

## How To Design A Competitive Tax Reporting Information System

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**Abstract:** Design and implementation of information system of tax reporting by companies will determine the quality and obedience of companies in reporting their tax obligation. The system and procedure are by themselves a system for measuring the rate of being penalized based on their finance report. The penalty could increase tax expense which in turns make total cost higher. Company with high total cost is less competitive than other. This paper will analyze the research result in the design and implementation of the information system in Company "X" tax reporting in Bandung. The methodology applied is descriptive evaluative, that is to examine the company current condition through observations, interviews, and documentations study. The result shows that company still makes some mistakes in reporting its tax from which it receives consequence of being given tax penalty. It is recommended that the company starts to improve its system and procedure of tax reporting in order that tax penalty be reduced to the minimum and also increase the quality of its tax reporting

**Keywords :** *information systems, tax reporting, competitiveness.*

### I. INTRODUCTION

Tax is important part of government revenue. Tax payment regulated by the law or Legislation Taxation. Every citizen, whether an individual or entity, have the tax obligation. Therefore, every citizen is obliged to perform duties and payment in accordance taxation regulations.

Tax collection in Indonesia is a self-assessment system. This system gives the authority, trust, and responsibility to the taxpayers to calculate, pay, and self-reported their amount of tax to the *Fiscus* (Tax Receiver). This system provides flexibility for the taxpayer to carry out tax obligations while *Fiscus* not intervene and just oversee the fulfillment of tax obligations (Mardiasmo, 2009:7). Tax obligation should meet the books of account (Article 28 of Law No. 6 of 1984 concerning General Provisions and Tax Procedures as amended by Law No.16 of

2009) to test the compliance to the tax regulation (Setiawan and Musri, 2007:22). The Taxpayer should develop a information system that consist system and procedures to fulfill the tax obligations which is a good and accurate reporting of tax. This will also avoid some mistakes or error in reporting that could possibly give the company administrative sanctions.

Administrative fines frequently applied to tax payers are ones connected to lateness in paying and reporting the tax. Upon the lateness, payments lateness are subjected to the Law, Chapter 9 verse 2a, Undang-undang KUP. As for the lateness in reporting, fine will be applied according to Chapter 7 Undang-undang KUP. Several chapters which regulates penalties for delays are as follows :

No      Problem Sanctions      Article .

#### *Fine*

1. 7 (1) Late SPT delivered a. Monthly Rp. 50 000 Per SPT  
b. Annually Rp. Per 100,000 SPT
2. 8 (3) Correction own and has not been investigated : 200% of the amount of tax that is paid less
3. 14 (4) a. Employers subject to VAT are not taxable : 2% of the DPP  
b. Employers are not taxable for tax invoice : 2%  
c. PKP does not create an invoice or invoice is incomplete : 2%

#### *Interest*

1. 8 (2) Correction SPT in 2 years and 2% per month, less than the amount of tax paid
2. 9 (2a) Delay in payment of future taxes and the annual 2% per month, the amount of tax payable
3. 13 (2) Lack of payment of taxes in SKPKB 2% per month, less than the amount paid, max 24 months
4. 13 (5) SKPKB issued after the expiration of 10 years because of the crime of 48% of the amount of tax who do not want to or less paid
5. 14 (3) a. Tax income current year not / underpayment of 2% per month, of the amount of tax is not / less paid, max 24 months  
b. SPT underpayment of 2% per month, of the amount of tax is not / less paid, max 24 months

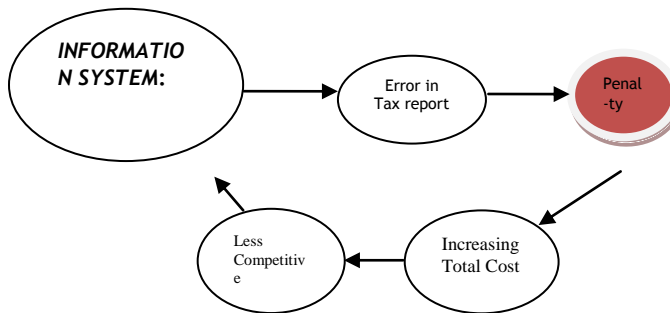
6. 15 (4) SKPKBT period issued after the passing of 10 years because of the crime of 48% of the amount of tax not paid or less
7. 19 (1) SKPKB / T, SK Correction, SK Objection, Judgement Appeal which led to underpayment of late pays 2% per month, on the amount of tax not paid or less
8. 19 (2) repay or delay of 2% per month, part of the full moon a month is calculated
9. 19 (3) tax deficiency due to a delay SPT 2% top tax deficiency

