

Tax Audit Strategy in Promoting the Improvement of Corporate Governance in the Field of Accounting

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ABSTRACT

The tax audit scheme requires the WP Agency to present financial information through accounting bookkeeping. This study aims to examine DGT's strategy, one of which is tax audits in encouraging the improvement of corporate governance in accounting, considering the output of accounting, namely the company's financial statements as the basis for WP Badan to calculate the amount of tax payable in implementing the Self Assessment System (SAS) in Indonesia. This research raises prospect theory as a reference for thinking in order to interpret the behavior of WP Badan in complying with national tax policies in terms of corporate governance in the preparation and presentation of fiscal financial statements as the basis for calculating taxes deposited to the State. The methodology used is a literature study through primary and secondary data with content analysis as a data analysis technique. Research findings show that concerns that WP Badan will be subject to administrative sanctions as well as criminal sanctions due to audits will encourage WP Badan to carry out procedures in making accounting books and presenting fiscal financial statements appropriately.

KEYWORDS

Accounting Compliance; Accounting; Corporate Governance; Financial Transparency; Tax Audits



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INTRODUCTION

National development in Indonesia is an effort from the government in improving the welfare of the community. The government through the Ministry of Finance and the Director General of Taxes (DGT) as a facilitator in realizing the contribution of national development, namely by increasing state tax revenue and including the mission that must be realized in accordance with Director General of

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Taxes Circular Letter No. SE-06/PJ.9/2001 concerning Implementation of Taxpayer Extensification and Tax Intensification of the Director General of Taxes. DGT launched a strategy in achieving tax revenue intensification through various efforts, one of which is tax audits on Corporate Taxpayers (WP) in order to form a compliant attitude of WP towards national tax policies. Stated that taxpayer compliance is described in the intention and awareness in presenting all tax obligations completely (Ervana, 2019);(Putri and Putri, 2022);(Setyansah, 2022). On the other hand, stated that taxpayer compliance is influenced by several factors, one of which is tax audits and tax sanctions (Absari and Parsa, 2019);(Hetiaty, Kustiawan and Fitriana, 2021). Therefore, researchers argue that tax audits foster taxpayer awareness in fulfilling their tax obligations in order to increase state tax revenue. This is confirmed in, Gunawan (2022) that the current tax compliance of the Indonesian people is still low. Tax non-compliance is still a serious problem in Indonesia.

Corporate governance is expected to be able to support the improvement of company performance by implementing procedures as an effort to monitor management performance as an agent authorized by the principal in carrying out company operations. Therefore, Sukanto & Widaryanti, (2018) state that the better the implementation of corporate governance can be reflected in the company's ability to avoid gaps that are often utilized by management in taking deviant actions, especially in the preparation and presentation of financial statements. Based on this statement, the researcher argues that it is necessary for DGT to take action as a form of anticipation of the company's financial statements that are not presented as they are. This is based on many outstanding cases regarding the presentation of manipulated financial statements that illustrate the WP's reluctance to deposit high amounts of tax to the State. Such is the case with the practice of tax avoidance carried out by Corporate Taxpayers through policies made by company leaders (Budiman, 2012).

In terms of accounting, DGT has provided rules for Corporate Taxpayers to organize bookkeeping instead of recording. Recording is the process of collecting data regularly from circulation, revenue and or gross income as a reference in calculating tax payable. This is stated in Article 28 paragraph (1) of Law Number 28 of 2007 concerning General Provisions and Tax Procedures which has been amended several times until Law Number 16 of 2009 concerning Stipulation of Government Regulation in Lieu of Law Number 5 of 2008 concerning Fourth Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures into Law and Law No. 7 of 2021 concerning Harmonization of Tax Regulations.

Thus, the *output* of this bookkeeping will produce a company financial report which is used as a basis for Corporate Taxpayers in calculating, depositing, and reporting their tax obligations to the DGT, considering that Indonesia currently applies the *Self-Assessment System* (SAS) as a national tax system. Researchers argue that the SAS appears to provide mandate to taxpayers in determining the amount deposited to the State, so that the system needs to be encouraged by taxpayer compliance in presenting financial reports correctly without any

manipulation. Akhyaar (2022) stated that financial reporting compliance is a form of accountability to the public and the central government.

