

The Effect of Accounting Understanding and Tax Provisions on Calculating, Depositing, and Reporting of Tax at Pt. Xyz - A Case Study on a Startup

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ABSTRACT

Technological developments gave a lot of influence on human life in general, from daily activities until there are several digital-based business models, known as startups. As of 2018, according to MIKTI (Indonesian: Masyarakat Industri Kreatif Teknologi Informasi, or Information Technology Creative Industry Society) database, there were 992 startups in Indonesia. Startup company tax is an obligation that must be paid on income received or transactions related to withholding PPh (Indonesian: Pajak Penghasilan, or Income Tax) made by startup companies and requires special tax treatment in order to develop their business. The factor of understanding tax accounting provides a significant contribution to the compliance of corporate taxpayers in fulfilling income tax obligations. The research in this journal aims to gain knowledge of the extent of understanding of accounting and tax provisions in depositing and reporting taxation at one of the startups in Greater Jakarta.

Keywords: Accounting, tax, startup

INTRODUCTION

The industrial revolution has changed the mindset of today's people, namely daring to use opportunities for the advancement of digital technology. 2016 was the beginning of the breakthrough in the popularity of the "startup" industry. The combination of digitalisation and GPS (Global Positioning System) made it easy for consumers to access any information at any given time by using their electronic communication devices. The flexibility of economic activity made the young generations had far more presence than employees yet they seek to become founders due to their brilliant ideas that could meet market needs, but the government bureaucracy made business owners aware that taking care of licensing and tax reporting were still an absolute obligation for every entities. Behind the great potential, the government realised that business owners had difficulties. The existence of startup industry entrepreneurs raised plenty of creative ideas in order to maintain the principles of consistency, focus and continuous innovation.

Startups are related to technology, and the internet. The early history of the emergence of the term “startup” was popularized by bubble dot-com at around 1998-2000. The term soon became global, then many entrepreneurs set up dot-com businesses simultaneously and many companies developed their own websites and were also supported by the development of the internet at that time. Indonesia is ranked 5th for the highest number of start-ups in the world after the United States, India, UK and Canada, and is the country with the second highest number of start-ups in the Asian continent after India, which has 6,192 startups. The Center for Human Genetic Research (CHGR) predicted that by 2020, start-up businesses in Indonesia will grow up to 6.5 times or 13,000 businesses. This is due to its emergence in tandem with technological developments. With a variety of business models, startups will skyrocket; there are many start-up sectors, ranging from digital wallets, online transportation, to e-commerce. There are also various business models that are implemented, such as Business to Business (B2B) and Business to Consumer (B2C). These factors support the rampant development of start-ups in Indonesia: 1) Indonesian society is always open to new technology, along with the increasing number of active internet users in Indonesia, it would have an impact on bigger business opportunities; 2) Indonesia has a large population, which implies that there would also be many needs, which would certainly be a big business opportunity; 3) Good start-up service. The better the service of a start-up, the more number of customers or consumers increase; 4) Capital from investors and government support the development of a start-up.

The millennial generation can help the government to build the economy in Indonesia so that they are aware of and able to comply with reporting and depositing taxes to the state treasury in order to maintain the existence of the startup industry. The self-assessment system that has existed since the tax reform in 1983, where taxpayers can calculate, pay, and report their own taxes, became an instrument in law enforcement and strict supervision of taxpayer awareness aimed to increase state revenues and revenues for mutual prosperity. Information from bisnis.com said that the government finally inserted taxation provisions into the Job Creation Law on the grounds that they were intended to support investment.

Summary of points of taxation provisions in the Job Creation Act, namely a) Changes in the Income Tax Law; b) Foreign companies' dividends; c) Administrative sanctions and d) Central government intervention. Meanwhile, data on the total number of startup companies in Indonesia and their organisers is as follows: a) In 2016, a total of 525 startups participated in the 1,000 digital startups Movement, organised by Kemenkominfo (Indonesian: Kementerian Komunikasi dan Informatika, or Ministry of Communication and Information); b) In 2018, the Indigo Creative Nation Program, organised by Telkom, managed to reach a total of 111 startup companies in Indonesia; c) In 2018, according to MIKTI, there were 992 startup companies in Indonesia. Through this research, we would like to know the extent to which one of the startup companies is transparent in tax payments, which include the scope of independent variables regarding understanding the types of tax obligations and transparency in recording to financial bookkeeping for tax reporting.

