M AND A DUE DILIGENCE

# Mergers and Acquisitions Tax Due Diligence

*PT Contoh Akuisisi Industri*

FY2023 to FY2025 | Prepared for the fictional management team | 3 October 2026

## Executive assessment

Do not treat the proposed purchase price as tax-risk adjusted until the identified items have been tested and allocated in the transaction documents. The sample contains 1,700 million of exposure scenarios, with no probability weighting or representation that the amount will become payable.

The fictional buyer proposes an equity acquisition at IDR 100,000 million. The data room contains returns and ledgers but incomplete service support, selected VAT invoices and an unresolved dispute file. Management estimates potential exposure scenarios of 1,000, 500 and 200 million across three distinct matters.

| Priority | Matter requiring a decision | Current evidence position |
|---|---|---|
| High | Service evidence could affect historical positions | Open for professional review |
| Medium | VAT documentation needs targeted testing | Open for professional review |
| High | Open dispute requires transaction allocation | Open for professional review |

This is a worked sample, not an issued client opinion. All companies, transactions, evidence records and calculations are fictional. The recommended actions demonstrate professional delivery; they do not establish a tax liability, filing eligibility, benchmark or regulatory approval.

# Scope and analytical method

## Purpose and intended use

The purpose is to help the fictional management team understand the evidence, the decision still required and the work needed to complete a defensible deliverable. The report is intended for internal discussion with the responsible Falcon professional. It is not a filing, an audit opinion or a guarantee of an authority outcome.

## Work performed in the illustrative case

- Historical returns and tax balances
- Material exposures and disputes
- Transaction structure and purchase agreement implications
- Post-completion integration priorities

Define the periods, entities and tax types reviewed, reconcile returns to accounts, and inspect material positions and open disputes. Distinguish recurring operational weaknesses from historical liabilities. Coordinate tax findings with the financial diligence and legal teams so that price, indemnities and completion mechanics do not count the same item twice.

## Evidence population

| Ref | Illustrative record | Role in the analysis |
|---|---|---|
| E01 | Transaction terms and tax population | Starting population and primary bridge |
| E02 | Related-party service workpapers | Classification and factual support |
| E03 | VAT invoice and correction register | Exception or corroboration testing |
| E04 | Open dispute and payment record | Decision history and completion support |

The references are report-local training identifiers. They are not verified originals, app record IDs or hashes. No real client files were inspected. A live engagement must preserve the actual originals, their versions and the reviewer's assessment of each material claim. The descriptions above define the evidence that the case assumes or explicitly identifies as missing.

## Coverage and limitations

Only the stated sample scope is covered. The report does not infer completeness of other entities, years, transactions or tax types. Where the record is incomplete, the analysis identifies the limitation rather than treating management's explanation as verified evidence. Any estimate remains subject to factual validation, current legal applicability and independent review.

# Detailed findings and professional response

Priority is a qualitative judgement about the importance of resolving an issue before delivery. High means that the matter could change a material conclusion or prevent completion. Medium means that a control or corroboration improvement is required. These labels are not a probability of assessment or a calculated tax exposure.

### Finding 1 Service evidence could affect historical positions

**High priority.** E02 lacks complete support for recurring related-party charges. Management supplies a 1,000 million exposure scenario.

**Professional implication.** The scenario is not a verified liability and may overlap with a separate dispute or fiscal adjustment.

**Recommended response.** Expand testing and reconcile the estimate to years and positions. Seek a specific protection where supported.

### Finding 2 VAT documentation needs targeted testing

**Medium priority.** E03 identifies selected unmatched invoices associated with a 500 million scenario.

**Professional implication.** Recovery or additional payment depends on the original records and legal treatment.

**Recommended response.** Verify originals, reporting periods and whether corrections were already made.

### Finding 3 Open dispute requires transaction allocation

**High priority.** E04 includes a 200 million dispute scenario but no complete procedural and payment history.

**Professional implication.** Responsibility for conducting the dispute and receiving or funding its outcome must be clear.

**Recommended response.** Review the operative documents and agree transaction protections with counsel.

### Counteranalysis and judgement

An incomplete record is not proof that the taxpayer's position is wrong. Equally, an invoice, signed agreement or plausible narrative does not establish every factual or legal element. The reviewer should test alternative explanations and record what evidence would change the assessment. Preserve both supportive and adverse material so that the final conclusion remains balanced.

