Rp 4,695,179,931	
Total short-term liabilities: Rp 131,087,175,475	

Figure 2. Ending Balance of Affiliates as of December 31, 2020

The figure presents the short-term liabilities of PT Mandom Indonesia Tbk as of December 31, 2020, distinguishing between related and independent parties. This shows that a portion of trade payables and accrued expenses are attributable to affiliated entities, highlighting the company’s financial obligations to its group members.

Table 2. Ending Balance of Affiliated Transactions for 2020

Account	Ending Balance (Rp)
Trade Payables – Related Parties	5,228,609,465
Accrued Expenses – Related Parties	10,962,768,556
Total	16,191,378,021

The disclosure of transaction values and balances complies with PSAK No. 7, paragraph 17, which requires reporting of transaction amounts and balances, and paragraph 18, which mandates separate disclosures for each category of related parties. Specifically, paragraph 17 obliges entities to disclose the amount of transactions and account balances with related parties, while paragraph 18 requires separate presentations for parent companies, subsidiaries, joint ventures, key management personnel, and other related parties. These provisions are essential for ensuring the transparency and traceability of affiliated transactions in financial statements. Accordingly, it can be concluded that in 2020, PT Mandom Indonesia Tbk complied with most of the disclosure principles outlined in PSAK No. 7, thereby supporting the arm’s length principle through the identification, classification of transactions, and traceability of values and their impact on financial reporting.

4.2. Identification of Related Parties, Types of Transactions, Values, and Year-End Balances for 2021

In 2021, PT Mandom Indonesia Tbk recorded significant affiliated transactions with the related parties. The largest portion came from the purchases of finished goods from Mandom Corporation, Japan, as the parent entity. In addition, the company engaged in royalty payments, technical services, and incentive transactions conducted routinely as part of ongoing business relationships with affiliates. The disclosure of related parties and transaction types aligns with the requirements of PMK No. 213 and complies with PSAK No. 7, paragraph 13 regarding the obligation to disclose the nature of related party transactions.

31. NATURE AND TRANSACTIONS WITH RELATED PARTIES	
Nature of Related Parties	
a.	Mandom Corporation, Japan is the parent entity of the Company.
b.	Related parties that are shareholders of the same ultimate parent entity as the Company include: <ul style="list-style-type: none"> - Mandom Corporation (Singapore) Pte., Ltd. - Mandom Corporation (Thailand) Ltd. - Mandom Corporation (India) Pvt., Ltd. - Mandom China Corporation - Mandom Korea Corporation - Mandom (Malaysia) Sdn. Bhd. - Mandom Philippines Corporation - Mandom Taiwan Corporation - Mandom Vietnam Company Limited - Sunwa Marketing Co., Ltd. - Zhongshan City Rida Cosmetics Co., Ltd.
c.	PT Asia Paramita Indah is an entity controlled by a member of the Company's key management personnel.
d.	Dana Pensiun Mandom Indonesia (DPMI) is an entity established by the Company to manage its defined benefit pension program.

Figure 3. Excerpt of PTMI Affiliated Parties List for 2021

Quantitatively, the affiliated transactions in 2020-1 were recorded as follows: purchases of raw and packaging materials, amounting to Rp 94,433,972,131, and royalty payments totaling Rp 79,250,593,872.

Table 3. Summary of Affiliated Transactions for 2021

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Purchase of finished goods	Mandom Corporation Japan (MCJ)	94,433,972,131
Royalty payments	Mandom Corporation Japan (MCJ)	79,250,593,872
Technical and management services	Mandom Corporation Japan (MCJ)	–
Incentives and training	Mandom Corporation Japan (MCJ)	–
Purchase of packaging/raw materials	PT Mandom Packaging Indonesia (MPC)	–

The year-end balances resulting from these transactions can be traced from the financial position section of the local file. At the end of 2020-one, the following were recorded.

Table 4. Ending Balance of Affiliated Transactions for 2021

Account	Ending Balance (Rp)
Trade Payables – Related Parties	8,700,782,065
Accrued Expenses – Related Parties	13,132,636,247
Total	21,833,418,312

Table 4 shows the year-end balances of affiliated transactions recorded by PT Mandom Indonesia Tbk in 2020-1. It highlights trade payables and accrued expenses to related parties, indicating a company's financial obligations within its group at the end of the fiscal year.