METHODOLOGY

The Authors use qualitative research based on a research procedure that produces descriptive data in the form of written or spoken words of people and naturally observed behavior as direct data sources. The type of research used in this study is grounded theory using a qualitative approach. Grounded theory is a type of qualitative research conducted to draw generalisations

about things that are observed inductively, abstract theories about processes, actions, or interactions based on the views of participants. The Authors want to describe systematically based on facts, situations, and existing activities regarding the understanding process, for both accounting and tax provisions on tax deposits and reporting.

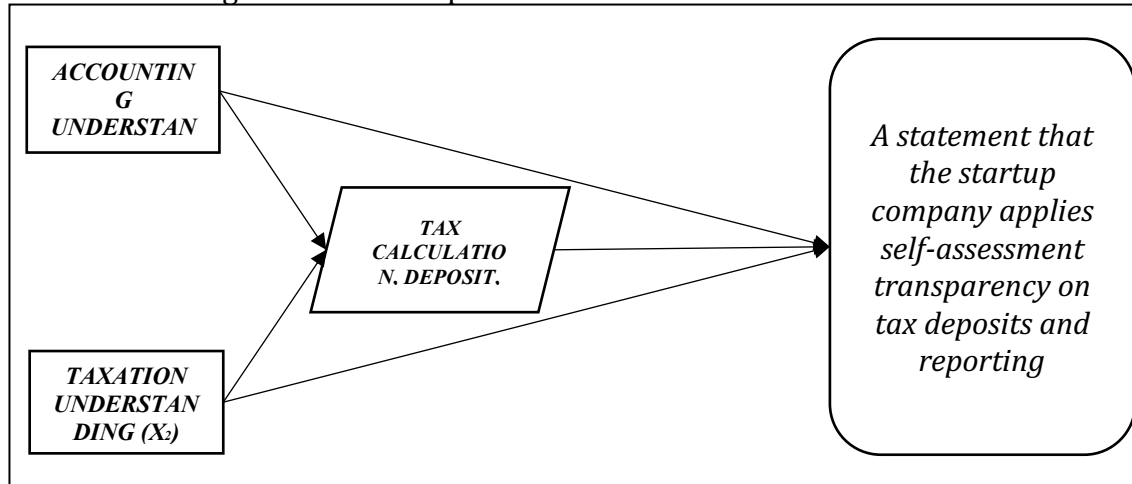
Accounting is the process of identifying and analysing relevant financial data to be converted into information that may be used for decision making, therefore the level of understanding of accounting could be measured from one's understanding of the process of recording financial transactions, grouping, summarising, reporting, and interpreting financial data. Bookkeeping has an important role in the field of taxation, namely to calculate the payable tax and verify, as well as examine and investigate the correctness of its calculation. The bookkeeping will also make it easier for taxpayers to fill out SPT and calculate taxable income. The information presented about the financial position and results of operations is used for analysis or economic decision making of the Company.

This study uses indicators of compliant taxpayers based on PMK (Indonesian: Peraturan Menteri Keuangan, or Minister of Finance Regulation) No.39/PMK.03/2018. The indicators used to determine the implementation of tax compliance in startup companies are based on said regulation, as follows: 1) Timely submitting SPT; 2) Taxpayers do not have arrears for all types of taxes, except for arrears that had obtained permission to make instalments or postpone tax payments; 3) The financial statements are audited by a public accountant or government financial supervisory agency with an unqualified opinion for 3 (three) consecutive years; 4) Taxpayers have never been convicted of a crime in the taxation sector based on a court decision that has permanent legal force within the last 5 (five) years; 5) In case of deadline for depositing and reporting taxes, the Minister of Finance determines the due date for payment and deposit of tax payable for a certain time or Tax Period for each type of tax, no later than 15 (fifteen) days after the tax becomes due or the end of the Tax Period. The deadline for submitting the SPT is no later than 20 days after the end of the Fiscal Year.