**Increase**

1. 8 (5) Disclosure of non true SPT after the 2 years prior to the issuance of tax assessments 50% of the tax that is paid less
2. 13 (3) If: SPT was not delivered as stated in the letter of reprimand, VAT / PPnBM that should not be compensated or not a tariff of 0%, non-fulfillment of Article 28 and 29.
  - a. Income tax is not paid : 50% or less of income tax that is not / less paid
  - b. no / less deducted / collected / paid : 100% of income tax that is not / less deducted / collected
  - c. VAT / PPnBM no or less paid : 100% of VAT / PPnBM with no or less paid
3. 15 (2) Lack of SKPKBT tax : 100% of the amount of tax underpaid

**II. LITERATUR REVIEW**

The possibility of a penalty for error in tax reporting, would make the total cost incurred by the company higher which in turns the company could not be the superior or efficient in cost and less competitive. The system thinking of competitive advantage in relation to errors in tax reporting and information system --in the form of systems and procedures in the company--, described as follows:



How the risk of penalty could really happen will explain by the following example :

Suppose Taxpayer ABC-related activities with tax obligations in May 2008 are as follows.

- The Article 21 Income tax return in April 2008 with a value of reporting is Rp25.450.000, - deposited on May 12, 2008 and

reported on May 21, 2008.

- The SPT PPh Article 25 April 2008 is worth Rp56.260.000, - paid on May 16, 2008 and reported on May 21, 2008.
- The VAT tax return in April 2008 which shows an underpayment Rp120.630.000, - is paid in full on May 16, 2008 and reported on May 23, 2008.

Based on the above data, the calculation of sanctions that will be conducted by officers KPP ABC listed places are as follows.

**Tax Article 21:**  
 Deposit maturing Tax Article 21 is the 10th of next month. However, in May 2008 the 10th falls on a Saturday so that the maturity date to Monday, May 12, 2008. ABC Income Tax Article 21 right to deposit on the due date so no interest penalized. The maturity date of reporting Article 21 is the date of the next 20 months. But because the date May 20 falls on a national holiday (red dates), then shifted into the reporting due date May 21, 2008. ABC report on Article 21 Income tax return in April 2008 on May 21, 2008, which means right on the maturity date. Thus, no financial penalties for income tax of Article 7 of Article 21.

**Income Tax Article 25:**  
 Due date of payment of Income Tax Article 25 April 2008 is dated May 15, 2008. Meanwhile, ABC paid on May 16, 2008, which means one day late. Delay of one day is rounded up to one month so the interest penalty is:  
 $2\% \times 1 \text{ month} \times \text{Rp}56.250.000, - = \text{Rp}1.125.000, -$   
 Reporting of Income Tax Article 25 made after the due date is May 21, 2008 so be penalized a fine of 100,000, -.

**VAT:**  
 VAT deposit made on May 16, which means one day late because the due date of deposit of VAT is the 15th of next month. Thus, interest penalties imposed are:  
 $2\% \times 1 \text{ month} \times \text{Rp}120.630.000, - = \text{Rp}2.412.600, -$   
 SPT VAT period April 2008 submitted on May 23, 2008 so that the VAT reporting is too late. Article 7 The financial penalties imposed is Rp500.000, -.

System is a collection of related sources to achieve some goals. Information system is a set of formal procedures by which data is collected and processed into information, and distributed to the users (Hall, 2008:6). The accounting information system is a collection of resources, such as people and equipment, designed to transform financial data and other data into financial information (Bodnar and Hopwood, 2010:1). Accounting information system should be able to produce accurate information for company decision-making. One of the information generated by the accounting information system is the Taxation Report.

One of the company activity is processing data into information performed by the accounting department, including the activity of taxation data processing. Tax report is important to the company due to :

*"Mandatory contribution to the state owed by the individual or entity that is enforceable under the law, by not getting the benefits directly and used for the purposes of state for the overall prosperity of the people"*  
 (Law no. 16 of 2009)

Tax reporting activities conducted by the accounting department is a sub system of a whole company information system that should be done sufficiently according to the Taxation Act and Law. Tax reporting system that has not been sufficient could make incompleteness or delays in tax

reporting which could ultimately possibility of risk of administrative sanctions taxation.