Given the importance of the profit value presented in the financial statements as the basis for tax imposition (DPP) by corporate taxpayers, Septriani & Handayani, (2018) suggest that earnings management is a form of manipulation of financial statements that is often chosen by companies. Not enough of that, researchers also found in the field that some of them from Corporate Taxpayers do not have accounting books, and only simple records are owned. For this reason, then what if this statement is juxtaposed with the SAS which authorizes taxpayers to determine the amount to be deposited to the State. Seeing this reality, researchers think that this is a real problem that occurs.

Therefore, this is the gap that must be given a follow-up by DGT as an authorized institution in overcoming national taxation. With this, the researcher agrees with Budileksmana, (2001) which states that tax audit is nothing but a guardian fence so that taxpayers remain in the corridor of tax regulations. From some of the previous descriptions, the core problem underlying this research is the unavailability of accounting books and manipulated financial statements. These two problems will certainly have an impact later on the calculation of the amount of tax payable by the relevant Corporate Taxpayer.

It cannot be separated from the main role of taxes for development in accordance with the mandate outlined in the State Policy Guidelines (GBHN), which there is a gap in the current situation with the practice of manipulating financial statements and the unavailability of financial statements by several companies. As a response to the GAP above, this research presents a novelty by conducting a literature study on DGT's strategy on tax audit efforts in encouraging the improvement of corporate governance in accounting, considering that the *output* of accounting is the company's financial statements as the basis for Corporate Taxpayers to calculate the amount of tax payable in implementing SAS in Indonesia.

RESEARCH METHODS

The methodology used is *library research*. The data that supports the research is obtained from interviews, books, scientific articles, and official websites collected in accordance with the research topic, namely the fiscal strategy through field inspection efforts to Corporate Taxpayers can encourage the formation of governance in the field of accounting, especially related to the preparation and presentation of fiscal financial statements as the basis for calculating the amount of tax payable. The data analysis applied in this research is the *content* analysis method modified by interviews to find out how the point of view of Corporate Taxpayers who have passed the field inspection by the tax authorities. The stages of data analysis carried out following Darmalaksana, (2020) will be carried out in several stages, including:

a. Classification Stages

At this stage, the data findings will be classified based on the discussion formula. This research will begin with several possible irregularities by Corporate Taxpayers from the Taxpayer's perspective. From this stage, the

vision of the tax authorities in conducting field audits will be studied. Thus, a relevant conclusion can be drawn about what is behind the field audit that is held not as a whole but only a part of all Corporate Taxpayers in Indonesia.

b. Data Processing and Reference Citation

This stage is carried out by managing data to obtain research findings which will later be analyzed based on prospect theory.

c. Display Data

In this step, researchers will present the data in a structured manner in accordance with the framework in order to present a coherent and easy-to-understand discussion.

d. Data Abstraction

The data abstraction process will be pursued by researchers by raising patterns on research findings in order to obtain complete information. Thus, this research will form a pattern of how tax audits encourage improved governance in the preparation of financial statements by Corporate Taxpayers.

e. Data Interpretation

This stage is carried out by researchers by understanding the research findings, where the findings will be interpreted using prospect theory to interpret DGT's strategy through field checks in improving governance in the preparation and presentation of fiscal financial statements.

f. Inference

From several efforts that have been carried out, the researcher will raise a conclusion, related to how field checks by the tax authorities in motivating Corporate Taxpayers in presenting *real* financial information as a reflection of good governance. Previous literature study-based research has been used several times, including by Ramanda et al., (2019), Aminati & Purwoko, (2013), Aswati et al., (2018).

