A COMPARATIVE ANALYSIS OF CORPORATE TAX GROUP REGIME IN AUSTRALIA, GERMANY, AND INDONESIA

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ABSTRACT

The main difference of corporate group regimes in Australia, Germany, and Indonesia is the treatment of a corporate group as a single entity or separate entities. This particular regime primarily impacts tax treatment on intra-group loss transfer and intra-group asset transfer. This paper compared the implementation of corporate group regime in these countries and analysed the effectiveness of its regime based on the satisfaction of neutrality, simplicity, competitiveness, and fairness principles. The results of the analysis concluded that there are strengths and weaknesses in each tax regime. Key improvements to the Indonesian corporate tax regime are proposed which include implementing a consolidation system. The main features of this system facilitate intra-group loss transfer and intra-group asset transfer. These recommendations are expected to increase neutrality, simplicity, and fairness in Indonesia's tax system and potentially support corporate groups to be more competitive.

Keywords: consolidation, corporate tax, corporate group, asset transfer, loss transfer

JEL Classification: H25

1. INTRODUCTION

Establishing a corporate group has become the main option to run a business, especially for medium and large businesses, (Blumberg 2005, 606) as there are several benefits resulting from this strategy. This strategy enables a corporate group to maximise its profit through various business activities, decrease cost of transaction, and set tax planning by utilising different tax treatments (J. Harris and Hargovan 2010, 725). Due to revenue loss resulted from tax planning, tax policy should be designed to collect tax more effectively from taxpayers, but it should also support business to be more efficient.

From an economic perspective, a corporate group is regarded as a single entity because each member does not act separately and exercises similar control (P. Harris 2013, 44). Meanwhile, from a legal perspective, it regards the members of a corporate group as a separate legal entity. Each country has different treatments to deal with different perspectives for taxation purposes. It is interesting to note that some countries treat corporate groups as a single entity for tax purpose, while other countries follow corporate law by considering a corporate group as separate entity.

In Australia, a corporate group may elect to be treated as a single entity and this policy is known as a consolidation regime. A consolidation regime has key features which enable intra-group loss transfer and tax free on intra-group asset transfer. Meanwhile, in Germany, corporate group may also choose to apply corporate group tax system under *organschaft* system. This system has similarity with consolidation system which allows intra-group loss transfer. However, this system is the reflection of group pooling system because it does not provide tax free on intra-group asset transfer. Generally, both systems, consolidation and *organschaft,* are effective to increase the competitiveness of corporate group although there are some issues in simplicity.

Indonesia adopts separate entity system on corporate group. There are no features of consolidation system as implemented in Australia and Germany, neither tax treatment on intra-group loss transfer nor intra-group asset transfer, embedded in Indonesia corporate group regime. There are some problems resulted from this system. Tax avoidance is the main issue where corporate group conducts tax planning through domestic transfer pricing. Administrative cost and compliance cost is also another reason to review this regime.

Based on explanations above, consolidation system is proposed to be implemented in Indonesia. Tax system should be adaptable to the growth of corporate group. However, by considering its strengths and weaknesses, consolidation system should be designed carefully. Inappropriate consolidation rules may be used by taxpayers to avoid tax or would increase compliance cost and administration cost. Therefore, a consolidation regime should consider any aspects not only neutrality and competitiveness principle, but also the cost of the implementation.

This paper compares tax consequences of each corporate group regime which includes the objectives of the policy, how the policy to be implemented, and the effectiveness of the system. The effectiveness of each regime is based on its satisfaction on tax collection principles. As the result, a recommendation will be proposed to strengthen tax treatment on corporate group in Indonesia.

2. RESEARCH METHODOLOGY

This research is conducted by using comparative and descriptive method. Regarding the countries analysed in this paper, that countries are selected by considering several reasons. The research is limited for three countries because of the limitation of time and resources. The countries selected in this paper are supposed to represent the types of consolidation which are full-consolidation, semi-consolidation, and without consolidation. Indonesia is selected because its corporate tax system is the target of improvement and represents corporate tax regime without consolidation. Meanwhile, Australia and Germany represent full-consolidation and semi-consolidation respectively. That countries are also advanced in implementing consolidation regime.

The research on consolidation regime had been conducted by Ting. Some of the way to compare corporate tax system among the countries are referred to that research. However, there are some aspects that make this research different to the research undertaken by Ting. The countries analysed in this paper, Indonesia and Germany, are not discussed by Ting. Moreover, this research creates a strong structures by focusing analysis in each type of consolidation.

3. LITERATUR REVIEW

3.1. Theory of Corporate Group

A corporate group can be seen in two perspectives. In economic perspective, a corporate group is one single entity because it has similar control and economic integrity. However, in legal perspective, a corporate group is a separate entity because members of the group are legally separated. Ting (2013, 13-16) divided tax treatment affected by that different perspectives into enterprise doctrine which reflects economic perspective and separate entity doctrine which represents legal perspective. The key differences of that doctrines can be identified on how the doctrine treats the key dimensions and the key functions of corporate group.

Regarding the key dimensions, the distinction between enterprise doctrine and separate entity doctrine can be identified from its definition on taxable unit and tax base (Ting 2013, 27-28). Taxable unit can be regarded as tax subject, while tax base is tax object. Enterprise doctrine regards taxable unit of corporate group as the number of companies under a similar control of a parent company and tax base is calculated from taxable income and loss of the group of companies. Meanwhile, separate entity doctrine considers each group member as taxable unit and tax base is taxable income attributed to each member.

The key functions of corporate group are intra-group loss offset and tax free on intra-group asset transfer (Ting 2013, 39). Under enterprise doctrine, subsidiary's loss can be offset against the group's profit. Moreover, capital gain or loss on intra-group asset transfer is not recognised. Otherwise, under separate entity doctrine, intra-group losses offset is not allowable and intra-group asset transfer causes tax consequences.

3.2. The Reasons of Consolidation Policy

Consolidation is the way of corporate group to apply enterprise doctrine. Some developed countries implement consolidation in its corporate tax regime in various level. For example, Australia implements Single Entity Rule and Germany enacts *Organschaft.* The US is the first country to introduce consolidation in 1917. The implementation of consolidation is triggered by the increasing number of corporate groups. Accordingly, tax law should be adaptable to the positive trend of corporate group. The other reasons can be found in the objectives of consolidation in many countries. The reasons are to prevent double taxation, to improve corporate group's business efficiency, to encourage fiscal neutrality among various business structure, to raise competitiveness, to conduct anti-avoidance roles, and to strengthen corporate tax system (Ting 2013, 62-73).