There are two types of competitive advantage according to Michael E. Porter (1998), the first is the 'uniqueness' (differentiation) and the second is 'competitive advantage' (lower cost). Uniqueness, is the organization's ability to provide unique and superior value to consumers, the aspect of product quality, additional functions (features), as well as after sales service. While the competitive advantage, is the ability of an organization to design, manufacture, and marketing of goods or services of good quality with higher efficiency than its competitors. The design of competition usually based on both types, although to achieve a comparable level of excellence in both, is rarely done because it is not easy.

Competitive advantage can achieved through a variety of ways. Some of them are, to close the gap with suppliers, and consumers, or by simplifying access to raw materials, or the effort to reduce the price of input factors (raw materials, energy, human resources, services, etc.). In addition to other possibilities such as to optimize the distribution of network of goods / services to customers, the line of production processes and production support processes, the line of the processes of management, and optimization the use of resources for R & D.

This paper will analyze the competitiveness to be achieved by company, by designing a good information system that can minimize errors in tax reporting, the delay of report, and to prevent the risk of sanctions imposed taxation and increase the efficiency

### III. METHODOLOGY AND ANALYSIS

#### A. Case Study of Company "X" in Bandung

Company X is a merchandising company which provide fabrics or cloth for the automotive industry (local and export), with middle to upper scale. Tax reporting system which runs currently require repairs and improvements, because there are still errors in tax reporting, thus providing the potential for taxation employing administrative sanctions. To minimize the risk of sanctions, is necessary to review and improvement to the design and implementation of information systems in tax reporting. Observation of the system information of tax reporting systems and procedures –which used for reporting VAT, Income Tax Article 21, 23, 25 and Corporate Tax-- has been carried out by researcher started from March 2011 and ended by July 2011.

This research methodology employed deep observation, literature research, and interviews. The analysis divided into three steps:

- The document analysis
- The interviews analysis
- The interpretation from both document and interviews, in system information perspective for tax reporting

The interpretation result show some of the data flow diagram (DFD) as the following:

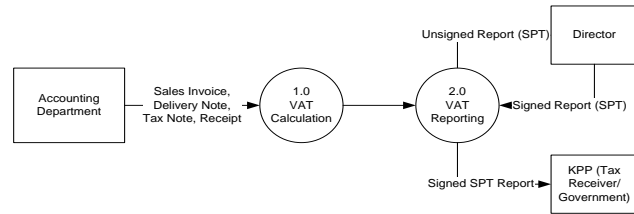


FIGURE 1. DATA FLOW DIAGRAM LEVEL 0 : "VAT INFORMATION SYSTEM"

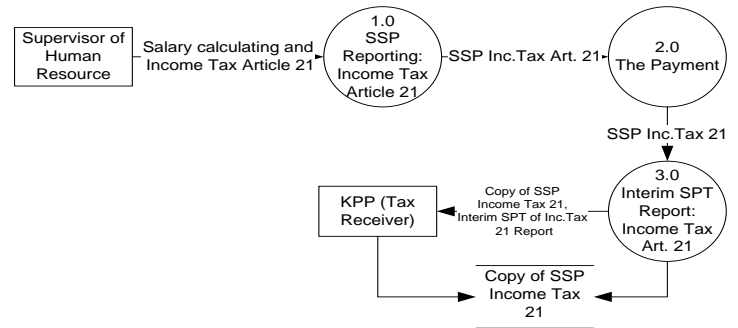


FIGURE 2. DATA FLOW DIAGRAM LEVEL 0 : "INCOME TAX ARTICLE 21 REPORTING INFORMATION SYSTEM"

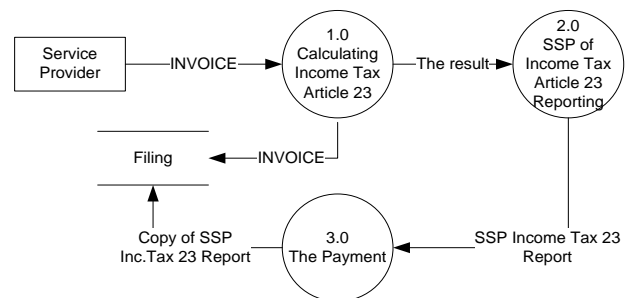


FIGURE 3. DATA FLOW DIAGRAM LEVEL 0 : "INCOME TAX ARTICLE 23 REPORTING INFORMATION SYSTEM"

