

Analysis of the Implementation of PSAK 46 on Report Quality Improvement Finance

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ABSTRACT

Application of PSAK 46 regarding the accounting treatment of income tax at PT. Rizki Cemerlang Transportaco is a good step to improve the quality of the presentation of financial reports in order to make the right decisions. its financial statements refer to Financial Accounting Standards (SAK), so that the income reported in the income report is not necessarily the same as the profit value in accordance with tax regulations. Therefore, companies need to keep records of deferred tax in anticipation of the consequences of income tax (deferred tax assets and liabilities) both in the present and in the future. Deferred tax occurs when the current tax burden according to accounting is different from the current tax payable (tax payable in the current year according to tax regulations

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Introduction

Deferred tax in a simple sense is tax assets and liabilities whose recognition is still deferred/deferred. The rules regarding the recognition of deferred tax are contained in PSAK number 46 paragraphs 12-17. Prior to the issuance of PSAK number 46, PSAK number 16 paragraph 77 was issued in 1995 which contains two rules for recording the recognition of income tax. This rule allows companies to choose to allocate the tax difference between periods that occurs between fiscal profit and commercial profit (tax deferral method), or not to allocate the tax difference between periods.

Deferred tax occurs when the current tax burden according to accounting is different from the current tax payable (tax payable in the current year according to tax regulations). Deferred tax can be in the form of deferred tax assets or deferred tax debts. Deferred tax payable occurs when the time difference causes a net negative correction so that the current tax payable is less than the current tax expense according to accounting.

Meanwhile, a deferred tax asset occurs when the time difference causes a net positive correction that increases taxable profit so that the current tax debt is greater than the current tax burden according to accounting.

Applying PPh accounting records that refer to PSAK 46, will improve the quality of the financial report information presented. This is because by applying the deferral method, it means that the company has anticipated the tax consequences that occur in the present and in the future.

Tax consequences arise from differences in the recognition of income and expenses according to accounting and the recognition of income and expenses according to tax rules. This difference is due to differences in the interests of corporate accountants who serve based on financial accounting standards for presentation to stakeholders, while taxation refers to tax laws with the aim of leading to the interests of the state.

The purpose of PSAK 46 is to regulate the presentation of an entity's financial statements so that financial information can reflect a more accurate profit performance, by optimizing the degree of linkage between recognized expenses and revenues. PT. Rizki Cemerlang Transportaco is a company engaged in the field of material transportation services. Observation results show that the turnover of this transportation service company has exceeded Rp.4,800,000,000, which is the maximum limit for the imposition of final PPh as stipulated in Government Regulation No. 46 of 2013, so that it is subject to Article 25 Income Tax (PPh).

However, in practice, it is known that this company has not recorded PPh in accordance with PSAK 46. Therefore, researchers are interested in further researching PPh recording at PT

Literature Review

Financial Statements

According to PSAK No. 1 (2014: paragraph 07), "Financial reports are part of the financial reporting process. Complete financial statements usually include a balance sheet, income statement, statement of changes in financial position (which may be presented in various ways, for example, as a statement of cash flows, or statement of flows of funds), notes, and other reports and explanatory material that are an integral part of financial statements".

1. Characteristics of Financial Statements

The following are the characteristics of financial reports in terms of quality based on Statement of Accounting Standards (PSAK) no.1 (2014: 24-38).

a. Understandable

An important quality of the information contained in financial statements is their ease of understanding by users.

b. Relevant

Information in financial statements has the quality of relevance if it can influence the economic decisions of users by helping them evaluate past, present or future events, confirming, or correcting the results of their past evaluations.

c. Materiality

The relevance of information is influenced by the nature and materiality of the financial statements. Information is considered material if the negligence to include or errors in recording the information can affect the economic decisions of users taken on the basis of the financial statements.

d. Reliability

Information has reliable quality if it is free from misleading notions, and material errors, and can be relied upon by the user. The presentation that is sincere or honest (faithful representation) of what should be presented fairly is expected to be presented

e. Honest Presentation

Financial information in financial reports is generally not free from the risk of presentation that is considered less honest than what should be described. This is not due to a gap to mislead, but rather an inherent difficulty in identifying reported transactions and other events, or in developing or applying presentation measures and techniques appropriate to the meaning of such transactions and events.

f. Substance Overrides Form

If information is intended to faithfully present the transactions and other events it purports to represent, these events need to be recorded and presented in accordance with substance and economic reality and not just legal form. The substance of transactions or other events is not always consistent with what appears to be a legal form.

g. Neutrality

The information must be directed to the general needs of users, not depending on the needs and desires of certain parties.

h. Healthy Considerations

The preparation of financial statements sometimes faces the uncertainty of certain events and circumstances, such as the collectability of doubtful accounts, and the estimated useful life of plant and equipment, with claims for guarantees that may arise.

i. Completeness

To be reliable, the information in the financial statements must be complete within the limits of materiality and cost.

2. Commercial Accounting and Fiscal Accounting

Accounting presents the financial information of an entity in one financial year period which is stated quantitatively with the aim that interested parties can make the right decision from the available alternative choices. Meanwhile, fiscal accounting is a financial record based on tax rules regulated in the tax law.