3.3. The Indicators of Effectiveness

There are four indicators to identify that a corporate group regime is effectively implemented. That indicators are simplicity, fairness, neutrality, and competitiveness which all of them are the objectives of tax policy (Ting 2013, 19). The indicators are aligned with the principle of tax system formulated by Adam Smith which has become the reference in developing tax system around the world. That principles are equality, certainty, convenience, and efficiency (Smith 1776, 639-640).

Simplicity is related to the efficiency principle. There are two issues in this indicator namely administrative cost and compliance cost. Tax policy satisfies simplicity indicator if that policy is implemented with lower administrative and compliance cost. This indicator suggests that consolidation policy should not create tax system to be more complex.

Fairness is related to equality. It means taxpayers should pay tax in an equal amount with the facilities provided by the state that is enjoyed by taxpayers in generating income (Alink and Kommer 2011, 34). Another consideration of fairness is horizontal equity and vertical equity which consider taxpayer's economic ability. Fairness is also defined as the right amount and the right time of tax collection (Alley, 600). This indicator suggests that tax system must ensure taxpayer pays tax appropriately.

Neutrality means taxpayer should not consider tax consequences to decide its business structure. Accordingly, a neutral tax system does not cause distortion on taxpayer's business preferences (P. Harris 2013, 22). Regarding corporate group, taxpayer has option to create branches or subsidiaries which each of the option has different tax consequences. Under a neutral tax system, the option of business structure should not be relied on tax treatment, rather on how to achieve economic efficiency (Ting 2013, 20).

Lastly, competitiveness is affected by the condition where a corporate group can allocate its asset and loss among group members without considering tax consequences. In this case, it enables a corporate group to maximise the utilisation of its asset and offset loss to the group's profit.

3.4. Consolidation Features

Generally, most countries implement different features in different phases of consolidation. In this paper, the phases are divided into pre-consolidation, during consolidation, and post-consolidation.

3.4.1. Loss Treatment

Pre-Consolidation

Pre-consolidation loss is the loss owned by group members before joining consolidated group. There are four policy options commonly applied in this phase namely cancellation, suspension, quarantine, and transfer to the parent company (Ting 2013, 140-143).

Under cancellation policy, pre-consolidated loss cannot be transferred to the consolidated group. That losses should be cancelled before joining consolidated group. Meanwhile, under suspension policy, pre-consolidated loss also cannot be transferred to the consolidated group. However, that losses are not cancelled, but it can be used by the owner of that loss when it leaves the group. Otherwise, under transfer to the parent company policy, pre-consolidated loss may be transferred to the parent company and offset with group's taxable income.

Under quarantine policy, group member's pre-consolidated loss can be offset only against its own income, not consolidated group's income. There are two options of quarantine policy namely 'offset before aggregation' and 'offset after aggregation'. Under the first option, pre-consolidated loss is offset against subsidiary's income before that income is transferred to the parent company. Meanwhile, under the second option, that loss can be offset after the subsidiary's income has been aggregated against the consolidated group's income.

During Consolidation

Under consolidation system, losses of group members during consolidation phase are transferred to the parent. That losses are pooled by the parent company to become group losses (Ting 2013, 162).

Post-Consolidation

Post-consolidation is the stage when the subsidiary leaves the group, the group losses are treated under two policy options. The policies are the losses are kept by the parent company or the losses are shared out to the leaving members (Ting 2013, 162-163). In this case, shared out policy is more complicated because the source of losses should be traced to recognise the leaving entity's loss.

2.4.2. Asset Treatment

The treatment of asset will be focus on the cost and unrealised gain (or loss) attributed to the joining entity's asset and intra-group asset transfer during consolidation.

Pre-Consolidation

There are four policy options that can be implemented in this phase. That policies are regarding on how to treat asset brought by joining entity. A specific issue in this phase is tax treatment on capital gain or loss arises due to consolidation at joining time. Capital gain or loss is resulted from the different of asset value between its book value and fair value at joining time. The policies are quarantine, deemed sale, rollover, and reset cost base (Ting 2013, 176-181).

Under quarantine policy, capital gain or loss at joining time is attributed to the subsidiary and cannot be transferred to the parent company. Subsidiary will be taxed if the asset has been sold to the third party even during consolidation or after leaving the group.

Deemed sale policy is quite similar with quarantine policy. The main difference is capital gain in pre-consolidated phase is recognised immediately and taxed at the joining time. Accordingly, joining a consolidated group is regarded as disposing the asset.

Under rollover policy, subsidiary's pre-consolidated asset is regarded as the parent company's asset. Therefore, the asset is recognised by the parent company at the purchase price of the subsidiary. Capital gain is recognised when joining entity leave the group. The increasing of market value of the asset, market value when a joining entity leaves group compares with purchase price, is unrealised capital gain for the parent company and should be taxed when the subsidiary leaves the group.

Furthermore, under reset cost base policy, the cost of the asset brought by joining entity is reassessed when that entity joins a consolidated group. That cost should be recalculated when that entity leaves the group. Accordingly, the purchase price of that asset is disappeared.

During Consolidation

During consolidation phase is related to intra-group asset transfer during consolidation. There are two policies in this phase. The policies are rollover policy and neutralisation policy. Under rollover policy, the asset is regarded to be owned by the parent company. Therefore, capital gain or loss caused by the transferring intra-group is not recognizes. Capital gain or loss is deferred until the asset sold to the third party (Ting 2013, 191). Meanwhile, under neutralisation policy, capital gain or loss is recognized individually based on the entity which conduct intra-group transfer. The tax consequence on that capital gain or loss is eliminated when that entity's taxable income is pooled to the parent company (Ting 2013, 191).

Post-Consolidation

Post-consolidation phase means the treatment of pre-consolidated asset when a group member leaves a consolidated group. The alternative policies on this phase are quarantine, deemed sale, recapture, and rollover to the leaving subsidiary (Ting 2013, 198-199). Quarantine policy in post consolidation is aligned with quarantine policy at pre-consolidation. When a subsidiary leaves the group, tax attributed to the subsidiary at joining time will be returned to the subsidiary. Meanwhile, unrealised gain on that assets during consolidation is attributed to the parent company. Unrealised gain is calculated from the excess value of subsidiary's asset by comparing its value at the joining time and at the leaving time. All that gain will be taxed at the time when the asset has been sold to the other party.