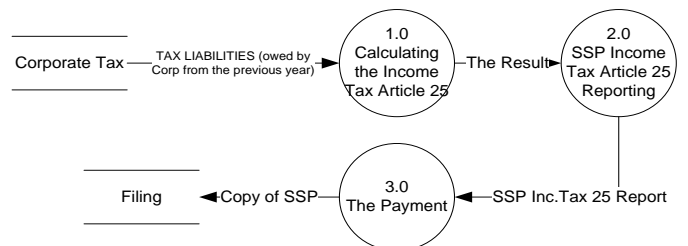


FIGURE 4. DATA FLOW DIAGRAM LEVEL 0 :  
“INCOME TAX ARTICLE 25 REPORTING INFORMATION SYSTEM”

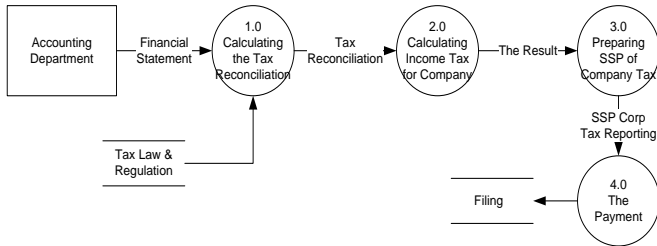


FIGURE 5. DATA FLOW DIAGRAM LEVEL 0 :  
“COMPANY TAX REPORTING INFORMATION SYSTEM”

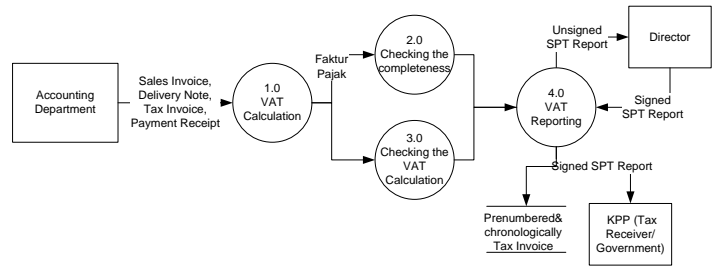


FIGURE 6. DATA FLOW DIAGRAM LEVEL 0 : “PROPOSED VAT INFORMATION SYSTEM”

IV. FINDING

Several problems were found during the period of observation. Explaining as following :

TABLE 1. FINDINGS (BY RESEARCHER)

	PROBLEM	SOLUTION
1	Error in TIN (NPWP). The possibility of invalid restitution from VAT and Income Tax payment	Check the completeness dan the accuracy of Merchandise Export Application, Tax on Sales, and Tax on Purchases data
2	Inadequate documents retention, the possibility of missing documents	<i>prenumbering in tax documents</i>
3	Tax miscalculated by the Accounting Supervisor	Re-checking the result (of Accounting Supervisor) by the Chief Accounting
4	Documents were not chronologically saved. It was hard to find certain document	Re-filing the tax documents by number and date
5	The <i>delivery note</i> filed by customer, it made difficult to find certain document for tax purpose such as restitution	Prenumbering in Delivery Notes (file by number)
6	Error input by Accounting Supervisor ( <i>human error</i> )	Re-checking the result by Chief Accounting
7	The delay of TIN (NPWP) replacement submission could cause the invalid supporting documents for export	<i>Data updating after the TIN replacement</i>

To solve the problems, it is important to improve the information system for tax reporting that will apply from now on, especially for systems and procedures for *checking* and *prenumbering* the supporting documents. It is proposed that company redesigned the information system of taxation using the new systems and procedures, as illustrated at several DFD below:

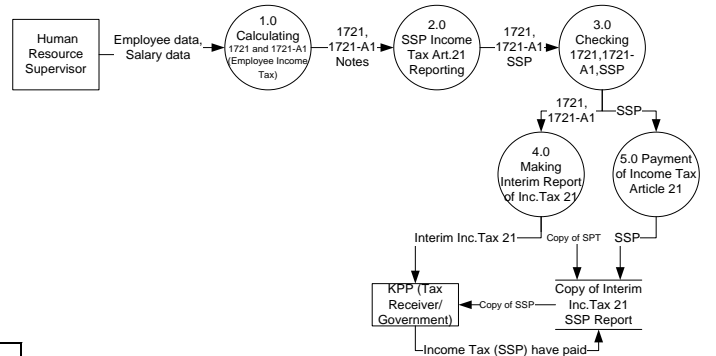


FIGURE 7. DATA FLOW DIAGRAM LEVEL 0 :  
“PROPOSED INCOME TAX ARTICLE 21 REPORTING INFORMATION SYSTEM”

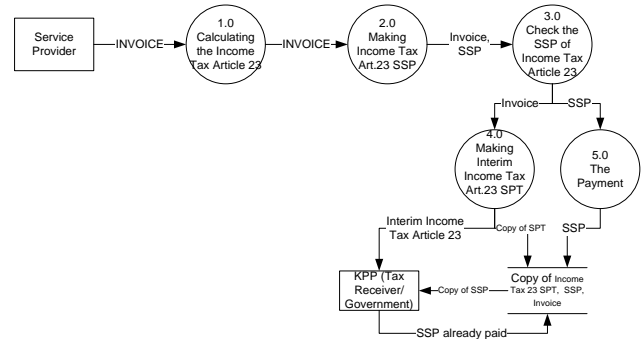


FIGURE 8. DATA FLOW DIAGRAM LEVEL 0 :  
“PROPOSED INCOME TAX ARTICLE 23 REPORTING INFORMATION SYSTEM”

V. CONCLUSION

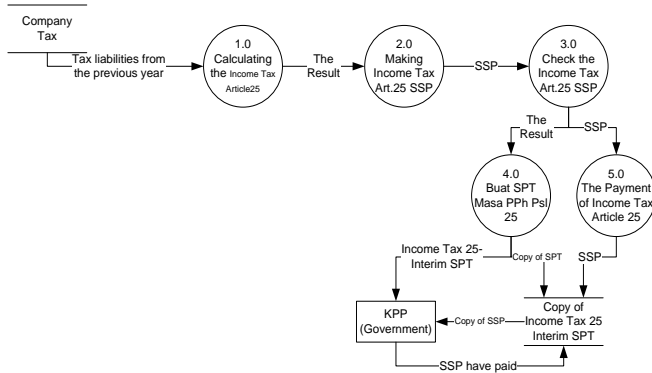


FIGURE 9. DATA FLOW DIAGRAM LEVEL 0 :  
“PROPOSED INCOME TAX ARTICLE 25 REPORTING INFORMATION SYSTEM”

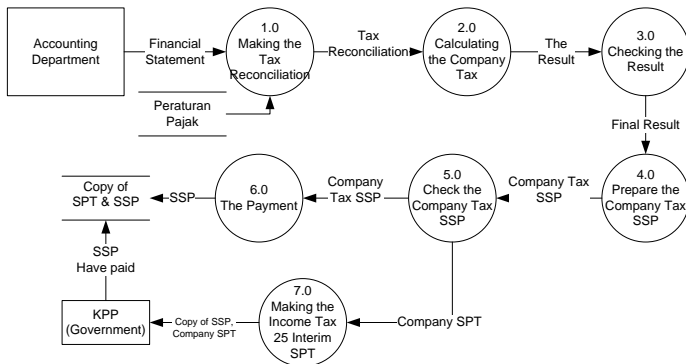


FIGURE 10. DATA FLOW DIAGRAM LEVEL 0 :  
“PROPOSED COMPANY TAX REPORTING INFORMATION SYSTEM”

1. The reporting of interim VAT has never delayed. However, there are still some weaknesses related to the retrieving the documents and the absence of re-checking as a control activity forward by error (human error). The vulnerability of VAT tax restitution will cause some difficulties.
2. Based on Interim VAT report, the company has effective tax obligations. But, for error reduction re-checking over the work must be done. This will in turn increase the total cost in a crazy way.

The Company need to improve its information system by adding several new procedures for checking, to improve the quality of tax reporting, minimize errors, and cost efficiency. If mistakes are allowed to continue to happen, then the possibility of big penalty become higher that will stimulate the total cost larger, and the company could not compete with its competitor. In other words, the 'competitive advantage' will never happen.

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