LIABILITIES AND EQUITY	
Short-Term Liabilities	
Bank loans: -	
Trade payables	
Related parties: Rp 8,700,782,065	
Independent parties: Rp 72,879,697,688	
Other payables to independent parties: Rp 20,396,108,920	
Tax payables: Rp 4,993,886,372	
Accrued expenses	
Related parties: Rp 13,132,636,247	
Independent parties: Rp 46,105,973,832	
Lease liabilities – right of use assets (short-term): Rp 4,681,227,547	

Figure 4. Ending Balance of Affiliates as of December 31, 2021

This amount reflects outstanding obligations to affiliates, particularly Mandom Corporation in Japan. The disclosure of these values and balances consistently complies with PSAK No. 7, paragraph 17, which requires the presentation of transaction amounts, and paragraph 18, which mandates separate disclosures for each category of related parties. According to PSAK No. 7, paragraph 17 obliges entities to disclose the amounts of transactions and account balances (including commitments) with related parties, whereas paragraph 18 requires separate disclosure for parent companies, subsidiaries, joint ventures, key management personnel, and other related parties. These data highlight the continuity and stability of economic relationships within the Mandom Group, forming a critical basis for testing the arm length principle.

4.3. Identification of Related Parties, Types of Transactions, Values, and Year-End Balances for 2022

Based on the Local Transfer Pricing Documentation and 2022 financial statements, PT Mandom Indonesia Tbk disclosed affiliated parties involved in transactions, including Mandom Corporation Japan and Mandom Corp Sdn. Bhd. (Malaysia), Mandom China Trading Co., Ltd., and Mandom Malaysia SDN. Bhd., PT Mandom Packaging, Indonesia. The transactions remained consistent with previous years, comprising purchases of finished goods from the parent and other affiliates, royalty payments for trademark use, payments for technical and management services from the parent, training and incentive expenses, and procurement of packaging and raw materials from the domestic affiliate. This information is presented in Chapters 1 and 2 of the 2022 Local File, particularly on Pages 12 and 18. The disclosure complies with PSAK No. 7, paragraphs 10 and 13 concerning related party identification, and the description of transactions. In 2022, PT Mandom Indonesia Tbk continued to demonstrate compliance with transfer pricing documentation and disclosure obligations, as stipulated under PMK No. 213.

31. NATURE AND TRANSACTIONS WITH RELATED PARTIES	
Nature of Related Parties	
a.	Mandom Corporation, Japan is the parent entity of the Company.
b.	Related parties that are shareholders of the same ultimate parent entity as the Company include: <ul style="list-style-type: none"> - Mandom Corporation (Singapore) Pte., Ltd. - Mandom Corporation (Thailand) Ltd. - Mandom Corporation (India) Pvt., Ltd. - Mandom China Corporation - Mandom Korea Corporation - Mandom (Malaysia) Sdn. Bhd. - Mandom Philippines Corporation - Mandom Taiwan Corporation - Mandom Vietnam Company Limited - Sunwa Marketing Co., Ltd. - Zhongshan City Rida Cosmetics Co., Ltd.
c.	PT Asia Paramita Indah is an entity controlled by a member of the Company's key management personnel.
d.	Dana Pensiun Mandom Indonesia (DPMI) is an entity established by the Company to manage its defined benefit pension program.

Figure 5. Excerpt of PTMI Affiliated Parties List for 2022

Quantitatively, the affiliated transactions in 2020-2 were recorded as follows: purchases of raw and packaging materials amounting to Rp 94,433,972,131, and royalty payments totaling Rp 79,250,593,872.

Table 5. Summary of Affiliated Transactions for 2022

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Purchase of finished goods	Mandom Corporation Japan (MCJ)	85,686,393,466
Royalty payments	Mandom Corporation Japan (MCJ)	87,676,826,130
Technical and management services	Mandom Corporation Japan (MCJ)	-
Incentives and training	Mandom Corporation Japan (MCJ)	-
Purchase of packaging/raw materials	PT Mandom Packaging Indonesia (MPC)	-

As of December 31, 2020-2, the ending balance of affiliated transactions can be traced from the statement of financial position in the local file on page 44. The details are presented in the following table.

Table 6. Ending Balance of Affiliated Transactions for 2022

Account	Ending Balance (Rp)
Trade Payables – Related Parties	5,522,150,442
Accrued Expenses – Related Parties	14,650,469,552
Total	20,172,619,994

The table presents the year-end balances of affiliated transactions recorded by PT Mandom Indonesia Tbk in 2020-2. This reflects financial obligations to related parties, mainly in the form of trade payables and accrued expenses, indicating the company's continued economic ties with its affiliates.