Deemed sale policy in this phase is also the continuity of deemed sale is pre-consolidation phase. Under this policy, asset brought by subsidiary at the leaving time is regarded as asset disposal of the consolidated group. The parent company will be taxed on unrealised gain caused by that asset disposal.

Moreover, recapture policy and rollover to the leaving subsidiary policy are the continuity of rollover policy in the pre-consolidation phase. Under recapture policy, tax on capital gain at the joining time and during consolidation is deferred until the subsidiary leaves the group. In this case, at the leaving time, if the value of asset brought by the subsidiary is higher than its purchase price, capital gain will be appeared and should be taxed immediately. This policy is quite similar with rollover to the leaving subsidiary policy. Under rollover to the subsidiary policy, that capital gain will be taxed at the time when the asset has been sold to the other party.

3. CORPORATE GROUP REGIME IN AUSTRALIA, GERMANY, AND INDONESIA

3.1. Australian Consolidation Regime

Consolidation regime has been implemented in Australia since 2002. It replaced group relief policy which facilitated loss transfer within resident corporate group and intra-group asset transfer rollover (Ting 2010, 165). The objectives of consolidation regime in Australia is clearly stated in section 700-10 the 1997 Act. *First*, consolidation regime is purposed to prevent double taxation (ITAA 700-10). *Second,* consolidation regime is aimed to prevent double tax benefit. This issue commonly occurred under separate entity regime where the same loss or expense may be claimed both in subsidiary level and in corporate group level. *Lastly*, consolidation is expected to reduce compliance cost and improve business efficiency.

The concept of consolidation in Australia is known as Single Entity Rule (SER). Its consolidation features are very broad which not only achieve key functions of corporate group that facilitates intra-group loss transfer and asset transfer, but also eliminates the existence of subsidiaries for tax purpose. Based on section 701-1 the 1997 Act, a consolidated group is regarded as one single entity, rather than separate entities. Accordingly, subsidiary members are parts of the head company.

The implementation of SER is supported by entry history rule and exit history rule (Ting 2013, 74). Regarding entry history rule, everything happened before subsidiary joins a consolidated group is regarded occurred in relation to the parent company (ITAA s 701-5). It means asset and losses brought by subsidiary should be considered owned by the parent company. Meanwhile, regarding exit history rule, if the subsidiary leaves the group, the asset brought by subsidiary should be regarded as asset where the consolidation was not taken (ITAA 701-40).

A corporate group is not obliged to implement consolidation for tax purpose. However, in Australia, corporate group cannot enjoy group relief since consolidation was introduced (Ting 2013, 87). Thus, it enforces taxpayers to implement consolidation. Moreover, Australian consolidation is equipped with irrevocable policy which prevent a corporate group to repeal its choice to implement consolidation system (ITAA 703-50(2)).

A parent company is required to wholly own membership interest in its subsidiary if that company choose to be treated as a consolidated group (ITAA 703-15(2)). The definition of wholly owned subsidiary is explained in section 703-30. The provision states that the subsidiary is wholly owned by parent company if all the membership interests in the subsidiary are beneficially owned by parent company (ITAA 703-30). Accordingly, the ownership is not determined by control factor such as voting right and value of interest (Ting 2013, 124).

Apart of ownership threshold, subsidiary should be Australian resident. The resident requirement is also applied to the parent company that must be Australian resident. However, there are some types of entities that cannot be subsidiary such as a trust (ITAA 703-20). Moreover, this regime does not allow interposed non-member entity (Ting 2013, 118). It means resident company cannot be member of consolidated group if it is owned indirectly by the parent resident company through non-resident company.

Regarding fulfilling tax liability, under SER, tax liability and loss of subsidiaries are taken to be part of parent company (ITAA 701-1). Taxable income and losses of the subsidiaries are aggregated to the parent company. It enables parent company to file a single tax return of its consolidated group. However, group members are likely to have obligation to pay group liability through join and several liabilities of contributing member provision if the parent company cannot satisfy its obligation on tax payment (ITAA 721-15). Regarding tax payment, there are provisions to regulate tax payment sharing based on tax sharing agreement (ITAA 721-25).

3.2. Germany *Organschaft*

Consolidation in Germany is known as *Organschaft.* This policy is expected to prevent double taxation caused by distributing profit from subsidiary to the parent company (Oestreicher and Koch 2009,122). This policy also allows loss transfer within a group of companies (KStG §14). One main difference between consolidation in Australia and in Germany is the treatment on subsidiary's pre-consolidated. In

Germany, that loss cannot be transferred to the parent company (KStG §14). Moreover, there is no tax free on intra-group asset transfer (Ault and Arnold 2010, 401). Thus, this policy does not achieve all key functions of corporate group. Under this policy, corporate group is considered as separate entity. Accordingly, this policy is regarded as semi-consolidation in this paper.

A parent company can acquire loss and profit from its subsidiaries during consolidation if there is a profit-and-loss agreement among them. That agreement must be made for at least five years (KStG §14(1)). Based on this agreement, the subsidiary has to transfer its profit and loss to the parent company (Oestreicher and Koch 2009, 119). To implement this policy, subsidiary's losses and profit are aggregated against the parent company's taxable income (Ault and Arnold 2010, 401). That profit transfer is not regarded as distribution. Accordingly, subsidiary effectively files tax return with zero profit and loss (Ault and Arnold 2010, 401).

This policy is not mandatory as well as consolidation regime in Australia. Corporate group in Germany can opt to implement this policy (Ault and Arnold 2010, 401). However, the requirement of group member is different between Australia and Germany. Based on section 14 KStG, profit and loss agreement is defined as stated in section 291 Stock Corporation Act (KStG §14). That section states that an effective agreement should be made under the approval of annual general meeting. In that meeting, the decision requires at least 75% of the capital representatives (AktG §291). However, *organschaft* requires the parent company owns the majority of share voting rights in the corporate group. Therefore, the parent company can establish a consolidated group if it has more than 50% voting right and it will be more effective if it has more than 75% ownership in subsidiary.

Regarding group members, *organschaft* is generally allowed for resident company. However, there are some exemptions which enable foreign parent company can be the member of consolidated group. If a foreign parent company is dual resident and has central management and control in Germany, that company is allowed to establish a consolidated group (Ault and Arnold 2010, 401). Another exemption is if that company has a registered domestic branch to which the profit and loss of the subsidiary are attributed (Ault and Arnold 2010, 401).