RESULTS AND DISCUSSION

Corporate tax is the main contributor to tax, but corporate tax has great potential for tax avoidance. *Tax avoidance* is expressed in not reporting *real* tax obligations and reporting false tax returns (Widyaningsih et al., 2022). It has been stated in Law Number 28 Year 2007 KUP Law that there are various violations committed by taxpayers, such as: (1) Deliberately not reporting their tax returns, (2) submitting tax returns with false information, (3) deliberately not registering as a Taxable Entrepreneur (PKP), (4) misusing the NPWP, (5) refusing to conduct an audit, (6) presenting false accounting books, (7) not conducting accounting books but only making notes, (8) not keeping supporting documents for the accuracy of financial statements, (9) not depositing taxes that have been withheld and collected to the tax authorities, (10) issuing tax invoices, tax withholding receipts and false deposit letters. Of all the types of irregularities above, researchers argue that these violations if not resolved will have an impact on low state revenue, so that in order to eradicate illegal practices that lead to non-compliance, the tax authorities conduct tax audits as a form of reprimand for WP non-compliance with the tax rules that have been enacted. The researcher's argument is reinforced by (Taroreh, 2013).

Asih et al., (2018) state that in order to implement WP compliance in fulfilling tax obligations, the tax authorities can conduct audits of taxpayers. The implementation of the audit is carried out as a supervisory function for taxpayers in increasing taxpayer compliance. Regulations regarding tax audits have been explicitly stated in Law No. 16 of 2009 as well as in Minister of Finance Regulation Number 82 / PMK.03 / 2011 as amended last by Minister of Finance Regulation of the Republic of Indonesia Number 17 / PMK.03 / 2013 concerning Tax Audit Procedures. However, it is contrary that in reality violations committed by taxpayers in fulfilling their obligations are still high.

In order to understand how the tax audit strategy can encourage the improvement of corporate taxpayer governance in the field of accounting, especially in the presentation of fiscal financial statements, in this case the researcher suggests related steps of the tax authorities in carrying out tax audits, including:

Initial inspection process

The steps carried out by the tax authorities at the beginning of the examination consist of:

- a. The Head of the Tax Office provides audit proposals or normative data to the Regional Office (KANWIL).
- b. The Tax Office gives the Audit Assignment Sheet (LP2) to the Head of the Tax Service Office (KPP).
- c. The Head of the Tax Office draws up a business memorandum and appoints an inspection team.
- d. The official memorandum is used by the inspection team as a basis for inspection preparation and planning.
- e. The Head of the Tax Office issues an Audit Order (SP2) and is used by the audit team as the basis for carrying out the tax audit.

Advanced Inspection Procedure

After this initial process, the tax audit proceeds as follows:

- a. The inspecting officer shall be equipped with an Inspection Warrant and shall show it to the inspected Taxpayer.
- b. Taxpayers under audit must: 1) Show and or lend books or records, other documents related to income earned, business activities, taxpayer's independent work, or objects payable to tax. 2) Provide an opportunity to enter the place or room deemed necessary and provide assistance for the smooth running of the audit. 3) Provide the necessary information.
- c. If in disclosing the books, records, or documents and information requested, the Taxpayer is bound by an obligation to keep confidential, the obligation to keep confidential shall be eliminated.
- d. DGT is authorized to seal a certain place or room, if the Taxpayer does not fulfill the obligation of letter b above.

Seeing the technical implementation of the tax audit, the researcher in this case provides an argument based on the prospect theory that there are two possible attitudes chosen by Corporate Taxpayers, namely behavior that likes challenges and

behavior that tends to avoid risks leading to the choice of Corporate Taxpayers regarding whether or not they comply with national tax regulations.

In the first attitude in prospect theory, it is stated that Corporate Taxpayers like challenges. From this statement, researchers attribute the attitude to Corporate Taxpayers who override tax rules by committing fraud in the presentation of fiscal financial statements. Therefore, there is no guarantee to the DGT that all taxpayers can comply with all national tax regulations, so that in order to implement compliance by all taxpayers, a tax audit scheme is implemented as a deterrent effect for policy deviations that have been outlined in the KUP Law.