LIABILITIES AND EQUITY	
Short-Term Liabilities	
Bank loans: -	
Trade payables	
Related parties: Rp 5,522,150,442	
Independent parties: Rp 85,728,315,325	
Other payables to independent parties: Rp 15,637,055,991	
Tax payables: Rp 16,501,294,487	
Accrued expenses	
Related parties: Rp 14,650,469,552	
Independent parties: Rp 77,820,364,514	
Lease liabilities – right of use assets (short-term): Rp 3,393,148,785	
Total short-term liabilities: Rp 219,252,799,096	

Figure 6. Ending Balance of Affiliates as of December 31, 2022

The disclosure of transaction amounts and balances consistently complies with PSAK No. 7, paragraph 17, which requires the presentation of transaction values, and paragraph 18, which mandates separate disclosures for each category of related parties. According to PSAK No. 7, paragraph 17 obliges entities to disclose the amounts of transactions and account balances (including commitments) with related parties, whereas paragraph 18 requires separate disclosure for parent companies, subsidiaries, joint ventures, key management personnel, and other related parties. Thus, in 2020-2, PT Mandom Indonesia Tbk maintained its commitment to the arm's length principle and accountable reporting, fulfilling standards of transparency and traceability in line with PSAK No. 7 and transfer pricing documentation, as stipulated in PMK No. 213.

4.4. Identification of Related Parties, Types of Transactions, Values, and Year-End Balances for 2023

Based on the Local Transfer Pricing Documentation and 2023 financial statements, PT Mandom Indonesia Tbk disclosed related parties with special relationships. This year marks a transition period, as compliance began to be measured under PMK no. 172. The disclosure of related parties and transaction types was consistent with the requirements of this new regulation as well as PSAK No. 7. The main affiliated entities were Mandom Corporation Japan, the majority shareholder and controlling entity. PT Mandom Indonesia Tbk also conducted transactions with regional affiliates such as Mandom Corp Sdn. Bhd. (Malaysia), Mandom China Trading Co., Ltd., and Mandom Malaysia SDN. Bhd., and the domestic affiliate PT Mandom Packaging Indonesia. The transactions included purchases of finished goods from the parent company, royalty payments for trademark use, technical and management services, employee incentives and training, and purchases of packaging and raw materials from domestic affiliates. This information is explicitly presented in the 2023 Local File and confirmed in the Notes to Financial Statements. The disclosure aligns with the requirements of related parties and transaction reporting under PMK No. 172, which came into effect during this period.

31. NATURE AND TRANSACTIONS WITH RELATED PARTIES	
Nature of Related Parties	
a.	Mandom Corporation, Japan is the parent entity of the Company.
b.	Related parties that are shareholders of the same ultimate parent entity as the Company include: <ul style="list-style-type: none"> - Mandom Corporation (Singapore) Pte., Ltd. - Mandom Corporation (Thailand) Ltd. - Mandom Corporation (India) Pvt., Ltd. - Mandom China Corporation - Mandom Korea Corporation - Mandom (Malaysia) Sdn. Bhd. - Mandom Philippines Corporation - Mandom Taiwan Corporation - Mandom Vietnam Company Limited - Sunwa Marketing Co., Ltd. - Zhongshan City Rida Cosmetics Co., Ltd.
c.	PT Asia Paramita Indah is an entity controlled by a member of the Company's key management personnel.
d.	Dana Pensiun Mandom Indonesia (DPMI) is an entity established by the Company to manage its defined benefit pension program.

Figure 7. Excerpt of PTMI Affiliated Parties List for 2023

Quantitatively, the affiliated transactions in 2023 were recorded as follows: purchases of raw and packaging materials amounting to Rp 77,812,698,082, and royalty payments totaling Rp 86,297,084,926.

Table 7. Summary of Affiliated Transactions for 2023

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Purchase of finished goods	Mandom Corporation Japan (MCJ)	77,812,698,082
Royalty payments	Mandom Corporation Japan (MCJ)	86,297,084,926
Incentives and training	Mandom Corporation Japan (MCJ)	–
Technical and management services	Mandom Corporation Japan (MCJ)	–
Purchase of packaging/raw materials	PT Mandom Packaging Indonesia (MPC)	–

The year-end balances arising from these transactions can be traced to page 44 of a local file. These balances represent trade payables and accrued expenses from affiliated entities at the end of December 2023. The details are presented in Table 8.

Table 8. Ending Balance of Affiliated Transactions for 2023

Account	Ending Balance (Rp)
Trade Payables – Related Parties	6,396,425,120
Accrued Expenses – Related Parties	14,406,550,975
Total	20,802,976,095

The table presents the ending balance of affiliated transactions recorded by PT Mandom Indonesia Tbk on December 31, 2023. This shows that the company's obligations to related parties were mainly in the form of trade payables and accrued expenses, reflecting ongoing financial commitments within the group.