As mentioned before, subsidiary is regarded as separate entity. Thus, the subsidiary is required to file tax return. If there are transactions among the member of the group, it should be considered in group member's taxable income calculation. Moreover, if that transactions are conducted not at the arm length price, dividend is identified included in that transaction. Lastly, the parent company pays compensation to the minority interest. That payment is conducted because all profit has been transferred to the parent company. Regarding to the payment to the minority shareholders, that payment is regarded as dividend (Ault and Arnold 2010, 401).

3.3. Indonesia Separate Entity Regime

By analysing Indonesian Income Tax Law, it can be concluded that Indonesia adopts separate entity regime. In Indonesia, taxpayer is defined as individual, corporation, and permanent establishment (Income Tax Act art. 2(1)). Regarding corporation, it is defined as a group of person and/or capital as a unity whether it conducts business or activity included in this definition namely limited companies, partnership, firm, social organisation, and other forms of entities including permanent establishment (Income Tax Act art. 2(1)). That entity should be regarded as taxpayer if it satisfies subjective and objective requirement.

A corporation will satisfy subjective requirement if that entity is established in Indonesia (Income Tax Act art. 2(3)). Meanwhile, that entity fulfils objective requirement if that entity produces income. The income is defined as additional economic ability received by taxpayer, either from domestic source or foreign source, which can be used for consumption or increasing taxpayer's wealth. A corporation that is satisfied both requirement is required to register as taxpayer at the tax office where that entity is established.

Based on the provisions above, an entity which satisfies the definition of corporation and subjective and objective requirement is regarded as a corporate taxpayer regardless that entity is parent company or subsidiary. That taxpayer has obligation to satisfy its tax obligation such as filing tax return as regulated under General Provision Act art. 3.

4. COMPARATIVE ANALYSIS

The main features of consolidation compared in this paper are how a regime dealing with intra-group loss transfer and intra-group asset transfer. Corporate group regime in each country is divided into three phases of consolidation i.e. pre-consolidation, during consolidation, and post-consolidation. Moreover, the effectiveness of consolidation features adopted in each regime in each phase are analysed by using the indicators of effectiveness i.e. simplicity, fairness, neutrality, and competitiveness.

4.1. The Analysis of Australian Consolidation

Generally, the regulation of Australian consolidation regime is very complex. The most problems occurred at the pre-consolidation and post-consolidation phase.

4.1.1. Pre-Consolidation

Treatment of Loss

Australia adopts transfer to parent company method on the subsidiary's pre-consolidated loss. Accordingly, loss owned by subsidiary before joining a consolidated group will be transferred to the parent company at the joining time (ITAA 707-120). This loss is regarded to be made by the parent company (ITAA 707-140(1)(a)). However, there are four things that can limit the parent company to offset subsidiary's pre-consolidated loss.

Firstly, pre-consolidated loss can be offset after the group has remaining taxable income after group's taxable income has been reduced by its own losses and deductions (ITAA 707-305(2)). This policy will raise an issue if a tax system applies year limit of loss compensation as implemented in Indonesia. That loss may be forfeited if it is not offset immediately. However, in Australia, there is no year limit for offsetting loss. The loss can be offset as long as satisfying continuity ownership test and same business test.

Secondly, related to the amount of loss that can be offset, it should reflect the amount of loss that can be used by the subsidiary if that subsidiary does not join the consolidated group (ITAA 707-305). To deal with this issue, the available fraction (AF) policy is implemented. Section 707-305(4) regulates that the income of joining entity for the year have equalled a fraction of the group income for the year. The fraction is calculated from the market value of the joining entity.

The fraction is reflected by the portion of the market value of joining entity to the market value of the corporate group (ITAA 707-320(1)). In this case, the amount of loss that can be offset by the parent company is based on the proportion of joining entity in the group multiple the group's taxable income for the year (Ting 2013, 148). If the asset is less than liability, the market value of joining entity is regarded as nil. Consequently, all pre-consolidated loss cannot be transferred to the parent company (Gliders et.al. 2011, 771).

Generally, AF policy is useful to prevent the large amount of loss offset by the parent company. If the amount of loss to be offset is not regulated by the law, it potentially impacts tax revenue. This policy may also be intended to discourage a company to acquire loss making company. However, to consider company's market value as the base of fraction calculation is not fully relevant. That value does not reflect the ability of the company to generate income (Ting 2013, 148). Another weakness is the market value of the subsidiary which does not reflect its value at the time when the loss to be offset (Ting 2013, 148). This occurred because AF is calculated by using market value of the subsidiary at the joining time, not at time when the loss is offset.

Thirdly, the subsidiary which owned the loss should pass the Continuity of Ownership test (COT). Under COT test, a company passes this test if more than 50% of voting rights, dividend and capital distribution rights is beneficially owned by the same person (P. Harris 2013, 444). In this case, pre-consolidation loss can be transferred to the parent company if the subsidiary passes the continuity of ownership test. That test is applied for the period since losses were occurred until the end of trial time (Gliders et.al. 2011, 768). The trial time is the period starting at the latest of the time 12 months before the joining time or the time the joining entity came into existence (ITAA 707-120(2)).

Lastly, pre-consolidated loss owned by subsidiary may be offset though that subsidiary does not satisfy the continuity of ownership test. However, that company has to satisfy the same business test (SBT) (Gliders et.al. 2011, 768). This policy ensures that the loss owned by the subsidiary is the loss related to its current business.

This policy reflects that Australian consolidated regime treats equally the loss generated by non-consolidated company and consolidated company. COT and SBT are the set of tests that should be passed by the company in order that loss can be utilised. This test is important to ensure that the loss is valid and can be offset although the subsidiary does not join a consolidated group. Moreover, this policy has purpose to prevent loss trafficking.

However, if the parent company acquires the subsidiary just before forming a consolidated group, pre-consolidated loss owned by the subsidiary is probably unable to be offset because the ownership of the subsidiary has changed and it will fail to satisfy COT test. In this case, that loss may be offset if it passes SBT test. Although this policy is less attractive for taxpayer, this policy assures the transparency and accountability of consolidation regime.

Treatment of Asset

Subsidiary's pre-consolidated asset is regarded as asset owned by the parent company because subsidiary is a part of the parent company (ITAA 701-1). There are several methods to acquire subsidiary's asset owned by subsidairy at joining time. In Australia, it uses a specific method which is different with general practice in many countries. In this case, Australia applies reset cost method in determining the cost of asset brought by subsidiary at joining time.

