

Fiscal Correction Analysis of Commercial Profit and Loss Report at Money Changer Company

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Abstract: This study aims to analyze the fiscal corrections on commercial loss profit report in determining corporate income tax at PT MCA, a money changer company. The research method used in this study is the descriptive qualitative method, with data collection methods carried out through interviews and documentation. The results of this study are the company has applied the tax regulation for preparing the fiscal correction and calculate the corporate income tax. For this fiscal year 2021, the company obtained the fiscal loss amounting to 1.24 billion rupiah, a decrease of 396 million rupiah from the company's commercial profit and loss report. Due to the company obtained the fiscal loss, the company did not have obligation to pay corporate income taxes, however the calculation of estimated tax losses for the year ended December 31, 2021 was the basis for preparing annual tax return (SPT) for 2021.

Introduction

National development is the duty and responsibility of all components of the nation, or in other words, national development in a country is not only the responsibility of the government but also the responsibility of whole society. To realize the national development in all sectors, large sources of funding are needed and one of the largest sources of funding comes from government tax revenues.

Taxes are the primary source of revenue for government in the state budget (APBN). Every year the tax target always increases along with the increase in Indonesia's economic growth. Even though the increase in tax revenues over the last 10 years has been quite significant, many people still consider that optimization of the tax sector still needs to be improved. In economics, there is a tax ratio indicator as a comparison of tax revenues with gross domestic product to show the Government's ability to collect tax revenues. Based on OECD Revenue Statistics data, Indonesia's tax ratio position in 2021 was 10.9%, an increase of 0.8% from 10.1% in 2020. However, Indonesia's tax ratio in 2021 was below the average tax ratio of countries in the Asia Pacific region. The highest share of tax revenues in Indonesia in 2021 was derived from value added taxes/ goods and services taxes (29.2%) and the second highest share of tax revenue in 2021 was derived from corporate income tax (28.9%).

Corporate income tax is a tax on the profit of a business entity from both domestic and foreign income. Every corporate taxpayer has obligation to prepare bookkeeping regularly in the form of financial statements that consist of statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, and notes to the financial statements.

When preparing the financial statement, all Indonesian Companies should comply with Indonesian Financial Accounting Standards (PSAK). The financial statement that prepared based on PSAK are called commercial financial statements or commercial financial reports. For tax purpose, the financial statements, especially profit and loss reports, are should prepared based on tax regulations. If there are differences in the recognition or measurement of income and expense items between PSAK and tax regulations, it is mandatory for tax payers to calculate their income tax by carrying out fiscal adjustments or corrections to their commercial profit/loss reports.

According to Suandy (2016) states that, "Companies can prepare Commercial financial statements and fiscal financial statements separately or perform fiscal corrections to commercial financial statements". The tax law does not specifically regulate the form of financial reporting, it only defines the restrictions on certain things, both in recognition of incomes and expenses. The difference between a commercial report and a fiscal report based on its transaction can be distinguished by two groups, namely permanent differences and temporary differences. However, not all incomes or expenses can be recognized or deducted on the fiscal financial statements, even though these costs are used for company operations.

Based on the description above, the authors argues that fiscal correction has the important role in generating government's revenue and national development. Therefore, the aim of this study is to analyze whether PT MCA has implemented the income tax fiscal

corrections on their commercial financial report based on tax regulation that applicable in Indonesia. PT MCA is a company that operates in the areas of foreign currency exchange (money changer) and started its commercial operations in 2019.

Research Method

Types of Research.

The type of research used in this research is descriptive qualitative. The descriptive qualitative research is research carried out by describing facts in the form of data collected in the form of numbers which is then followed by analysis. This study examines the analysis of fiscal corrections on commercial profit and loss report in determining the corporate income tax of PT MCA.

Place and Time of Research.

This research was conducted at PT MCA that operates in the areas of foreign currency exchange (money changer). PT MCA operates in Banten Province, was established in June 2019 with a deed of establishment which was approved by the Minister of Justice of the Republic of Indonesia through Decree No. AHU-00X0XXX.AH.0X.0X. In carrying out its business activities, PT MCA had obtained a business license as a Non-Bank Foreign Exchange Business Activity Organizer from Bank Indonesia with Business License Number No. XX/X/KEP.GBI/Sr/2019 in October 2019.

Types, Sources, and Methods of Data Collection.