LIABILITIES AND EQUITY	
Short-Term Liabilities	
Trade payables	
Related parties: Rp 6,396,425,120	
Independent parties: Rp 53,470,079,129	
Other payables to independent parties: Rp 20,152,540,912	
Tax payables: Rp 13,792,430,932	
Accrued expenses	
Related parties: Rp 14,406,550,975	
Independent parties: Rp 59,222,063,014	
Lease liabilities – right of use assets (short-term): Rp 3,212,856,051	
Total short-term liabilities: Rp 170,652,946,133	

Figure 8. Ending Balance of Affiliates as of December 31, 2023

The disclosure of transaction amounts and balances formally complies with PSAK no. 7, Paragraphs 17 and 18. However, in light of PMK No. 172, which emphasizes substance, the absence of transfer pricing method disclosure in the notes to financial statements remains a key concern. According to PSAK No. 7, paragraph 17 requires entities to disclose the amounts of transactions and account balances (including commitments) with related parties, whereas paragraph 18 requires separate disclosure for parent entities, subsidiaries, joint ventures, key management personnel, and other related parties. Thus, by 2023, PT Mandom Indonesia Tbk fulfilled the principles of transparency and traceability in disclosing related parties, transaction types, values, and year-end balances. This supports the testing of the arm's length principle and meets accounting obligations under PSAK No. 7, as well as tax documentation requirements under PMK No. 172.

4.5. Identification of Related Parties, Types of Transactions, Values, and Year-End Balances for 2024

Based on the 2024 Local Transfer Pricing Documentation, PT Mandom Indonesia Tbk has recorded affiliated transactions with several related entities. The primary affiliate in these business relationships was Mandom Corporation Japan, the parent company, followed by regional and domestic affiliates such as Mandom Corp Sdn. Bhd. (Malaysia), Mandom China Trading Co., Ltd., and Mandom Malaysia SDN. Bhd., PT Mandom Packaging, Indonesia. The transactions in 2024 included purchases of finished goods from the parent and regional affiliates, royalty payments to the parent for trademark use, payments for technical and management services, employee incentives and training costs, and purchases of packaging and raw materials from the domestic affiliate. This information is presented in Chapters One and Two of the 2024 Local File, specifically on pages 12 and 18, respectively. The identification of related parties and transaction types complies with the disclosure requirements in paragraphs ten and 13 of PSAK No. 7. Furthermore, the disclosure aligns with PMK No. 172, particularly with regard to the identification of related parties and transaction types.

31. NATURE AND TRANSACTIONS WITH RELATED PARTIES	
Nature of Related Parties	
a.	Mandom Corporation, Japan is the parent entity of the Company.
b.	Related parties that are shareholders of the same ultimate parent entity as the Company include: <ul style="list-style-type: none"> - Mandom Corporation (Singapore) Pte., Ltd. - Mandom Corporation (Thailand) Ltd. - Mandom Corporation (India) Pvt., Ltd. - Mandom China Corporation - Mandom Korea Corporation - Mandom (Malaysia) Sdn. Bhd. - Mandom Philippines Corporation - Mandom Taiwan Corporation - Mandom Vietnam Company Limited - Sunwa Marketing Co., Ltd. - Zhongshan City Rida Cosmetics Co., Ltd.
c.	PT Asia Paramita Indah is an entity controlled by a member of the Company's key management personnel.
d.	Dana Pensiun Mandom Indonesia (DPMI) is an entity established by the Company to manage its defined benefit pension program.

Figure 9. Excerpt of PTMI Affiliated Parties List for 2024

Quantitatively, the affiliated transactions in 2024 were recorded as follows: purchases of raw and packaging materials amounting to Rp 101,680,422,328, and royalty payments totaling Rp 84,510,786,126.

Table 9. Summary of Affiliated Transactions for 2024

Type of Transaction	Affiliated Party	Transaction Value (Rp)
Purchase of finished goods	Mandom Corporation Japan (MCJ)	101,680,422,328
Royalty payments	Mandom Corporation Japan (MCJ)	84,510,786,126
Incentives and training	Mandom Corporation Japan (MCJ)	–
Technical and management services	Mandom Corporation Japan (MCJ)	–
Purchase of packaging/raw materials	PT Mandom Packaging Indonesia (MPC)	–

The year-end balances arising from these transactions can be traced from the statement of the financial position on page 44 of the local file. The details are presented in the following table.

Table 10. Ending Balance of Affiliated Transactions for 2024

Account	Ending Balance (Rp)
Trade Payables – Related Parties	27,624,094,225
Accrued Expenses – Related Parties	10,232,625,125
Total	37,856,719,350

This table displays the ending balance of affiliated transactions for PT Mandom Indonesia Tbk as of December 31, 2024. This indicates that the company's financial obligations to related parties were primarily in the form of trade payables and accrued expenses, reflecting the sustained economic interactions within the group.

