CERTAINTY AND SIMPLICITY PRINCIPLE IN BROADENING THE SCOPE OF TAX AUDIT IN INDONESIA

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Abstract

It is necessary to construct the prevailing tax laws and regulations that apply to the period and scope of tax audit in Indonesia. The construction results lead this article to implement the principle of certainty and simplicity in producing the ideal legal concept for the future period and scope of the tax audit. This article uses the normative juridical method using a legal inventory approach (positive), legal principles, and legal systematics and synchronization based on three legal materials: primary legal material, secondary legal material, and tertiary legal material. The scope of a tax audit, which includes one, several, or all types of taxes, potentially causes several risks, including the evidence that must be disclosed by Article 12 paragraph (3) and an explanation of Article 29 of UU KUP, the low rate of Audit Coverage Ratio (ACR), the emergence of legal uncertainty between taxpayers who have been examined with taxpayers who have not or have never been examined considering the legal expiration of the tax assessment letter (SKP), and intersecting between the formulation of corruption and tax audit results which is not by Article 12 paragraph (3) and explanation of Article 29 of UU KUP as the corruption formulation affirms the whose position cause state financial losses or state economy. The principle of certainty and simplicity in the tax audit scope will enhance the ACR and further streamline tax examination and period. This article generates the legal concept of a tax audit that broadens the scope of a tax audit, which does not only cover one, several, or all types of taxes but reaches certain accounts and is a critical point in calculating taxes that still have to be paid.

1. INTRODUCTION

Taxes in Indonesia must meet the mandate of Article 23A, The Fourth Amendment to the 1945 Constitution of the Republic of Indonesia (UUD N RI 1945), which must be based on the Act. The implementation is the existence of material tax laws, such as the Income Tax Law (PPh Law) and the Value Added Tax/Sales Tax on Luxury Goods (VAT/PPnBM Law), and the formal tax law, namely Law Number 6 of 1983 concerning General
Provisions and Tax Procedures as amended several times, most recently by Law Number 7 of 2021 concerning Harmonization of Tax Regulations (UU KUP).

Furthermore, the Formal Tax KUP Law stipulates that to test compliance with the fulfillment of tax obligations and for other purposes to implement tax laws and regulations, the Directorate General of Taxes (DGT) is authorized to conduct tax audits. However, the implementation of tax audits in Indonesia is still not optimal when viewed from the audit coverage ratio (ACR) for taxpayers, which is still low. The percentage of tax audit coverage in 2019 is still around 2.44% of 1.45 million Corporate Taxpayers and still about 1.08% of 2.45 million Individual Taxpayers in the 2019 fiscal year (Directorate General of Taxes, 2020). Meanwhile, in 2020, it is still around 2.42% for corporate taxpayers and about 1.11% for individual taxpayers (Directorate General of Taxes, 2021). Indeed, there are several obstacles to increasing the ACR, such as the number of Functional Tax Auditors at the DGT is only 6,417 (Directorate General of Taxes, 2021).

Regulations related to the scope of tax audits still do not provide certainty (Directorate General of Taxes, 2019) and simplicity. So it is hoped that the confidence and clarity of the rules are necessary to adjust the scope of the audit because of the more comprehensive the content of the audit, the higher the implied risk, such as the risk of misstatement or fraud (Kannan et al., 2014).

In this regard, there is a great need for simpler tax laws and regulations that can remove injustices and barriers to help achieve the objectives of tax audits (Taylor, 1954). So, this article needs to answer two essential problem formulations. First, how are the tax laws and regulations related to the period and scope of tax audits in Indonesia? Second, how are the principles of certainty and simplicity in producing the concept (law) of the period and content of future tax audits in Indonesia?

2. RESEARCH METHOD

This study uses a normative juridical method, which is carried out based on library research by using three legal materials, namely primary legal materials, secondary legal materials, and tertiary legal materials. Primary legal materials are legal rules formally formed and made by a state institution or government agencies; secondary legal materials are all information about applicable or ever applicable laws, and tertiary legal materials are materials contained in the law: various publications containing legal indexes, and the like (Wignjosoebroto, 2020).