The data source used in this research is secondary data, namely PT MCA's commercial and fiscal financial report data for the year ending December 2021. The data was collected through interviewing the PT MCA's accounting supervisor and collecting documentation data such as commercial profit and loss reports and fiscal reconciliation working paper for 2021.

After obtain the data and information from PT MCA's accounting supervisor, the authors analyze the fiscal corrections to the company's commercial financial statement to determine the amount of corporate income tax for PT MCA following the tax law No. 7/2021 regarding "Harmonization of Tax Regulation". Then the authors conclude the results of the analysis and provide advice to the company if there are discrepancies found it.

Result and Discussion

Commercial or business financial report is intended to assess the economic performance and financial condition of private sector, while the financial statements of the fiscal is intended to calculate tax. The Differences methods of measuring and recognition of income and expenses between commercial calculations and tax regulations cause the need to perform fiscal corrections. The differences between commercial and fiscal report can be grouped into permanent differences and temporary differences, The result of fiscal correction is intended to calculate the amount of income tax. Based on the analysis of income and expenses in PT MCA's commercial report as of December 31, 2021, the fiscal correction carried out by PT MCA are presented in Table 1 below:

Tabel 1. Fiscal Correction of PT MCA

Account Description	Balance per			Balance per Fiscal	Remarks
	(Commercial)	Fiscal Correction			
	31-Dec-21	Permanent	Temporary	31-Dec-21	
Revenues					
Revenue from Services	745,647			745,647	
Gain / (Loss) on Revaluation	(8,792)			(8,792)	
Total revenues	736,855			736,855	
Cost of good sold of foreign currency sales	(739,644)			(739,644)	
Net loss on financial assets available for trading	(2,789)			(2,789)	
General and administrative expense					
Salaries and allowances	(1,252,876)	54,130	162,612	(1,036,134)	a
Professional Fees	(175,175)		168,375	(6,800)	b
Office Supplies expenses	(114,655)			(114,655)	
Depreciation expense	(2,994)			(2,994)	
Representation and Donation	(2,318)	2,318		-	c
Tax Expense	(8,018)	8,018		-	d
Utilities expense	(10,947)		1,100	(9,847)	e
Rent Expense	(72,179)		1,270	(70,909)	f
Others	(2,862)			(2,862)	
Total General and administrative expense	(1,642,024)			(1,244,201)	
Operating Income (Loss)	(1,644,813)			(1,246,990)	
Other Income & Expenses					
Bank Charge Expense	(4,178)			(4,178)	
Bank Interests Income	1,618	(1,618)		-	g
Interest Expense of short-term loan	(304)			(304)	
Other Expenses	5,626			5,626	
Total Other Income & Expenses	2,762			1,144	
Income (Loss) Before Tax	(1,642,051)			(1,245,846)	

Sources: Commercial financial statements of PT MCA

Based on Tabel 1 above, the explanation for each fiscal correction are as follows:

a. Salaries and allowances

Permanent temporary fiscal corrections related to salaries and allowance amounting to Rp54,130 (in thousand) was employee income tax expense article 21. This tax expense cannot be deducted from company's income. It was accordance with Income Tax Law no 7/2021 article 9.

Meanwhile, the temporary fiscal corrections related to salaries and allowance amounting to Rp162,612 (in thousand) consists of accrual expenses for religious holiday allowance amounting to Rp 5,766 (in thousand) and stock-based compensation expense amounting to Rp156,846 (in thousand). In accounting standard, accrued expenses are

allowed, therefore the companies recorded the bonus and religious holiday allowance as monthly accrued expenses with the amount that determined by company's policy. Stock-based compensation expenses were benefit that provided by the company to their employee and ex-employees. The company's employee and ex-employee obtained the stock or company's shares ownership. Since there were no cash outflows, the company cannot deduct the accrual expense from company's income until realized. It was accordance with Income Tax Law no 7/2021 article 9 paragraph 1(c).

b. Professional Fees

The temporary fiscal corrections related to professional fees amounting to Rp168,375 (in thousand) was the accrued expenses for audit and tax consultant fee that will be paid in next fiscal year after the projected finished. Since there were no cash outflows, the company cannot deduct the accrual expense from company's income until realized. It was accordance with Income Tax Law no 7/2021 article 9 paragraph 1(c).