LIABILITIES AND EQUITY	
Short-Term Liabilities	
Trade payables	
Related parties: Rp 27,624,094,225	
Independent parties: Rp 114,879,706,252	
Other payables to independent parties: Rp 17,498,442,642	
Tax payables: Rp 4,248,817,529	
Accrued expenses	
Related parties: Rp 10,232,625,125	
Independent parties: Rp 97,630,450,775	
Lease liabilities – right of use assets (short-term): Rp 3,317,838,099	
Total short-term liabilities: Rp 275,431,974,647	

Figure 10. Ending Balance of Affiliates as of December 31, 2024

The disclosure of transaction values and balances complies with paragraphs 17 and 18 of PSAK No. 7, which require the presentation of related-party transaction amounts and year-end positions. According to PSAK No. 7, paragraph 17 obliges entities to disclose the amounts of transactions and account balances (including commitments) with related parties for each category, whereas paragraph 18 requires separate disclosure for parent entities, subsidiaries, joint ventures, key management personnel, and other related parties. Thus, by 2024, PT Mandom Indonesia Tbk fulfilled the principles of transparency and traceability in disclosing related parties, transaction types, values, and ending balances. This supports the testing of the arm’s length principle and meets accounting obligations under PSAK No. 7, as well as tax documentation requirements under PMK No. 172

4.6. Recapitulation of Transfer Pricing Disclosures

Based on the findings over the five-year period (2020–2024), PT Mandom Indonesia Tbk consistently disclosed related parties, types of transactions, transaction values, and year-end balances in the Local Transfer Pricing Documentation (TP Doc) and Notes to the Financial Statements (CaLK). This information was presented annually in a traceable format in accordance with PSAK No. 7 and applicable tax regulations. A summary of the affiliated transaction values and ending balances is presented in the following table.

Table 11. Recapitulation of Transaction Values, Ending Balances, and Ratio to Operating Expenses for 2020–2024

Year	Affiliated Transaction Value (Rp)	Ending Balance (Rp)	Total Operating Expenses (Rp)	Ratio (%)
2020	80,840,086,178	38,762,920,000	523,339,628,164	15.44
2021	103,022,258,197	31,512,000,000	470,928,000,000	21.88
2022	172,113,420,003	33,854,000,000	496,281,000,000	34.69
2023	194,982,617,100	39,210,000,000	521,468,000,000	37.38
2024	221,387,125,681	40,200,000,000	534,889,000,000	41.38

Table 11 summarizes the affiliated transaction values, ending balances, and their proportion to operating expenses for PT Mandom Indonesia Tbk from 2020 to 2024. It highlights a steady increase in both transaction values and ratios, indicating the growing significance of related-party transactions in the company’s financial structure.

Table 12. Types of Affiliated Transactions

Year	Types of Affiliated Transactions
2020	Purchase of finished goods, royalties
2021	Purchase of finished goods, royalties
2022	Purchase of finished goods, royalties
2023	Purchase of finished goods, royalties
2024	Purchase of finished goods, royalties

Over the five-year period, the total value of affiliated transactions exceeded Rp 588 billion, with year-end balances consistently above Rp 11 billion. The dominant transactions were purchases of finished goods from Mandom Corporation, Japan, followed by royalty payments, technical services, and training expenses. However, transfer pricing methods, such as Comparable Uncontrolled Price (CUP) or Transactional Net Margin Method (TNMM), have not been explicitly disclosed in public reports. This indicates that, although internal documentation complied with the PMK requirements, external transparency to stakeholders could still be improved. Compared to total operating expenses, the ratio of affiliated transactions reached between thirty-four and forty-one percent annually, reflecting a high level of dependency on affiliates. These findings underscore the importance of adequate documentation and transfer pricing justification to support the arm length principle.

4.7. Evaluation of Compliance with PMK 213/2016 and PMK 172/2023

The evaluation of PT Mandom Indonesia Tbk’s compliance with tax regulations shows the fulfillment of obligations across the two regulatory periods. For 2020–2022, the main reference was PMK 213/2016, whereas for 2023–2024, the benchmark shifted to PMK 172/2023. Generally, the company demonstrated strong administrative compliance. The Local File was prepared consistently each year, covering basic information such as the identification of affiliates, transaction descriptions, and functional, asset, and risk (FAR) analysis, in line with Article 3 of the PMK 213/2016. However, when analyzed more deeply, especially after the implementation of PMK 172/2023, which emphasizes substantive compliance, certain gaps began to emerge. The following matrix presents the PTMI compliance evaluation:

Table 13. Compliance Evaluation Matrix

Evaluation Aspect	Regulatory Basis (Article)	PTMI Compliance	Conformity Analysis
Preparation of Master File & Local File	PMK 213 Article 2; PMK 172 Article 10	✓	Compliant. Documents are available for 2020–2024, fulfilling formal documentation obligations.
Country-by-Country Report (CbCR)	PMK 213 Article 5	✗	Not compliant. This document is not available. The absence of CbCR creates a gap in the transparency of global profit allocation.
Disclosure of TP Methods in Notes (CaLK)	Substantive Emphasis in PMK 172	✗	Not compliant. TP methods (CUP/TNMM) are not disclosed publicly in the Notes, showing compliance remains administrative rather than substantive.
Compliance with Arm’s Length Principle (ALP)	PMK 213 & PMK 172	✓	Compliant (Internal). The Local File includes benchmarking analysis, but the justification is not transparent to the public.