RESULT AND DISCUSSION

The dependent variable (Y) in this study is the tax calculation, deposit and reporting of startup companies. In this case, it can be analysed through compliance with entering and reporting financial statement data in a timely manner, filling in correctly the amount of tax owed, paying taxes on time without any audit action. The first independent variable is accounting understanding (X1). Indicators of accounting understanding are recording of financial transactions, grouping, summarising, and interpreting financial data. The second independent variable is understanding of taxation provisions (X2). Indicators of understanding tax provisions are calculating, paying and reporting the payable tax; while the moderating variable in this study is transparency when reporting taxes. All of these variables were measured by 5 (five) Likert scale statements. The indicators of the tax transparency system are: a) Preparation of accurate and transparent information related to business management and socialisation of tax provisions; b) Total clarity of tax receipts; c) Appropriate and equitable allocation of tax revenue and distribution and d) Understand the position of withholding in tax-related transactions.

The Structure and Logical Relationship between Variables:



The respondents' views on indicators of the influence of accounting understanding are measured by the following indicators: 1) Accounting Knowledge; 2) Accounting Training; 3) Accounting Experiences; and 4) Measurement of Accounting Basic. Understanding the tax provisions is defined as a process where the taxpayer understands and knows about the regulations, laws, and procedures of taxation. Respondents' views on indicators of the effect of understanding tax provisions are measured by the following indicators: 1) Tax regulations; 2) Tax rates; 3) Socialisation of tax regulations; 4) Tax education and training; and 5) Transparency of the Tax General Directorate on the distribution of funds deposited by taxpayers.

Calculation is a deliberate process of converting one or more inputs into a certain result, with a number of variables or a systematic addition process to determine the amount. Tax deposits are funds deposited into the state treasury at a rate that is in accordance with the subject and object of the tax. Tax reporting is a report given by the taxpayers to the Tax Service Office in accordance with the domicile. The imposition of the latest tax sanctions is regulated by Law no. 11 of 2020 concerning Job Creation and taxation clusters, which regulates tax sanction rates. The re-arrangement of the tax sanction rate in the taxation cluster in the Job Creation Act is amended by referring to the interest rate of Bank Indonesia. The indicators of compliance with calculating, depositing and reporting taxes are: 1) prior consultation before calculating, depositing and reporting taxes; 2) relevant supporting documents for calculating, depositing and reporting taxes; 3) information on the relevant location/place for calculating, depositing and reporting taxes; 4) relevant procedures for calculating, depositing and reporting taxes, and 5) the deadline for depositing and reporting tax

This research was conducted by reviewing ideas and findings based on the literature and the early stages related to data analysis. Furthermore, the Authors read and studied their references in advance, then researched and performed an analysis to represent theoretical information in relation to the topic. Finally, the results were linked and adapted to the context of the discussed topic.

DISCUSSION

PT. XYZ is a local startup company engaged in technology-based foreign language learning services. This platform was created by two students who had graduated from well-known universities in Jakarta, who aimed to be the solution for Indonesians who want to learn foreign languages in a more effective, efficient, and flexible way. PT. XYZ used the latest learning methods that were adapted to current conditions, therefore people can master foreign languages quicker. The approach taken was to teach language by considering psychological factors, interaction, and user experience in absorbing the material provided. PT. XYZ product was General English, where the curriculum used in this material came from the International Language Institute module, the Faculty of Language Sciences from a state university, Conversation with tutor, TOEFL Preparation and IELTS Preparation. International standard learning method refers to CEFR (Common European Framework of Reference of Language), and its material could be accessed in 24 hours and 7 days a week, anytime and anywhere. The presented features were a learning and interactive platform that makes it easy and fun to access levels and curriculum according to the user's abilities, which consist of writing, reading, speaking, and listening, presented in text, photos, audio, and video. The speech recognition feature is useful for practicing foreign language speaking skills. More than 350,000 users have joined the foreign language learning community at PT XYZ. Their achievements are 2018 Google Play Store Best Self-improvement App, Representative for 2019 ITU Telecom World, 2019 Best Teacher Transvision, and Best Partner of an Indonesian state university. PT XYZ had been registered at one of the Primary Tax Service Offices in Central Jakarta and had been confirmed as a Taxable Company as of April 5, 2019 and had rights and obligations in accordance with tax provisions.

PT. XYZ implemented a self-assessment system in fulfilling its tax obligations. The legal basis of the system is contained in Article 12 Paragraph (1) of the Law on General Provisions and Tax Procedures, namely that every taxpayer pays taxes in accordance with the provisions of tax laws and regulations, without relying on the existence of a tax assessment letter. This self-assessment system gives taxpayers the confidence to take the initiative to register themselves to get a NPWP (Indonesian: Nomor Pokok Wajib Pajak, or Tax Identification Number); and calculate, pay, and report their own taxes in accordance with regulations. Therefore, the amount of tax payable does not depend on the tax provisions, but there is an untruth in filling out the SPT (Indonesian: Surat Pemberitahuan Tahunan, or Annual Tax Return) or the discovery of fiscal data that was not reported by the Company through a tax assessment letter.