Several approaches are used in this method, including legal inventory (positive), legal principles, systematics, and level of legal synchronization. The legal inventory approach

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(positive) is a critical-analytical identification process in seeking and finding applicable positive law; the legal principles approach is a philosophical study in finding the ideal elements of law, while the systematic legal approach and legal synchronization level process reveal the reality to the extent that where specific legislation is compatible, both vertically and horizontally (Soemitro, 1990).\(^6\)

3. ANALYSIS AND DISCUSSION

A. Overview of Tax Audit in Indonesia

The tax collection system in Indonesia adheres to a self-assessment system (SAS), namely the obligation of taxpayers to register themselves at the tax office, fill out their tax return (SPT) correctly, thoroughly, and clearly and sign, submit or report themselves to the tax office. And pay or deposit the tax payable yourself without relying on the existence of a tax assessment letter (SKP) (Sinaga, 2018).\(^7\)

Even though Indonesia has adopted SAS, if there are allegations of certain taxpayers reporting and filling out an incorrect SPT, the tax official (Fiskus) is obliged to take legal action justified in the tax laws and regulations (Saidi, 2007).\(^8\) One of the Fiskus' legal actions is a tax audit, as its lawful standing in the legal framework is formulated in Article 29 and Article 31 of the KUP Law. Article 29 of the KUP Law stipulates that in testing taxpayer compliance, the DGT has the authority to carry out audits, which tax auditors must carry out. Then, Article 31 paragraph (1) of the KUP Law delegates the audit procedures to the Minister of Finance Regulation (PMK). Furthermore, a tax audit is formulated in Article 1, number 25 of the KUP Law, a series of activities to collect and process data, information, and evidence, which is carried out objectively and professionally based on an audit standard to test compliance with the fulfillment of tax obligations and for other purposes in the context of implementing the provisions of tax laws and regulations.

Then, the tax audit procedure is regulated lastly in PMK Number 18/PMK.03/2021 concerning the Implementation of Law Number 11 of 2020 concerning Job Creation in the Field of Income Tax, PPN, and PPnBM as General Provisions and Tax Procedures. For the record, although there is a Constitutional Court Decision Number 91/PUU-XVIII/2020 stating that the formation of Law Number 11 of 2020 concerning Job Creation (UU Cipta Kerja) is contrary to the 1945 Constitution of the Republic of Indonesia and does not have conditionally binding legal force as long as it is not interpreted. "No repairs have been made within 2 (two) years since the decision was pronounced" and stating that the Job Creation Act is still valid until the formation is corrected by the grace period as determined in the decision. This article continues to use PMK Number 18/PMK.03/2021 as the last amendment on Audit Procedures. Article 105 PMK Number 18/PMK.03/2021

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\(^7\) Sinaga, HDP. Reorientation of Tax Legal Certainty in Indonesia: An Exploration of Transcendental Law, Advances in Social Science, Education and Humanities Research, Vol. 192. 2018b.

regulates several provisions in PMK Number 17/PMK.03/2013 concerning Audit Procedures as amended by PMK Number 184/PMK.03/2015, including:

a. Article 3 PMK Number 17/PMK.03/2013 formulates that the scope of the audit to test compliance with the fulfillment of tax obligations may include one, several, or all types of taxes, either for one or several Tax Periods, Parts of a Fiscal Year, or a Fiscal Year in past and current years.

b. The period of inspection for this type of field inspection is a maximum of 6 months, while for office inspections, it is carried out a maximum of 4 months.

c. Tax audits in order to test compliance with the fulfillment of tax obligations are carried out in terms of meeting the following criteria: (a) Taxpayers who apply for a refund of tax overpayments as referred to in Article 17B of the KUP Law; (b) there is concrete data that causes the tax payable to be not or underpaid; (c) Taxpayer submits SPT declaring overpayment, in addition to submitting application for refund of tax overpayment as referred to in letter a; (d) Taxpayers who have been given a preliminary refund of tax overpayments; (e) Taxpayer submits SPT loss; (f) Taxpayers merge, consolidate, expand, liquidate, dissolve, or will leave Indonesia for good; (g) Taxpayers make changes to the financial year or accounting method or due to the revaluation of fixed assets; (h) the Taxpayer does not submit or submit the SPT but exceeds the time period specified in the warning letter that is selected for Audit based on Risk Analysis; (i) Taxpayer submits the selected SPT for Audit based on Risk Analysis; or (j) the Taxable Entrepreneur (PKP) does not deliver the Taxable Goods (BKP) and/or Taxable Services (JKP) and/or exports of BKP and/or JKP and has been given a return of Input Tax or has credited the Input Tax. What is meant by factual data is data obtained or owned by the DGT in the form of clarification or confirmation of tax invoices, proof of withholding or collection of Income Tax (PPh), tax data related to Taxpayers who do not submit SPT within the specified timeframe and after being reprimanded in writing, the Notification Letter is not delivered on time as specified in the Warning Letter; and d. proof of transaction or tax data that can calculate the taxpayer’s tax obligations.

d. Audit standards must carry out by tax auditors, one of which is the Audit implementation standards that must be documented in Audit Working Papers (KKP).