# Financial analysis and decision alternatives

The schedule below makes the numerical reasoning reproducible. All inputs are fictional. The calculation basis states whether a value comes from the assumed record, a formula or an explicit scenario parameter. Figures should not be copied into a live return or used as a benchmark.

| Measure | Illustrative result | Calculation basis |
|---|---:|---|
| Proposed equity price | 100,000 | E01 |
| Service scenario | 1,000 | E02 |
| VAT scenario | 500 | E03 |
| Dispute scenario | 200 | E04 |
| Unweighted scenario total | 1,700 | 1,000 plus 500 plus 200 |
| Scenario total relative to price | 1.70% | 1,700 divided by 100,000 |

Amounts are IDR million. The 1.70% ratio is a presentation metric, not a recommended price discount. The total assumes the matters are distinct and excludes penalties, interest, recoveries and probability weights. Validate that assumption before aggregation. An escrow amount should reflect the agreed risk allocation and legal mechanics rather than this ratio alone.

### Alternatives for management discussion

| Alternative | Practical rationale | Condition before adoption |
|---|---|---|
| Specific indemnity | Allocates identified historical matters | Enforceability and scope need counsel |
| Escrow or retention | Provides an agreed funding mechanism | Amount and release conditions need negotiation |
| Pre-completion remediation | May improve the record | Must preserve disclosure and transaction timing |

Management should compare the alternatives using verified facts, operational feasibility and the applicable legal analysis. A more favourable numerical scenario is not evidence that its assumptions are valid. The report therefore recommends completing the unresolved work before selecting a final tax position or an external action.

# Recommendations and delivery plan

The following sequence is an illustrative internal work plan measured from engagement kick-off. It is not a statutory timetable. Any external response or filing date must be verified separately and may require faster escalation. The engagement partner remains responsible for the scope and resources agreed with the client.

| Work step | Responsible role | Indicative timing | Completion evidence |
|---|---|---|---|
| Confirm scope and procedural facts | Engagement lead | Days 1 to 2 | Approved scope and verified external date where relevant |
| Resolve finding 1 | Client finance and Falcon adviser | Days 2 to 5 | Original evidence and documented resolution or scope limitation |
| Resolve finding 2 | Technical workstream lead | Days 3 to 7 | Originals and approved technical treatment |
| Resolve finding 3 | Client owner and Falcon adviser | Days 3 to 8 | Reviewed action and completion evidence |
| Review analysis and computations | Independent Falcon partner | After evidence closure | Documented challenge and approved current version |
| Authorise delivery and preserve receipts | Engagement lead and client signatory | After professional approval | Final report version and any external acknowledgement |

### Escalation and change control

Escalate immediately if an actual external date is near, an original contradicts the working facts, the legal framework changes, or the proposed action exceeds the authorised scope. New evidence can change the recommendation. Update the affected calculations, issue analysis and report version, and obtain fresh independent review where the conclusion has changed.

### Client communication

Tell the client what is established, what remains uncertain and what they must supply or decide. Explain how missing evidence limits the deliverable. Obtain approval of the final audience and language. Preserve the distinction between internal review, client delivery and authority acceptance.

# Technical references and completion record

The official references below were located on 3 October 2026. They are starting points for a real technical review, not a representation that every operative article, amendment, treaty or transitional provision has been checked. No quoted legal passage or current statutory rate is relied on to decide this fictional case.

## Indonesian tax administration

PMK 81 of 2024 and amendment history - The JDIH page lists amendment history including PMK 1 of 2026. Retrieve applicable originals and check all later amendments before use.

Open official reference

## Indonesian related party transactions

PMK 172 of 2023 - Review the applicable articles, period, documentation, MAP and APA provisions and any subsequent changes.

Open official reference

## Tax examination framework

PMK 15 of 2025 - Check applicability, transition and actual audit documents. This is not a source for an assumed SP2DK deadline.

Open official reference

## Required legal applicability record

For each material position, retain the original provision and exact article, authority and version, effective dates, relevant amendments and the reason it applies to the client's facts and period. Record competing interpretations and the specialist's conclusion. Official service pages and OECD guidance have different authority from domestic legislation and treaty text.

## Independent completion checks

- The client identity, period and authorised scope match the actual engagement.
- Every material statement is traceable to the original record and preserves any contradiction.
- The calculations are independently reperformed and assumptions are distinguished from legal rules.
- The applicable law and source history support the conclusion for the actual period.
- A different qualified Falcon reviewer records the judgement and material limitations.
- The client authorises the intended delivery and any separate external submission is evidenced.

Sample status: not approved for client issue. No preparer, reviewer or client signature is simulated. Replace the fictional dataset and complete the real engagement review before using this document as a delivery model.