In general, there are three steps to determine the cost of subsidiary's pre-consolidated asset. *Firstly*, identifying the Allocable Cost Amount (ACA) of the subsidiary (Gliders et.al. 2011, 772). ACA calculation is complex. The cost of subsidiary's asset does not only consider the price of acquisition but also the liability of joining entity, undistributed taxable profit, loss transferred to the parent company, and the deduction attributed to the parent company (Gliders et.al. 2011, 773).

Secondly, ACA is deducted by Tax Cost Setting (TCS) of retained cost base assets. Section 705-25 regulates the TCS for certain assets. The purpose of TCS is to recognise cost spent by the parent company to acquire subsidiary (ITAA 705-10). *Thirdly*, ACA is allocated to reset cost base asset. The assets that should be reset are the assets apart of excluded asset and retained cost base asset (Gliders et.al 2011, 775). ACA is allocated based on the market value of that assets.

In this paper, steps to calculate reset cost is not discussed comprehensively. That calculation is very complex. There are a number of provisions to regulate reset cost calculation. This policy has an important objective to recognise the real value of subsidiary's asset. However, reset cost is potentially manipulated by the taxpayer (Ting 2013, 186). It is caused by the condition where ACA is calculated by considering several factors. Reset cost can be over or under the price of acquisition. For example, if the subsidiary's asset is overvalued, that asset may be utilised as the source of loss when the asset is sold at its market value. Therefore, reset cost is potentially increase compliance cost and administrative cost.

4.1.2. During Consolidation

Treatment of Loss

This part is related to the loss occurred during consolidation. This loss is regarded as group loss and deemed to be made by the parent company because subsidiary is regarded as a part of parent company. In this case, Australian consolidation has achieved key functions of corporate group. As a single entity, that loss should be transferred to the parent company.

Treatment of Asset

Under consolidation regime, capital gain or loss on intra-group asset transfer is ignored for tax purpose. In this case, capital gain or loss will be recognised if the assets are sold to the third party. That gain or loss is calculated based on the reset cost at the joining time compared with sales price (Ting 2013, 192). This policy is aligned with enterprise doctrine which enables corporate group to allocate their asset regardless tax consequences.

4.1.3. Post Consolidation

Post-consolidation phase is related to the time when the group member leaves the group or the group is ceased.

Treatment of Loss

There are two kinds of losses related to the members of group when they leave the group. That losses are pre-consolidated loss which is still remaining due to not fully offset by the parent company and the group loss during consolidation. In Australian consolidation regime, both losses are regarded to be made by the parent company (ITAA 707-140). Accordingly, that losses are kept by the parent company when the subsidiary leaves the group.

By joining a consolidated group, subsidiary is disappeared. Its loss and profit is regarded owned by the parent company. Accordingly, the pre-consolidated loss and loss during consolidation is fully owned by the parent company. Therefore, that loss is kept by the parent company. However, this policy is not consistent with the changing from enterprise doctrine into separate entity doctrine due to leaving the group. This change should be followed by transferring the loss related to subsidiary to the subsidiary when it leaves the group (Ting 2013, 160).

Treatment of Asset

At joining time, the cost of subsidiary's asset is determined by reset cost base. Meanwhile, at the leaving time, the cost of asset is reconstituted. Because of tax free on intra-group asset transfer, leaving group does not cause tax consequence on deferred capital gain. Accordingly, the original cost of that asset is disappeared and replaced by the reset cost. Moreover, the reset cost at the leaving time is calculated by using the similar step with the calculation at joining time (Ting 2013, 199-200).

The first issue of this policy is complicated. By requiring reassessing reset cost base of the subsidiary's asset, it increases taxpayer's compliance cost. Moreover, the original price of the asset has been replaced by reset cost base. If the asset is overvalued, it will cause loss for the subsidiary when the asset is sold to the third parties. As the result, in the government perspective, it will reduce tax revenue. Otherwise, if the asset is undervalued at the reset cost, the subsidiary will be imposed tax on capital gain which is not fully realised. Accordingly, in a particular circumstance, this feature is less competitive.

4.2. The Analysis of Germany's *Organschaft*

4.2.1. Treatment of Loss – Pre-Consolidation

Germany adopts suspension method on the treatment of pre-consolidated loss. In this case, pre-consolidated loss cannot be transferred to the parent company. However, that loss can be utilised by the subsidiary after it leaves the group. In term of pre-consolidated loss, this policy is regarded less competitive because pre-consolidated loss offset is suspended. In addition, Germany applies ownership test in allowing loss carry-forward.

Regarding acquisition, the loss owned by the acquired company will be forfeited if the acquisition causes more than 50% company's shares acquired by the acquiring company within five years period (KStG §8(c1)). However, under *organschaft* policy, the parent company may elect to implement consolidated group if it owns majority voting right in subsidiary or it should be more than 50% shares in the subsidiary. Accordingly, in general circumstances, if the parent company just acquired the subsidiary before applying *organschaft,* the subsidiary's pre-consolidated loss is effectively cancelled.

4.2.2. Treatment of Loss – During-Consolidation

If a corporate group choose to implement *organschaft,* profit and loss during consolidation can be transferred to the parent company. However, a profit-and-loss pooling agreement is required for at least five years. This agreement is useful to assure that the loss is produced by the subsidiary of the parent company. Another reason is to prevent double claim of loss in case parent company and the subsidiary claim the similar loss. Moreover, time limit of the agreement maintenance is useful to prevent tax planning. It potentially reduces tax avoidance caused by joining and leaving the group frequently. However, profit and loss transfer agreement which is the requirement of this policy potentially emerges additional cost for the group because there are many requirements that have to be satisfied before creating that agreement (Oestreicher and Koch 2009, 129).

4.2.3. Treatment of Loss – Post-Consolidation

Because of suspension method, the utilisation of pre-consolidated loss is postponed until the subsidiary leaves the group. Accordingly, the subsidiary can offset that loss against its taxable income after it leaves the group. However, the implementation of ownership test causes pre-consolidated loss to be forfeited. Accordingly, in case of the parent company acquired the subsidiary at the time of establishing a consolidated group, the pre-consolidated loss will be effectively cancelled.

By applying *organschaft* agreement, the loss during consolidation is regarded as the parent company's loss regardless that the loss is produced by subsidiary. Accordingly, related to group loss, the losses occurred during consolidation is kept by the parent company (P. Harris 2013, 488).