Furthermore, the implementation of the tax audit must be carried out from the issuance of the audit order. The audit notification letter and the document borrowing letter are notified to the Taxpayer. After that, the tax examiner conducts inspection and testing until the issuance of the SKP. The stages of tax audits so far have started from SPT research to fiscal financial statements, continuing to budgetary adjustments, continuing to commercial, financial reports, preparation of Audit Working Papers (KKP) and Audit Results Reports (LHP) (Gunadi, 2020)9. KKP as regulated in Article 9 PMK Number 184/PMK.03/2015 must provide an overview of the Audit procedures, data, information,

and evidence obtained; tests carried out, conclusions, and other matters related to the audit.

B. Literature Study of The Principle of Certainty and Simplicity in Taxes

The ideal tax system must be transparent because it can be understood by taxpayers and reduces uncertainty for taxpayers. A tax system that is difficult for taxpayers to comply with due to a lack of transparency in its management will only make it difficult for tax authorities to consistently apply these laws and regulations to every taxpayer in the same situation (Holtzman, 2007). In this sense, Holtzman (2007) argues that transparency is closely related to the simplicity and effective administration of the taxation system of tax laws and regulations.

Several expert thoughts about certainty and simplicity in taxation, both separately and together. Simultaneously, the Organization for Economic Co-operation and Development (OECD) formulated the confidence and simple principle as a principle that emphasizes that “the tax rules should be clear and simple to understand so that taxpayers can anticipate the tax consequences in advance of a transaction, including knowing when, where and how the tax is to be accounted for.” Holtzman (2007) argues that tax simplicity measures the time and resources spent by taxpayers to comply with tax laws. Utrecht (1989) argues that legal certainty includes certainty because of the law and locked in or from the law. Confidence because of the law is achieved if the two legal tasks are conducted to ensure legal confidence over the relationships in social interactions. The two tasks of the law are laws that must ensure justice and laws that must remain useful. Meanwhile, certainty in or from the law is achieved if the law is as much law as possible in the order of the law, i.e., the law has no contradictory provisions, or the law is logical and inevitable; this law is made based on legal reality, and in the law, there is no term -terms that can be interpreted differently.

Then, Gunadi (2020) separates the notion between certainty and simplicity. The principle of confidence is that all tax laws and regulations must be understood and must not cause doubts or different interpretations for taxpayers and tax authorities. Simplicity is a tax system that must be simple and understandable, with minimal excesses, free of loopholes, and with implementation costs. Efficient. Furthermore, in the context of the hierarchy of laws and regulations according to Law no. 12 of 2011 concerning the Establishment of Laws and Regulations, tax certainty must also refer to the obligation to fulfill legal sources in the field of taxation as a guide for the competent body that must


adhere to the types and hierarchies of the laws and regulations in force in Indonesia, namely those whose scale is from the top of the pyramid that is from the highest to the lowest, the scope of which is the 1945 Constitution of the Republic of Indonesia, Decree of the People’s Consultative Assembly (TAP MPR), Laws/Government Regulations instead of Laws (Perpu), Government Regulations, Presidential Regulations, Provincial Regulations, and District/Regency Regulations. City and other types of statutory regulations whose existence is recognized and has binding legal force as long as higher statutory regulation orders it.

Some understandings or ideas about certainty and simplicity in the field of taxation show that for taxes to have legality and legitimacy, the laws and regulations must be clear, not ambiguous, easy and transparent to be implemented by the parties involved, do not cause conflicts in their implementation, and must be enforced. It can be implemented. Regarding legality and legitimacy, this is in line with the thoughts of Carl Schmitt (2004), who put it forward as a legitimate state power above all else, which must be able to eliminate and negate any desire to violate the law.\footnote{Schmitt, C. Legality and Legitimacy. Translated by Jeffrey Seitzer with foreword by John P. McCormick. Durham and London: Duke University Press. 2004.}