2. Fiscal Correction

According to Dwijayanti (2013: 26) ": Fiscal corrections are made if there are differences between the accounting standards, methods or practices used in the preparation of commercial financial reports and fiscal financial reports (according to tax provisions)"

3. Income tax

Agus (2009: 4), states that "Taxes are people's contributions to the state treasury based on the law (which can be enforced) by not receiving reciprocal services (contrapretation) that can be shown directly, used to pay public expenses."

4. Deferred Tax PSAK 46

The Indonesian Institute of Accountants (IAI) in 1997 issued a Statement of Financial Accounting Standards (PSAK) No. 46 which regulates the accounting for 29 income taxes (PPH) which was implemented in 2001. Prior to the enactment of PSAK No.46, the company only calculates and recognizes the amount of income tax expense for the current year without calculating and recognizing deferred tax.

Method

The analytical method used in this research is using descriptive comparative analysis. Descriptive, namely explaining in detail the accounting treatment that influences the presentation of financial statements, presentation of current tax, and presentation of deferred tax. Comparative, namely comparing the financial statements before and after the implementation of PSAK No. 46 specifically regarding deferred taxes. This research was conducted at a company engaged in construction and manufacturing, PT Rizki Cemerlang Transportaco

Results

1 Company Overview

PT. Rizki Cemerlang Transportaco was founded in 2004, domiciled in the city of Makassar, and can establish branches or representatives elsewhere. The company is established for an unlimited period of time. According to the deed of establishment, the main business of PT. Rizki Cemerlang Transportaco is engaged in freight forwarding services. The authorized capital of the company is IDR 2,000,000,000 divided into 2,000 shares, all of which have been paid up.

2. Accounting Policy

The following are accounting policies that can affect the financial statements of PT. Rizki Cemerlang Transportaco.

a. Fiscal year

The accounting year used is the calendar year, from 1 January to 31 December.

b. Presentation Basis

The financial statements are presented in accordance with generally accepted accounting principles in Indonesia by following the historical cost principle. The statements of cash flows are prepared using the indirect method by classifying cash flows into operating, investing and financing activities.

c. Accounts receivable

The Company provides allowance for doubtful accounts as an allowance for bad debts. Receivables are presented in the balance sheet at their gross amount and by presenting a contra account.

d. Income

Revenue is recognized on a realizable basis for income less than one period and revenue received for more than one period is recognized on an accrual basis.

e. Expense Recognition

Expenses are recognized based on the matching principle. Sacrifices of economic resources (expenditure) have benefits for more than one period, so they are capitalized as assets and allocated as expenses based on sound judgment.

f. Fixed assets

Fixed assets except for land are stated at cost less accumulated depreciation.

Fixed assets are depreciated using the straight-line method. Based on the estimated useful lives of fixed assets depreciated as shown in Table 4.1 below.

Table 1. Rate of Depreciation of Assets Other Than Land Type of Asset Economic Age Percentage (%)

Asset Type	Economic age	Percentage (%)
Building	20 years	5.00
Vehicle	10 years	10.00
Office inventory	8 years	12.50

Data Analysis

a. Calculation of Article 25 Years of Actual Income Tax Debt by PT Rizki Cemerlang Transportaco

The presentation of Rizki Cemerlang Transportaco's financial statements, it shows that this taxpayer has made fiscal corrections in determining taxable income in calculating the current year Article 25 Income Tax Payable (Current Tax Payable). PT Rizki Cemerlang Transportaco does not use pre-tax profit as the basis for determining Article 25 Income Tax Payable, but is calculated from the results of fiscal corrections to its pre-tax profit. Profit (Net Income) Before Tax shows the amount of IDR 557,618,000 while the tax base (Taxable Income) is Rp.472,137,000. This figure is obtained from the fiscal correction of Profit Before Tax. The Fiscal Correction comes from the following.

- 1) Income that has been subject to final tax, namely building rental income of IDR 150,000,000.
- 2) Expenses related to obtaining final income, which includes depreciation expenses and maintenance expenses for warehouses that are rented out, amounted to Rp.56,250,000 and Rp.12,750,000, respectively.
- 3) Depreciation expense on official vehicle assets, namely Suzuki Karimun and Honda CRV vehicles. PT Rizki Cemerlang Transportaco implemented a tax regulation that for this type of vehicle, the deductible tax is only 50%, so a positive fiscal correction of IDR 28,875,000 was made.
- 4) The difference in the amount of depreciation allocation. PT Rizki Cemerlang Transportaco applies a depreciation expense allocation that is different from the depreciation expense allocation according to tax provisions for operational vehicle assets. PT Rizki Cemerlang Transportaco charges depreciation based on sound judgment based on experience, which estimates the useful life of the asset is 10 years, so it is depreciated 10% per year. On the other hand, the tax provisions as stipulated in Article 11 of the 1984 Income Tax Law and its amendments juncto Minister of Finance Regulation No. 96/PMK.03/2009 along with its attachments, shows that these assets are included in group 2, which is depreciated for a period of 8 years, or 12.5% per year if the straight-line method is used.
- 5) Differences caused by allowance for bad debts. PT Rizki Cemerlang Transportaco implements allowance for losses on receivables, while the tax provisions adhere to direct write-offs, and do not allow reserves. On this basis, PT Rizki Cemerlang Transportaco made a positive fiscal correction of IDR 6,895,000.