4.2.4. Treatment of Asset

Consolidation in Germany reflects the implementation of pooling system. Consequently. Subsidiary's asset is kept and recorded by that subsidiary. In this case, there is no consequence on asset at joining or leaving *organschaft.* Moreover, capital gain (loss) of intra-group asset transfer during consolidation is recognised immediately (Ault and Arnold 2010, 401).

4.3. The Analysis on Indonesian Income Tax Group Regime

Indonesian corporate tax regime does not apply any features of consolidation. There are several issues potentially emerged by implementing separate entity regime for corporate group in Indonesia.

First, corporate group is probably to shift profit or loss within the group through transfer pricing plan. In this case, a group member conducts transaction with another member by using inappropriate price or not satisfied arm's length principle. For example, to shift loss from subsidiary to the parent company, that parent company disposes asset to the subsidiary under arm's length price. Another strategy is by providing services to the parent company which services may actually not be provided or not at arm's length price. Parent company will record its services as expense which reduce its profit, while subsidiary records as income which can be offset against its loss.

To address this issue, under article 18(3) Income Tax Act, tax authority has authority to re-calculate taxable income of taxpayers who conducted controlled transactions within related parties based on arm's length principle. In this case, taxpayers are required to apply arm's length principle in conducting controlled transactions. For certain circumstances, taxpayers have to comply some steps and documents as required under Minister of Finance Regulation No.213/PMK/2016.

However, the regulations above potentially create additional compliance cost and administrative cost. Taxpayers have to allocate cost to satisfy all documents and steps in determining arm's length price. Meanwhile, tax authority also need cost to assess transfer pricing document recorded by taxpayers. Therefore, under separate entity regime, it is not only potentially used by taxpayers to obtain tax benefit through controlled transaction, but also increases compliance and administrative cost.

Second, the group member's loss will be forfeited if that loss is not offset against taxable income in certain years. This is regulated under article 6(2) Income Tax Act which limits loss carry forward for five years. In this case, under separate entity regime, the subsidiary's loss is retained by that subsidiary and cannot be offset immediately against the whole group's taxable income. Therefore, a part of loss in a subsidiary may be forfeited if the subsidiary has taxable income lower than its loss for five years after loss occurred.

Third, separate entity does not encourage competitiveness. As mentioned in the first and second issue above, a group cannot shift its loss even that loss is economically owned by a whole group. In this case, if loss is significant, it potentially affects group's cash flow and reduces its competitiveness. Moreover, a corporate group is probably not able to maximise profit by maximising asset utilisation because it may consider tax consequences on intra-group asset transfer.

Fourth, a corporate group potentially manages its income for tax avoidance purpose. Under separate entity regime, taxpayers may create a corporate group to divide its business in order to be eligible for tax concession. In Indonesia, under article 31(E) of Income Tax Act, a corporate taxpayer is eligible for tax concession if it has gross income less than Rp50 billion. Another issue is regarding the implementation of final income tax on Small Medium Enterprises (SMEs) as regulated under the Government Regulation number 23/2018 (PP 23/2018). It applies 0.5% tax rate on SMEs income which has turnover less than IDR4.8 billion. By establishing a group, taxpayer can maintain the income of each group member lower than threshold.

Fifth, subsidiary is taxed differently compared to branch. Under current system, subsidiary is regarded as separate entity, while branch is one single entity with its headquarter. Consequently, subsidiary has to file its annual income tax return, while branch is not required to file annual income tax return because its income is integrated to the its headquarter. In this case, branch's loss may be offset against its headquarters' income. This treatment is not allowable for subsidiary. Therefore, current regime causes tax system to be not neutral to treat different business structure which is economically similar.

Lastly, tax authority may be difficult to perform an integrated monitoring on corporate group's tax compliance. In this case, each member files its own tax return. It causes tax authority to perform monitoring and supervising on a group member separately based on which taxpayer registered in a particular tax office. If tax authority does not have an integrated data of corporate groups, this condition may be used by taxpayers to evade tax.

Apart of some issues above, separate entity regime implemented in Indonesia also has advantages. Under this system, tax authority can collect tax revenue immediately from intra-group asset transfer. Moreover, by not facilitating intra-group asset transfer, there is no risk on reducing tax revenue due to loss offset from other group members.

4.4. Recommendation

Based on discussion above, each corporate group regime has its own strengths and weaknesses. This part will analyse the most appropriate features potentially applied in Indonesian corporate group regime. This analysis considers strengths and weaknesses of corporate group regimes in Australia and Germany and Indonesian tax system.

4.4.1. Proposed Concept of Consolidation

Main Concept and Objectives

Generally, main features of consolidation are proposed to be applied in Indonesian corporate group regime as implemented in Australia. That features are to facilitate intra-group loss transfer and asset transfer. In this recommendation, consolidation does not eliminate subsidiary's existence as well as Germany's *organschaft*. Parent company integrates its subsidiaries profit and loss and files consolidated tax return. Meanwhile, because of the subsidiary existence, subsidiary is still required to file its own tax return by disclosing the profit and loss transferred to the parent company and the transaction within the group. This policy enables tax authority to validate consolidated taxable income filed by the parent company.

The proposed consolidation is expected to achieve some objectives. *First,* consolidation system should make corporate group tax system to be neutral. This is related to on how tax consequences should not be considered by taxpayers to choose their business structure. By implementing the main features of consolidation, subsidiary will be treated similarly to the branch for tax purpose. Accordingly, decision of taxpayers to create subsidiary or branch is not based on tax treatment, but it may be relied on economic considerations.

Second, consolidation system should prevent tax avoidance and double taxation. Under this system, parent company files its group's integrated income. It enables tax authority to monitor and supervise corporate group comprehensively. However, corporate group should be pooled and administered under one tax office dedicated for groups. It will reduce some issue related to monitoring and supervising corporate group's compliance. Accordingly, tax authority can detect whether tax avoidance or double taxation in the corporate group. This objective is related to fairness principle which all taxpayers have to comply tax obligations appropriately.

Third, consolidation is expected to create simplicity in corporate group income tax system. By facilitating intra-group loss transfer and tax free on intra-group asset transfer, current anti-avoidance rules may not be applied. Currently, group member has to satisfy transfer pricing document regarding transaction within related parties. Preparation of this document is very complex. Meanwhile, tax authority also allocates cost to validate taxpayer's transfer pricing document. By implementing consolidation system, taxpayers do not obtain benefit to conduct transfer pricing domestically. Accordingly, that processes are eliminated because domestic transfer pricing rules may not be useful.