Evaluation Aspect	Regulatory Basis (Article)	PTMI Compliance	Conformity Analysis
Integration of Financial Statements & TP Documentation	Harmonization Emphasis in PMK 172	X	Not consistent. Integration between fiscal and financial information in the financial statements and local documentation is not fully aligned, posing potential issues with tax authorities.

Gap Analysis:

- a. Country-by-Country Report (CbCR): According to Article 5 of PMK 213, CbCR is mandatory for groups with revenues above Rp 11 trillion. Its absence indicates a compliance gap with broader international documentation standards.
- b. Disclosure of Transfer Pricing Methods: PMK 172/2023 emphasizes the importance of economic substances. The lack of TP method disclosure in the notes contradicts the spirit of regulatory transparency and limits stakeholders' ability to assess price fairness.
- c. Data Integration: The essence of PMK 172 is the harmonization of data. Inconsistencies between financial statements and the Local File pose a serious risk, as tax authorities may interpret them as insufficient economic justification for affiliated transactions.

4.8. Discussion

4.8.1. Discussion of Related Parties, Transaction Types, Values, and Ending Balances in 2020

In 2020, PT Mandom Indonesia Tbk (PTMI) demonstrated an early and structured approach to transfer pricing disclosures. The company identified its key related parties, particularly Mandom Corporation Japan (MCJ), as the parent entity, alongside regional affiliates engaged in procurement and service transactions. Reported related-party transactions included purchases (Rp 80.8 billion), royalties (Rp 80.1 billion), and technical and management service fees, with year-end balances amounting to Rp 16.1 billion. These disclosures were consistent with PSAK No. 7, which requires the identification of related parties, nature of relationships, and values of transactions. Likewise, reporting aligned with the documentation framework under PMK 213/2016, which emphasizes administrative completeness through the identification of affiliates and transaction details. However, from a substantive compliance perspective, disclosure remains limited. PTMI did not reveal the transfer pricing methods used to determine intercompany pricing, such as the Comparable Uncontrolled Price (CUP) or Transactional Net Margin Method (TNMM). The omission of such methods restricts transparency and limits public understanding of whether prices are determined in accordance with the arm's length principle (OECD 2022). As a result, PTMI's compliance in 2020 can be characterized as administrative rather than substantive, fulfilling formal requirements without fully demonstrating economic justification.

4.8.2. Discussion of Related Parties, Transaction Types, Values, and Ending Balances in 2021

In 2021, PTMI maintained consistent disclosure practices, identifying the same network of related parties, predominantly the MCJ, as the parent company. Transaction values exhibited an upward trend, with purchases amounting to Rp 94.4 billion and royalties reaching Rp 79.2 billion, while the year-end balance rose to Rp 21.8 billion. The consistent structure of the disclosures indicates compliance with PSAK No. 7's requirements regarding the completeness and transparency of affiliated transactions. Nevertheless, the increasing transaction volume underscores the need for enhanced transparency in transfer-pricing methodologies. As intra-group trade expanded, the absence of method disclosure amplified the potential

risks of fiscal correction and tax base erosion. From the standpoint of Disclosure Theory (Baridwan, 2014; Scott, 2015), disclosure quality should not only satisfy compliance but also provide decision-useful information for stakeholders. The lack of explicit methodological information weakens the PTMI's capacity to demonstrate alignment with the arm's length principle, thereby reducing the informational value of its financial statements. Under PMK 213/2016, administrative compliance was achieved through documentation of transaction types and counterparties. However, substantive compliance, which requires transparency about economic reasoning and price-setting mechanisms, has remained absent. The 2021 reporting thus marked continuity in procedural disclosure, but no substantive progress in demonstrating arm's length conformity.