In the follow-up audit procedure, namely at point b and point c regarding the obligation of Corporate Taxpayers to show some data and information to the audit team regarding bookkeeping and all supporting evidence for the values presented in the fiscal financial statements, this is the core of the discussion, where the usefulness of tax audits lies in encouraging Corporate Taxpayers to improve and improve corporate governance in the field of accounting, namely in the preparation and presentation of fiscal financial statements, this is due to concerns about administrative and criminal sanctions imposed on field audit findings on untruths or irregularities deliberately committed by Corporate Taxpayers in carrying out their tax obligations. The argument is reinforced by Mandagi et al., (2014), Gunarso, (2016), Andriono & Hidayatulloh, (2020). This is very crucial, because fiscal financial statements are a foothold for Corporate Taxpayers in applying the principle of *self-assessment system* (SAS), namely calculating, depositing and reporting their own tax obligations. This is because with a tax audit and the audit team finding false information that has been deliberately carried out by the WP concerned, it will be sentenced in the form of administrative sanctions to the criminal realm.

After seeing the usefulness of the tax audit scheme by the tax authorities, the researcher will present several points from the interview with one of the Corporate Taxpayers who experienced a tax audit on the business being run in order to see from a different side, namely the point of view of the Corporate Taxpayer. There are several descriptions submitted by Corporate Taxpayers:

"Yes, if asked from our side, of course we answer that if possible there is no need for an inspection, after all we always report our obligations on time. Because if we are examined, apart from making us nervous, we will also be fined. I was fined around 350 million yesterday. Imagine who is not short of breath. At that time I was in the hospital, and in the office there were only my staff. Because of this incident, I was immediately determined to organize bookkeeping. I was traumatized, that amount of money was not small money for us. I have also used a tax consultant since then, so that I am given advice and input as well as reminded if there are tax obligations that have not been deposited. From then on, I warned all the staff to start working together from scratch to make accounting books, because yesterday it was just recording. So, I couldn't argue when the tax inspectors gave me the research results, because the records were messy. To the point that I was also a bit upset about why I didn't just report it, for example if it was reported, I wouldn't be subject to any kind of fine, just pay the principal. For example, my fish gin becomes double, paying the principal deficiency yes, the fine is also yes. But

never mind, I just took the lesson. Maybe with that, I hope my business will be more blessed in the future, more successful, and kept away from all obstacles. That's what I emphasize to myself and my team, because my business is also a field for many people to make a living...that's what sometimes makes me excited not to be down to face everything."

Some descriptions from the point of view of Corporate Taxpayers can be drawn, that tax audits are a deterrent effect for Corporate Taxpayers who experience audits to be able to organize bookkeeping and present fiscal financial statements in the future without engineering. When referring to the description of the interview above, the deterrent effect is shown in the impact of tax audits, namely findings from the tax authorities that cause the company to have underpaid principal obligations accompanied by fines for negligence.

CONCLUSION

From the description previously described, it can be concluded that based on prospect theory there is a WP behavior that tends to like challenges and avoid challenges. This uncertainty raises the possibility that some taxpayers comply and carry out their tax obligations in accordance with the KUP Law, and some others do not. With this, researchers argue that tax audit efforts are important, in addition to stabilizing state revenues as well as a form of encouragement for Corporate Taxpayers in improving corporate governance in the field of accounting as outlined by the preparation and presentation of fiscal financial statements truthfully. This encouragement for Corporate Taxpayers exists when the audit scheme by the tax authorities gets field findings that prove that Corporate Taxpayers are known and proven to provide financial information dishonestly, so that it will have an impact on the deterrent effect efforts given by the tax authorities as a consequence of the fraudulent actions of Corporate Taxpayers which result in reduced State revenue, considering that taxes are one of the main sources for Indonesia in realizing national development (Asih et al., 2018).

In order to increase scientific insight into taxes in Indonesia, the researcher hopes that future research can examine more fiscal strategies and their benefits for taxpayers. On the other hand, researchers hope that future research can reveal the effectiveness of DGT strategies and provide suggestions regarding what needs to be improved in order to realize an adequate tax system for Indonesia.

Furthermore, the suggestion is addressed to the DGT, so that the tax audit scheme can be improved in terms of transparency. Considering that until now the tax audit and the journey of stages as well as the issuance of audit result letters have not been accessible from the official DGT online page of the taxpayer concerned. We hope that in the future it can be further improved in order to increase public confidence that DGT is indeed anti-collusion and works sincerely for the beloved country of Indonesia.

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