Lastly, this system is intended to support corporate group to be more competitive. Regarding loss transfer, it enables a consolidated group to utilise group's loss immediately. Meanwhile, tax free on asset transfer enables parent company to allocate their assets based on their needs to maximise business profit. Therefore, in the long term, this policy will contribute to the increasing of economic growth and tax revenue.

Consolidated Group Result

Regarding liability to tax, each member calculates profit and loss. The result of calculation is pooled to the parent company. This profit transfer should not cause an issue in taxation particularly whether that profit is dividend and should be taxed. In this case, article 4(3)(f) Income Tax Act regulates that dividend received by the parent company which has more than 25% ownership in the subsidiary is exempted from taxable income. Accordingly, under consolidation system, the regulation of exempted dividend is automatically applied.

This system is proposed to be equipped with 'jointly and severally liable rule' which also includes in Australian consolidation. In this case, parent company files tax return and pays income tax liabilities. However, if the parent company fails to make payment on tax liability, that liability should be borne by subsidiaries. This policy is intended to ensure that all group members have responsibility on group's tax liability.

Election to Consolidate

In most countries including Australia and Germany, consolidation is an option for corporate group. However, this system is proposed to be mandatory for corporate group in Indonesia. This policy is intended to prevent tax avoidance in corporate groups. Under this policy, irrevocable policy as implemented in Australia and Germany is automatically applied because a corporate group must implement consolidation system along it satisfies requirements.

Requirements

The main requirement which obligates a corporate group to implement consolidation system is ownership requirement. A parent company which has more than 50% ownership in its subsidiaries has to apply consolidation system. Under this policy, a parent company which actually wholly owns the subsidiaries cannot escape from this obligation by lowering its ownership. In this case, ownership refers to the voting rights, dividend and capital distribution rights which should be beneficially owned by the parent company. This definition reflects that the parent company has control on the subsidiaries (P. Harris 2013, 444).

Treatment on Minority Interest

Because consolidation is proposed for parent companies which own the majority ownership in subsidiaries, there are possibilities that minority shareholders also own that subsidiaries. In this case, Germany *orgaschaft* treatment on minority interest is applied in this recommendation. The parent company has to transfer proportionately subsidiary's profit to the minority interest because subsidiary's profit and loss has been transferred to the parent company. Profit transferred to the minority interest is regarded as dividend and should be taxed depends on its ownership. If the shareholder is company and owns more than 25% shares, the dividend is not taxable under article 4(3) Income Tax Act.

Scope of Consolidation

Consolidation system is only intended for domestic corporate group. It considers the complexity of monitoring and supervising if this consolidation allows international corporate group. By allowing consolidation for company which has related to non-resident member, it potentially triggers several issues in cross-border tax avoidance and involves other tax jurisdictions. In addition, resident company owned indirectly by another resident company through its subsidiary overseas is also not allowed to join a consolidated group.

Moreover, excluded entity is also proposed in this recommendation. Partnership and *Comanditaire Venotschap* (CV) are not allowed to be group member. In Indonesia, there are several differences of tax treatment between that kind of partnerships and other types of company such as tax treatment on profit sharing. Accordingly, by not allowing consolidation for partnership, it eliminates tax avoidance by utilising different type of companies.

4.4.2. Proposed Features of Consolidation

4.4.2.1. The Treatment of Loss

Pre-Consolidation

Regarding pre-consolidated loss, quarantine policy is proposed to equip Indonesian consolidation system. Although Australia implements full consolidation, that implementation is very complex. Meanwhile, suspension policy as implemented in Germany is less competitive. Under quarantine policy, subsidiary's pre-consolidated can only be offset against the subsidiary's taxable income. In this case, 'offset before aggregation' is proposed. Accordingly, subsidiary has to earn income more than its loss. There are several benefits of this policy. It prevents loss trafficking as the result of acquiring loss company. Moreover, the subsidiary is able to use that loss before that loss is forfeited due to years limit of loss compensation.

The policy on pre-consolidated loss should be designed properly. To strengthen accountability of this policy, continuity of ownership and same business test are applied. In Germany, a company will fail the continuity ownership test if the major ownership of that company has changed in a certain period. In Australia, there is no time period for changes of ownership. In Indonesia, time period for continuity of ownership is proposed for five years. It is aligned with the years limit of loss compensation. Moreover, a company will pass that test if the majority of ownership (more than 50%) in that company does not change in that time period.

If the parent company acquired the subsidiary just before establishing a consolidated group, the parent company may fail in satisfying continuity of ownership test. In this case, the same business test is applied on that subsidiary. The company should run the same business for the period of 12 months before joining a consolidated group. This period refers to one of trial tests in Australia consolidation regime. The implementation of these tests is to prevent manipulation of loss because a company is likely to acquire a loss company by considering the loss owned by that company, not to continue that company's business (P. Harris 2013, 454).

During Consolidation

Loss occurred during consolidation is regarded as loss of the group. Basically, this is not only related to loss, but also profit. Under consolidation, loss and profit during consolidation should be pooled to the parent company. In the implementation, each group member calculates its taxable income. That taxable income is pooled in the parent company.

Post-Consolidation

This phase is related to the condition where the subsidiary leaves the group or the group is ceased. In this case, there are two categories of loss at this phase namely pre-consolidated loss (loss owned by subsidiary before joining group) and group loss (loss occurred during consolidation). Regarding the pre-consolidated loss, it is not affected because that loss is remaining owned by the subsidiary during consolidation. This is consistent with quarantine policy where the subsidiary's pre-consolidated loss should be offset with the subsidiary taxable income.

Meanwhile, regarding loss incurred during consolidation (group loss), there are two common options to treat that loss namely kept by the parent company or apportioned. In this case, apportioned method has issue regarding tax avoidance and simplicity. The loss allocated to the leaving company is probably to be offset with the gain resulted from the disposal of assets that are transferred by group members before that company leaves the group (Ting 2013, 168). Accordingly, this method needs anti avoidance rule that potentially causes consolidation to be more complicated. Therefore, kept by the parent company method is more appropriate. This method is not only simple, but also aligned with the policy that profit and loss during consolidation should be regarded to be owned by the parent company.