c. Representation and Donation

The permanent fiscal corrections related to Representation and Donation amounting to Rp2,318 (in thousand) was entertainment expense. The company did not provide the list of nominative entertainment expense as regulated in SE-27/PJ.22/1986. Therefore, this expense cannot be deducted from company's income.

d. Tax Expense

Tax expense amounting to Rp8,018 (in thousand) cannot be deducted according to Income Tax Law no 7/2021 article 9 paragraph 1(h).

e. Utilities Expense

Temporary fiscal corrections related to Utilities Expense amounting to Rp1,100 (in thousand) was accrued expense for environmental management fees period December 2021 in which the company had not received the invoice. Since there were no cash outflows, the company cannot deduct the accrual expense from company's income until realized. It was accordance with Income Tax Law no 7/2021 article 9 paragraph 1(c).

f. Rental Expense

The company had implemented PSAK No.73 regarding Leases to determine the leasing transaction as basis in financial reports. However, for calculating the income tax expense, the lessee had to adjust the lease transactions that in accordance with KMK-1169/KMK.01/1991 through fiscal correction. Based on KMK-1169/KMK.01/1991 article 17 paragraph 2 the rent expense can be deducted from gross income is the amount of the actual rental payment. Therefore, the fiscal correction amounting Rp1,270 (in thousand) was difference between the actual payment amount with the rental expense that calculation based on PSAK 73.

g. Bank Interests Income

Based on PMK No. 212/PMK.03/2018, interest of saving account or time deposit was the income that subject to final income tax. Therefore, the company had to exclude the bank interest income from the company's income amounting to Rp1,618 (in thousand).

Based on fiscal year correction that has been calculated by the company, therefore the corporate income tax calculation are as follows:

Table 2. The Corporate Income Tax Calculation PT MCA For the Year 2021
(in thousand rupiah)

Description	Total Amounts	
	D	C
Pretax income		(1,642,051)
Timing Differences		
Accrued expense	175,241	
Rights of use assets & lease liabilities	1,270	
Stock-based compensation	156,846	
Total Timing differences		333,357
Permanent Differences		
Non-deductible expense	64,466	
Income subject to final tax	(1,618)	
Total Permanent Differences		62,848
Fiscal Loss		(1,245,846)
Tax rate		22%
Income tax expense		0
Prepaid tax		0
Income tax payable/ tax refund		0

Based on table 2, we can conclude that the company's income tax payable or tax refund was nil, due to the company experienced the fiscal loss and there was no prepaid tax. The calculation of estimated tax losses for the year ended December 31, 2021 was the basis for preparing SPT for 2021.

Conclusion

At the end of the year company must commercially prepare financial statements for the purposes of taxation. These adjustments arise due to the differences in the recognition of income and expense in a given period (fiscal year) between PSAK and tax regulation. PSAK only provides guidance in preparing the financial statements of commercial and does not specifically prescribe the accounting treatment related to the tax regulation. Therefore, the company need to perform the fiscal reconciliation to the commercial financial statements for tax purposes.

Based on the analysis of the fiscal reconciliation of PT MCA's commercial financial statements, the company has carried out fiscal reconciliation or corrections based on applied tax regulations. For commercial financial statement for the year ended December 31, 2021, PT MCA carried out the permanent fiscal correction for employee's income tax art 21, entertainment expense, tax expense and Bank interests Income, whereas for the temporary fiscal correction was majority for accrued expenses such as accrued of bonus and religious holiday allowance, professional fees, and other utilities expense. The temporary fiscal correction also established for stock-based income and rental expense regarding PSAK 73.

The fiscal reconciliation process resulted that PT MCA obtained the fiscal loss, therefore the company did not have obligation to pay tax payable. However, the company still had obligation to prepare and submit annual income tax return (SPT Tahunan) in which the calculation of estimated tax losses for the year ended December 31, 2021 was the basis for preparing SPT for 2021.

As a recommendation, the author advises the companies to always update tax regulations related to fiscal corrections, especially with the existence of Law No. 7/2021 regarding "Harmonization of Tax Regulation" and other tax regulations related to benefits in kind. The author also suggest that the company should prepare the list of nominatives for promotion expense or entertainment expense, therefore these expenses can be deducted from income as regulated in tax law. Hopefully, in the next year the company obtain the fiscal gain and the business can always survive, grow, and expand

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