\section*{D. Concept (Law) of The Period and Scope of Tax Audit in Indonesia}

Tax audit is an administrative, legal domain whose legal product is the issuance of SKP and or STP as confirmed in Article 12 paragraph (3) and Elucidation of Article 29 Paragraph 3 of the KUP Law, which states that the Director-General of Taxes determines the amount of tax payable in terms of obtaining proof of the amount of tax. What is owed according to the SPT is not valid. Incorrect SPT matters that cause an increase in the amount of tax payable can be, for example, charging fees that exceed the actual or appropriate according to the provisions of the applicable tax laws and regulations (Waluyo, 2018).\footnote{Waluyo, T., “Preliminary Examination or Examination of Evidence in the Context of Law Enforcement in the Taxation Sector”, 2018 National Symposium on State Finances (SNKN). 2018.} Including the Income Tax Law. Incorrect SPT matters that cause an increase in the amount of tax payable can be, for example, charging fees that exceed the actual or appropriate according to the provisions of the applicable tax laws and regulations (Waluyo, 2018), including the PPh Law and the PPN/PPnBM Law.

The requirement for the tax examiner to disclose evidence as a juridical reason in correcting the tax payable in the SPT and issuing the SKP has not been accompanied by certainty regarding regulations regarding what kind of evidence can be used as the basis for the issuance of the SKP (Waluyo, 2018), even though there is a Law material tax. For example, in calculating income tax, one must refer to Article 4 paragraph (1), Article 6 paragraph (1), and Article 9 paragraph (1) of the Income Tax Law as amended several times, most recently by the HPP Law. Article 4 paragraph (1) of the Income Tax Law stipulates that the object of PPh is any additional economic capability received or obtained by the Taxpayer, both from Indonesia and from outside Indonesia, which can be
used for consumption or to increase the wealth of the Taxpayer with the name and in any form. Article 6 paragraph (1) of the Income Tax Law regulates the calculation of net profit, which is the basis of Taxable Income (PKP) for domestic taxpayers and permanent establishments (BUT), which must be determined based on "gross income fewer costs to obtain, collect and maintain income. Meanwhile, Article 9 paragraph (1) of the Income Tax Law regulates fees that may not be allowed in calculating net income to determine the amount of PKP for domestic taxpayers and BUT.

Of course, in calculating the actual tax payable based on the evidence as referred to in Article 12 paragraph (3) and the Elucidation of Article 29 Paragraph 3 of the KUP Law, it is almost impossible for the tax auditor to audit all evidence of transactions due to the limited time and audit fees and the complexity of audit documents. So instead, it is necessary to consider specific auditing posts, which is a critical point of correction (Nadirsyah, Indriani & Usman, 2011). In addition to a certainty regarding regulations regarding what kind of evidence can be used as the basis for issuing SKP, there are three other primary considerations related to renewing the period and scope of tax audits.

First, the amount of evidence must be disclosed in testing the fulfillment of certain taxpayers’ tax obligations in filling out their SPT. The tax examiner must provide specific facts regarding the taxpayer’s errors to strengthen the audit findings. Second, the low ACR will cause legal uncertainty between taxpayers who have been audited and taxpayers who have not been audited, given the existence of tax expiry. Adopting the SAS is that the actual tax payable becomes certain if it has permanent legal force and has met the expiration date on which the SKP is not issued as regulated in Article 13 paragraph (4) of the KUP Law. And expiry of tax collection as regulated in Article 22 of the KUP Law and expiration of prosecution of tax crimes as regulated in Article 40 of the KUP Law (Sinaga, 2018b).

Third, the justification for the scope of tax audits, which so far have covered one, several, or all types of taxes, either for one or several Tax Periods, Parts of the Fiscal Year, or Fiscal Years in the past and current years, seems to indicate that the results of the audit in the form of the SKP is by the evidence as stipulated in Article 12 paragraph (3) and the Elucidation of Article 29 Paragraph 3 of the KUP Law. This can backfire for tax examiners in conducting audits, given the existence of criminal offenses in Law no. 31 of 1999 in conjunction with Law no. 20 of 2001 concerning the Eradication of Criminal Acts of Corruption (Corruption Law) which emphasizes the element of corruption in the form of acts that unlawfully enrich oneself or another person or a corporation or to benefit oneself or another person or a corporation, abusing authority, opportunity or facilities available to him because of his position or position, which can harm state finances or the state economy. This shows that the broader the audit scope, the wider the legal liability of

the tax auditor, so caution must be taken through standardization that reduces the audit period, including for taxpayers who are repeatedly audited and do not need to conduct an audit of all accounts. Company accounts (Chan & Wong, 2002) and checking all accounts have proven that the charges are correct19.