4.8.3. Discussion of Related Parties, Transaction Types, Values, and Ending Balances in 2022

The 2022 reporting year reflected PTMI's consistent commitment to identifying related parties and affiliated transactions, including purchases (Rp 85.6 billion), royalties (Rp 87.6 billion), and technical and training services, with a year-end balance of Rp 20.1 billion. These disclosures continued to fulfill PSAK No. 7 and PMK 213/2016 requirements, indicating continuity in administrative reporting and traceability of related-party activities. However, the focus on compliance formality persisted as no reference was made to the transfer pricing methods applied to these transactions. The company continued to treat related-party disclosures as a checklist exercise, rather than as a means of demonstrating economic transparency. Such an approach reflects a narrow interpretation of PSAK No. 7, which meets the minimum disclosure requirements while overlooking the economic substance required under international standards. From the perspective of the arm's Length Principle, transparency in method selection is essential for proving that prices reflect market conditions. PTMI's omission of this disclosure creates a disclosure gap between public financial statements and internal documentation. According to Legitimacy Theory, this gap may undermine stakeholder confidence, as incomplete disclosure raises questions about a company's integrity and its adherence to fair taxation practices. Hence, while 2022 maintains procedural compliance, it lacks substantive enhancement in disclosure quality.

4.8.4. Discussion of Related Parties, Transaction Types, Values, and Ending Balances in 2023

The fiscal year 2023 marked a regulatory milestone, with the enactment of PMK 172/PMK.03/2023, replacing PMK 213. This regulation introduced stricter requirements, emphasizing economic substance, functional analysis, and integration between tax documentation and financial reporting. PTMI responded by maintaining its comprehensive identification of related parties and transactions, including purchases (Rp 77.8 billion), royalties (Rp 86.2 billion), and management services, with a year-end balance of Rp 20.8 billion. While these disclosures aligned with PSAK No. 7 and the formal expectations of PMK 172, they continued to omit the transfer pricing methodologies applied, such as the CUP or TNMM. This omission highlights an implementation gap in the transition from administrative to substantive compliance. The company's disclosures did not integrate the economic justification or functional-risk-asset (FAR) analysis required by PMK 172. From a theoretical standpoint, the arm's Length Principle requires companies to justify pricing decisions based on comparability analysis. The absence of such justification indicates that PTMI had not yet fully adopted the spirit of economic substance mandated by the updated regulations. Furthermore, from the perspective of Disclosure Theory, a lack of methodological transparency reduces the decision usefulness of financial information. Therefore, 2023 served as a transitional year in which regulatory expectations increased, but corporate practices lagged behind, signaling the need for stronger integration between accounting and tax reporting frameworks.

4.8.5. Discussion of Related Parties, Transaction Types, Values, and Ending Balances in 2024

In 2024, PTMI continued to report related-party transactions involving MCJ and regional affiliates, covering purchases (Rp 101.6 billion), royalties (Rp 84.5 billion), and services, training, and packaging, with a year-end balance of Rp 37.8 billion. These figures reflect an upward trend in transaction values, highlighting the increasing materiality of inter-company activities within the group. The disclosures remained compliant with PSAK No. 7 and the formal provisions of PMK 172/2023, ensuring administrative completeness. However, PTMI refrained from disclosing the specific transfer pricing methods or the economic rationale behind its intercompany pricing. Consequently, the company's compliance remained largely administrative, focusing on what was disclosed rather than how and why prices were determined. Under Legitimacy Theory, this limited disclosure approach poses reputational risks because stakeholders may perceive insufficient transparency as a lack of accountability or a potential attempt to obscure fiscal strategies. In the era of heightened scrutiny under PMK 172, the expectation is that companies provide not only transactional data, but also economic reasoning that supports compliance with the arm's length principle. The lack of such disclosure reduces PTMI's ability to demonstrate good governance and fiscal integrity. Overall, 2024 reporting underscores the persistent administrative bias in PTMI's transfer pricing disclosures. While the company consistently fulfills formal requirements, the absence of methodological transparency prevents it from achieving substantive compliance. As a result, PTMI risks fall short of the regulatory objectives envisioned by PMK 172, which seeks to harmonize tax documentation, financial reporting, and economic substance.

4.8.6. Synthesis and Trend Analysis (2020–2024)

Across the five-year period, PT Mandom Indonesia Tbk exhibited strong procedural consistency in disclosing related-party relationships, transaction types, and values, fully meeting the administrative criteria of PSAK No. 7. However, there is a persistent disclosure gap concerning methodological transparency and economic justification. Under PMK 213 (2020–2022), compliance primarily focuses on documentation completeness. The transition to PMK 172 (2023–2024) introduced expectations of integration and economic substance, yet PTMI's practices did not evolve accordingly. This pattern reflects a stable yet form-driven compliance culture, highlighting the challenges corporations face in balancing confidentiality and transparency. From a theoretical perspective, the findings confirm that PTMI's disclosure aligns with Disclosure Theory (Baridwan, 2014; Scott, 2015) in terms of completeness, but falls short of the Legitimacy Theory perspective, which demands accountability to maintain stakeholder trust. Similarly, under the Arm's Length Principle, the absence of disclosed methodologies prevents external users from verifying whether a company's pricing truly reflects market-based fairness. In conclusion, PTMI's transfer pricing disclosure between 2020 and 2024 reflects steady administrative adherence, but limited substantive transparency. To align with the spirit of the PMK 172 and OECD (2022) guidelines, the company should improve public disclosure by including brief descriptions of the methods used, the rationale for pricing policies, and the integration of tax documentation with financial statements. Doing so enhances fiscal accountability, investor confidence, and long-term corporate legitimacy.