Transactions in Accounting and Tax Provisions

PT. XYZ had recorded business transactions. The Company recorded all transactions in accordance with basic accounting in general. This was because the company was only established in 2015. Its main business were selling goods and services for foreign language training to the general public starting from the age of 7 - 45 years old. These sales were carried out in retail and also in packages, therefore the formation of chart of accounts/COA (Chart of Account) could be recorded based on the transactions that occur.

Analysis of Accounting Understanding and Tax Provisions on Daily Transaction Recording

The recording system applied by the company was a simple recording system from PSAK (Indonesian: Pernyataan Standar Akuntansi Keuangan, or Statement of Financial Accounting Standards), namely basic accounting in general. This system provides a lot of convenience in preparing financial statements compared to PSAK which has a complexity of provisions. The application of such system was not optimally done because the Company did not want to take risk of changing the existing financial order. The application of a basic accounting system in general posed a significant risk because it could be difficult for companies to get an injection of funds from other parties. The emergence of new accounts when there is a new transaction so as to increase the tax object may result in an increase in the Company's burden. Recording transactions on a cash basis created irregularities in document storage in the form of invoices, internal memos, and other evidence of cash requests.

The recording of company transactions was done on a cash basis and may result in journal errors when recognised such as payment of payable accounts and expenses that arose at the end of the month. There was an error in recording the transaction due to a lack of knowledge about accounting which made the report irrelevant. PT. XYZ's implementation of a cash-based recording system also made it difficult to comply with tax regulations in terms of depositing and reporting taxes because the tax burden was only recognised after being paid; coupled with the lack of understanding of taxes by employees so as to make the company negligent in the implementation of tax obligations.

The act of creating output tax invoices was conducted from only two customers because the Company did not have many customers. Tax invoices were issued at the time of delivery of taxable services and have been confirmed as PKP (Indonesian: Pengusaha Kena Pajak, or Taxable Company). This is in accordance with the Law on General Provisions and Tax Procedures no. 28 of 2007 Article 14 Paragraph 1d. The tax invoice was filled out completely in accordance with the Law on General Provisions and Tax Procedures No.28 of 2007 Article 14 Paragraph 1e, and the tax base was made in accordance with the agreement between the company and the customer as stated in the cooperation agreement. The Company was using the 10% tariff in accordance with the Indonesian VAT Law No.42 of 2009 and there had been administrative sanctions for late depositing of PPh and PPn (Indonesian: Pajak Pertambahan, or VAT). Reporting of all occurred taxes had used the means of SPT.

Questionnaire and Interview Results

Questionnaires that were distributed to internal and external parties (counterparts) of the Company used by the Authors as tangible evidence of the effects that occur at the time of depositing and reporting taxes, if the company understands accounting and tax provisions. The following are the answers of the respondents to the distributed questionnaire:

1. The application of correct accounting standards is necessary so that management may control the company's business continuity.
2. Companies need workers who can understand the basic cycle of accounting, so that financial records can be organised, and management can make decisions in financial planning.
3. Accuracy is required in carrying out the transaction recording flow so that no transactions are omitted or forgotten.

4. Analysis is needed when recording daily transactions.
5. Education and training in the form of seminars or direct referrals from relevant tax office officers are very necessary in order to obtain knowledge regarding the latest provisions.
6. Tax understanding helps companies in financial planning, especially in terms of determining the nominal amount of tax debt payments.
7. The self-assessment system must be implemented optimally in order to maintain the Company's financial stability.
8. The company were reluctant to present financial data transparently.
9. The Company tried to be punctual in the tax payment period even though it did not make profit.
10. Tax payments were considered as tough by the Company, considering that it did not have many customers.