The primary considerations related to the renewal of the period and scope of tax audits indicate that the position of PMK Number 18/PMK.03/2021 will still be fragile against the enforcement of the Anti-Corruption Law even though there is a lex specialist principle that contains tax law as rules and regulations. Provisions regarding state income (Moeljatno, 2008)20. Weak legal standing PMK Number 18/PMK.03/2021 as the legal basis for the scope of tax audits against the Anti-Corruption Law, which regulates actions that can harm state finances or the state economy as a criminal act of corruption can also be seen from Hiariej’s (2021) thoughts which states three requirements that alternative lex specialis that must be met in the tax laws and regulations21. First, the rule that stands alone and its material provisions deviate from the more general statute. Second, the independent law and formal conditions differ from the public procedural law. Third, a law that stands alone but its material and formal provisions deviate from the available material and ceremonial law.

The need for the use of tax audits to prevent non-compliance with tax laws must consider certainty and simplicity so as not to backfire, which reduces compliance for taxpayers, considering that after a tax audit, there is an expectation of reducing the possibility that taxpayers feel that the next audit will not be carried out and will not be subject to sanctions. (Lederman, 2018)22. The low ACR cannot be separated from a large amount of evidence stated in the KKP formulated in Article 12 paragraph (3) and the Elucidation of Article 29 Paragraph 3 of the KUP Law. This will be a domino effect for tax auditors who have been equipped with professional considerations of tax auditors and, at the same time, have accumulated experience (Munteanu et al., 2018)23. For example, the tax audit period is very time-consuming because it has to check forecast charts, ledgers, diaries of cash receipts and disbursements, and source documents (Gunadi, 2020)24, certainty in the form of equal treatment in testing the compliance of all taxpayers. in the case of tax expiration, there is the potential for criminal offenses if it turns out that there are problems later that indicate that the results of the completed audit did not examine all the evidence as the scope of the audit only covers one, several, or all types of taxes, either for one or several tax periods. , Part of Fiscal Year, or Fiscal Year in the past and current

years. There should be an expansion of the scope of the tax audit by narrowing the size of the audit (de Widt, Llewelyn & Thorogood, 2020) through the addition of the area, which can include specific chart estimates and are only significant in testing tax compliance, considering that in consideration of legally adequate evidence, auditors need to consider several things, such as audit planning standards along with efficient and targeted audit review and control (Bird, 1970), benefits, costs or budgets, time, and audit complexity, by not having to examine all existing transactions, but the findings the quality of the evidence to form opinions or draw conclusions on taxes that certain taxpayers must pay (Raharja, 2008; Nadirsyah, Indriani & Usman, 2011). Of course, the existence of a legal reconstruction of the scope of the tax audit will affect the efficiency and effectiveness of the audit period.

4. CONCLUSION

This paper produces two conclusions. First, the tax laws and regulations relating to the period and scope of tax audits have been regulated in PMK Number 18/PMK.03/2021. However, the tax regulations about the period and size of the tax audit have not been able to address some of the challenges that still arise. For example, the low ACR, the simplicity and uncertainty of the correctness of testing all evidence by the applicable scope of the audit, uncertainty (legal) regarding the equality of treatment between taxpayers who have been audited and taxpayers who have not or have not been audited within the expiration period. SKP and the formulation of the offense of corruption stipulate that acts against the law are in the form of enriching oneself or another person or a corporation that can harm state finances or the state economy because of their position or position.

Second, the principle of certainty and simplicity in producing the concept (law) of the period and scope of future tax audits in Indonesia sets the period and area of tax audits that provide justice and public benefits for the state, namely for the government and taxpayers. The size of tax audits, which so far have only covered one, several, or all types of taxes, either for one or several Tax Periods, Parts of the Fiscal Year, or Fiscal Years in the past and current years, should also cover certain accounts along with the evidence so that the examination period becomes more efficient and reaches a larger ACR. Fulfilling a more efficient audit period in connection with the scope of tax audits that reach out to certain accounts is critical in calculating accrued taxes due to program audits, document guarantee letters, and more focused evidence tracking. However, this requires solid and binding tax laws and regulations, which ideally should be within the framework of the law. One of them can be done through explicit regulation of changes in the scope of tax

audits in the form of articles in the renewal of the KUP Law. This is based on the fulfillment of certainty (law) and simplicity of taxes, one of which is as a lex specialist derogat lex generalist in the case of a corruption offense in the Anti-Corruption Law.

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