4.4.2.2. The Treatment of Asset

Pre-Consolidation

Regarding to the assets owned by subsidiary before joining a group, rollover policy is proposed. Under this policy, asset owned by subsidiary before consolidation will be regarded as asset owned by consolidated group at joining time. In this case, consolidated group will record the value of the asset at the price recorded by the subsidiary. There is no capital gain or loss recognised in this phase.

During Consolidation

This phase is related to intra-group asset transfer during consolidation. Tax free on intra-group asset transfer is applied through rollover policy. This policy is aligned with rollover policy proposed in pre-consolidation phase. Under this policy, capital gain and loss regarding intra-group asset transfer is not recognised. In this case, capital gain tax on intra-group transaction is not totally free, but capital gain or loss on that transaction is deferred until the asset is sold to the third parties or until the subsidiary which own the asset leaves the group. Accordingly, transferee should record the value of transferor’s asset at the transferor’s purchase price (original price). Moreover, capital gain on disposing assets to the third party during consolidation is pooled to the parent company.

Post Consolidation

In this phase, recapture tax benefits under rollover policy is proposed to be applied. Capital gain which should be resulted at joining time and along consolidation must be recognised when the group ceased or a subsidiary leaved the group. This policy may cause tax on unrealised gain for parent company at leaving time. However, this policy is intended to share tax obligation between parent and subsidiary. During consolidation, all profit and loss are pooled to the parent. Consequently, gain or loss resulted from the change of asset value along consolidation should be deemed as parent company’s gain or loss.

4.5. Summary of Comparison

The brief comparison of Australia, Germany, Indonesia, and proposed recommendation regarding consolidation policy is provided below.

The Comparison of Consolidation Regime
(Australia, Germany, Indonesia, and Proposed Policy)

Indicator	Australia	Germany	Indonesia	Recommendation
Consolidate group result	Subsidiary is disappeared	Subsidiary is not disappeared	n/a	Subsidiary is not disappeared
Election to consolidate	Yes	Yes	n/a	No
Ownership requirement	100% ownership	More than 50% ownership	n/a	More than 50% ownership
Eligible entity	There is exclusion e.g. Trust	All companies	n/a	There is exclusion e.g. partnership and CV
Interposed non-member	No	Yes	n/a	No
Pre-Consolidation				
a. Sub's Pre-Consolidation Loss	Transfer to parent company	Suspension	n/a	Quarantine
b. Sub's Pre-Consolidation Asset	Reset cost base	n/a	n/a	Rollover
During Consolidation				
a. Sub's Loss During Consolidation	Transfer to parent company	Transfer to parent company	n/a	Transfer to parent company
b. Intra-group asset transfer	Free tax	Capital gain (loss)	Capital gain (loss)	Free tax
Post-Consolidation				
a. Sub's Pre-Consolidation Loss	Kept by parent company	Suspension	n/a	Quarantine
b. Sub's During Consolidation Loss	Kept by parent company	Kept by parent company	n/a	Kept by parent company
c. Sub's Pre-Consolidation Asset	Reset cost base	n/a	n/a	Recapture

Assessment on Effectiveness Indicator				
a. Neutrality	Yes	Yes	No	Yes
b. Simplicity	No	Less, there is some remarks on the complexity of profit and loss agreement	No	Yes
c. Competitiveness	Yes, but there are some remarks regarding pre-consolidated loss and reset cost base	Yes, but there are some remarks regarding pre-consolidated loss	No	Yes
d. Fairness	Less, there are some remarks on the manipulation of reset cost base	Yes	Less, there are some remarks regarding tax-avoidance	Yes

5. CONCLUSION

Australian consolidation regime represents a fully implemented enterprise doctrine. The existence of subsidiary is effectively disappeared at the joining time. Pre-consolidated losses and assets are regarded to be owned by the parent company. Regarding intra-group asset transfer, there is no tracking on the intra-group asset transfer. Accordingly, there is no deferred capital gain or loss recognised on that asset transfer. However, there are several problems of that regime. The rigid provision regarding reset cost base of pre-consolidated asset is regarded as the constraint to achieve simplicity objective of that regime. It also potentially causes tax avoidance. Moreover, pre-consolidated loss is also kept by the parent company when the member of group leaves the group. This reduces the competitiveness of that regime.

Organschaft in Germany also has several issues. This policy allows loss transfer within the group, but it does not provide tax free on intra-group asset transfer. The preparation of profit and loss agreement as the requirement of *organschaft* is considered to increase the group's compliance cost. Another issue is the subsidiary's pre-consolidated loss should be suspended to be offset until the subsidiary leaves the group. Moreover, the pre-consolidated loss is potentially cancelled if the parent acquires the subsidiary just before implementing *organschaft.* Therefore, this policy does not fully achieve competitiveness and simplicity principle.

In Indonesia, a corporate group is regarded as separate entity. There are also several problems in this policy. The most problem is related to tax avoidance. The parent company utilises corporate group for tax planning. Tax avoidance is triggered by unintegrated monitoring and supervising for corporate group. Other issues are how tax system on corporate group achieves neutrality, fairness, simplicity, and competitiveness principle.

Consolidation policy is proposed to solve some problems of corporate group taxation in Indonesia. By adopting some beneficial features of Australian and Germany consolidation regime and adjusting other features, the recommendations are proposed regarding the implementation of consolidation system in Indonesia.

The main features of the proposed consolidation in Indonesia are to allow intra-group loss transfer and tax free on intra-group asset transfer. This policy will eliminate the benefits gained by a corporate group regarding tax avoidance through non-arm's length controlled transaction and another tax avoidance plan. These features equip Australian consolidation and a part of Germany *organschaft*. However, in this recommendation, that features are adjusted by considering Indonesian tax system and the potential improvement of Australian and Germany consolidation regime.

Consolidation system is proposed to be mandatory because it has intention to prevent tax avoidance. The existence of subsidiary is not disappeared and required to file tax return for transparency reason. The proposed recommendation on Indonesian consolidation system has been designed by considering principles of tax collection. Accordingly, consolidation is supposed to strengthen Indonesian corporate income tax system.

6. IMPLICATION AND LIMITATION

The implementation of consolidation on corporate group regime needs the revision on Indonesian tax law particularly Income Tax Law. It should enables loss transfer in a corporate group and tax free on intra-group asset transfer. Moreover, it needs further analysis on how to administer a corporate group whether a corporate group should be registered in one tax office or in each tax office where each member is established.

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