4.9. Implications

The implications of this study extend across the theoretical, regulatory, and practical domains. Theoretically, the findings reinforce the enduring relevance of the arm's Length Principle as the cornerstone of fair transfer pricing while demonstrating how the degree of disclosure determines whether this principle is realized in practice. This study contributes to Disclosure Theory by emphasizing that completeness alone is insufficient without transparency regarding pricing methods and economic justification. It also provides empirical support for Legitimacy Theory, illustrating that organizations that limit the scope of their disclosure risk erode stakeholder trust, even when they meet all formal reporting requirements.

From a regulatory and practical standpoint, the results highlight the need for corporations to enhance the quality of their public disclosure by moving beyond administrative formality. Companies such as PT Mandom Indonesia Tbk should incorporate concise explanations of transfer pricing methods and their underlying rationale in financial reports to strengthen credibility and reduce the likelihood of fiscal disputes. Additionally, integrating financial statements with transfer pricing documentation will improve coherence and minimize discrepancies that could attract regulatory scrutiny. Corporate governance mechanisms, particularly audit committee and internal audit functions, should play a more active role in reviewing and validating the consistency of these disclosures, ensuring that they reflect both compliance and transparency. For regulators and policymakers, the findings underscore the importance of providing clearer technical guidance on how transfer pricing information can be summarized in public reports without breaches of confidentiality. Ongoing training, monitoring, and capacity-building programs for both tax officers and corporate practitioners are crucial to ensure a smoother transition from documentation-based to substance-based compliance.

Finally, this study offers practical insights for both academic and future researchers. Subsequent research could expand the scope to include multi-company or cross-sectoral analyses, thereby allowing for comparative assessments of compliance behavior under PMK 172. Moreover, quantitative approaches can be developed to measure the relationship among transfer pricing disclosure quality, taxation risk, and firm performance. By extending this line of inquiry, future studies could contribute to a deeper understanding of how transparency in transfer pricing disclosure supports sustainable corporate governance and fiscal accountability in Indonesia's evolving regulatory landscape.

V. Conclusion

This study concludes that the transfer pricing disclosure practices of PT Mandom Indonesia Tbk throughout the 2020–2024 period reflect a consistent commitment to administrative compliance, but still fall short in achieving substantive transparency. The company has demonstrated its adherence to PSAK No. 7 and the prevailing tax regulations (PMK No. 213/2016 and PMK No. 172/2023) by systematically identifying related parties, presenting transaction types, disclosing monetary values, and reporting year-end balances. Such disclosures indicate a company's awareness of its formal obligations and efforts to maintain accountability within the framework of financial reporting. However, procedural compliance remains a critical limitation. The findings reveal that while the existence and value of related-party transactions are consistently reported, the absence of explicit transfer pricing methods in the Notes to Financial Statements weakens the substance of transparency. The company's disclosures remain predominantly administrative in nature, focusing on fulfilling regulatory requirements rather than providing sufficient economic justification for the prices applied. This pattern creates a gap between form and substance, limiting stakeholders' ability to assess whether the company's transfer prices align with the arm's length principle, as emphasized by the OECD (2022) and the economic substance standard under PMK No. 172.

The regulatory shift from PMK 213 to PMK 172 marks a pivotal moment in Indonesia's fiscal policy, signaling a transition from documentation-based compliance to substance-driven governance. Nonetheless, PTMI's disclosure practices suggest that corporate adaptation to this paradigm has been gradual, with economic reasoning still largely confined to internal transfer pricing documentation, rather than publicly communicated through financial statements. From the perspective of Disclosure Theory, a company's reporting fulfills the dimension of completeness but lacks the depth of decision-useful information. Meanwhile, under Legitimacy Theory, this limited transparency may challenge the company's perceived accountability, as stakeholders increasingly expect compliance and ethical disclosure that demonstrates fairness and economic rationale.

The study confirms that PT Mandom Indonesia Tbk has successfully maintained formal compliance but has not yet achieved substantive transparency in its transfer pricing disclosures. Future progress in this area will depend on a company's ability to integrate tax documentation with financial reporting, thereby

aligning administrative accuracy with economic integrity. Strengthening this alignment is essential not only to satisfy regulatory expectations but also to preserve corporate legitimacy and public trust in the long run.

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