FINDINGS

Based on the results of interviews with key informants, the Authors found that:

1. Several accounts emerged in the chart of accounts/COA because there were no standards and the many needs in the development of an early company.
2. The Company did not have a massive budget related to the payment of more professional employees in the recording department, which in turn caused the recording process was still carried out in a simplistic manner and the transactions total was still small.
3. The Company still needed a lot of services for meeting its business needs, therefore there were several sudden costs that must be paid immediately, which resulted in irregularities and even slips in recording transactions.
4. As a result of the irregular recording of the operational costs payment, the finance department was late in classifying the tax object of those transactions.
5. There was a delay in depositing and reporting Article 21 income tax (Indonesian: PPh pasal 21) from January to May, July, and August of 2020 because it had not fulfilled the obligations of the previous year, therefore the finance department took a long time in presenting the previous year's report, which made the bookkeeping of both payroll costs and taxes untidy.
6. The Company was late in depositing and reporting Article 23 income tax (Indonesian: PPh pasal 23) because their tax was deducted directly and the Company only received the proof from their treasurer.
7. PP23 which appeared in 2020 occurred because the Company did not know about its obligation as a PKP to deposit its turnover in 2019, which caused the Company to receive the SP2DK (Surat Permintaan Penjelasan Data Keuangan, or Letter of Request for Explanation of Financial Data) for its Financial Statements in 2019.
8. VAT for the January – December period was reported late because the submission of the 2019 SPT had not been reported, resulting in the delay of 2020 reporting process. In addition, transactions that have tax invoices that have not been inputted will be the basis for inspection by the Account Representative (AR) because the transaction opponent reported it.
9. The implementation of the regulation on PSBB (Indonesian: Pembatasan Sosial Berskala Besar, or Large-Scale Social Restrictions) from the Governor of DKI Jakarta made it difficult to obtain documents such as input tax invoices and documents that are

equivalent to tax invoices to be added to the tax application, which delayed the reporting process.

10. Correction of Article 21 income tax, Article 23 income tax, PP23 (Finalised income tax, Article 4 Paragraph 2) and VAT because there was some transaction data that had not been inputted into the eSPT system application and they should have been recognised in that period.
11. The emergence of laws and regulations in relation to companies' income contained in the Job Creation Act made it difficult for companies to get foreign investors, especially in imposing taxes on income given by companies to foreign investors.

Solutions

Based on the existing findings, Authors make a settlement by applying the cash-based transaction recording, which will be reduced for improved reorganisation in storing concrete documents, and the mechanism for recording transaction acknowledgment will be carried out according to the invoice dates, not with the payment date from the checking account even though the payments are done directly. The system for recording financial statements on a general basis of accounting will be further maximised, therefore the presentation of data will be adapted to the needs of third parties (for the purpose of attracting investors' attention). The Company also needs to analyse new transactions in accordance to the type of account that has been formed so that there shall be no requirement to add new accounts into the chart of accounts/COA.

Finance department employees are required to be trained in order to have deeper insight and able to understand the concept of financial transactions recording, so that financial reports shall be more relevant, as well as tax department employees so that they are able to understand the concept of taxation and keep abreast of developments related to changes in tax regulations. The Company also need to establish good communication with the appointed and relevant tax officers, and utilises the services of a tax consultant.

In overcoming the arose problems, PT. XYZ publishes a schedule related to the implementation of both income tax and VAT deposit and reporting, therefore it is not subject to administrative sanctions and avoids inspection from relevant tax officials. Under the PSBB (Indonesian: Pembatasan Sosial Berskala Besar, or Large-Scale Social Restrictions) conditions, all employees worked from home and were given permission by management to bring tax-related documents home and return them when they are able to work in the office.

CONCLUSION

Based on the analysis results, the Authors can make some conclusions regarding PT. XYZ's company performance, namely: the understanding of accounting records, there are several areas that need to be improved so that they may have a negative impact on cost recognition. There is still a lack of understanding in tax provisions that have a negative impact on tax calculation, deposit, and reporting. The understanding of accounting and taxation provisions do not have a positive impact on the presentation of financial during the tax calculation, deposit, and reporting; and the implementation of self-assessment system has not yet given a positive impact in which the company will present tax data transparently.

The Authors provide suggestions that can be used as input as follows: provide accounting training in relation to the presentation of financial data, and tax training in relation to calculating, depositing and reporting taxes. Companies should start implementing the standards for recording transactions using the accrual basis method, which requires accuracy in matching invoice dates and storing transactions sequentially, in accordance to the date stated on the invoice. Research in the similar field is expected to be able to expand the scope of research, e.g. increasing the number of samples, changing the location or place of research, or looking at other businesses (startups), so that it may increase the accuracy of research results.

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