Based on the fiscal correction data presented above, the calculation of Taxable Income which is the basis for imposition of tax in determining the Current Year's Tax Payable is summarized in table 4.2 below.

Table 2 Basis of Tax Imposition

Profit Before Tax (Commercial Profit)	Rp. 557,618,000
Fiscal Correction Amount	Rp. (85,481,000)
Taxable Income (Fiscal Profit)	Rp. 472,137,000

(Source: Company Data)

Referring to the calculation of the basic tax imposition as presented in table 4.2 above, the company calculates the current year's tax debt as follows.

1. Circulation (turnover) of PT. Rizki Cemerlang Transportaco excluding income that has been subject to final tax of IDR 11,034,180,000.
2. Circulation of this amount, in accordance with Article 31E of the 1984 Income Tax Law, obtains a tax rate reduction facility of 50% of the tax rate as stipulated in Article 17 (1) letter b jo paragraph 2a, for portions up to Rp.4,800,000, so that the current year tax debt calculation is as shown in Appendix 3 which is summarized in Table 4.3 below.

Table 3. Calculation of Tax Debt

Taxable income		Rp. 472. 137,000
25 ppm debt		
Part subject to tariffs	Partsubject to (50%x20%) x 43.5% tariffs 25% x 56.50%	(Rp. 25.672449) (Rp. 66,689,351)
Article 25 current year income tax debt		Rp. 93,361,800

b. Analysis of the Application of PSAK No. 46 on PT Rizki Cemerlang Transportaco which is related to Income Tax Article 25

As explained in the previous chapter, the more match the income and expenses are, the better the quality of the income report, so that PT Rizki Cemerlang Transportaco should apply PSAK 46, which recognizes the tax consequences in the present and in the future. PT. Rizki Cemerlang Transportaco in presenting its financial statements, as well as in its fiscal correction calculation report, it is known that it does not apply PSAK 46, so that the entire current tax payable, as well as tax paid through final withholding by third parties, are entirely charged as current year's tax expense. The deferred tax related to Income Tax Article 25 is not formed due to PT. Rizki Cemerlang Transportaco. does not identify permanent differences and allocative (non-permanent) differences, so the basis used to calculate the current year's tax payable is the same as the basis used to calculate the current year's tax expense. After the company determines the tax debt, a journal is made as shown in

Table 4 below

date	Description	Dr (Rp.)	cr (Rp.)
31 Dec	Article 25 PPh Tax Burden	92,361,800	
	Article 25 PPh Tax Debt		92,361,800

In order for the current year's tax expense to match the income and expenses recognized in that period, the fiscal correction report must identify permanent differences and non-permanent differences. To fulfill this, the researcher compiled a fiscal correction report in Appendix 1 Identification This creates a deferred account, and a current account. Determination of deferred tax and current tax is carried out in the following way.

1. Establish a basis for calculating the amount of income tax article 25 that must be paid in the current year, which is identified with the Current 25th Income Tax Payable account. This determination is made by adding up or subtracting Profit (Net Income) Before Tax which is net income in accordance with Financial Accounting Standards with all fiscal corrections, both permanent differences and time differences, as shown in Appendix 1 which is summarized in table 4.5 below.

Table 5. Summary of Fiscal Correction for Determination of Current Income Tax 25 Debt

Description	
Profit before tax	557,618,000
Permanent difference	(45,230,000)
Time difference	(40,251,000)
Basis for Imposing Current Income Tax Debt 25	472,137,000

Referring to the calculations in table 4.5 above, that is, 43.50% of the tax base above is subject to a rate of 50% x 25% and 56.50% is subject to a rate of 25%, or an average rate equal to 19.5625%, then the current 25% PPh payable is 19.5625% X IDR 472,137 = IDR 92,361,800.

2. Establish a basis for calculating the amount of income tax article 25 that must be charged in the current year or more commonly known as Current Tax Expense, which is a deduction from net profit before tax. This determination is made by adding up or subtracting Profit (Net Income) Before Tax which is net income in accordance with Financial Accounting Standards with fiscal correction, which comes from permanent differences, and does not add up or subtract with time differences. These calculations are summarized in table 6

Table 6. Summary of Fiscal Correction for Determination of Current Income Tax 25

Description	Amount (IDR)
Profit before tax	557,618,000
Permanent difference	(45,230,000)
Basis for Imposition of Current Income Tax 25	512,388,000

Referring to the tax base in Table 4.5 above, the current 25th Income Tax expense is Rp.512,388,000 X 19.5625% = Rp. 100,235,902.

3. Establish a deferred tax account, which can be in the form of deferred tax assets or deferred tax expenses. Referring to the determination of the current 25th Income Tax Payable and Current 25th Income Tax Expense, a deferred tax account appears. At the time of determination, a journal is made as shown in Table 4.7 below.

Table 7 Journal of Recognition of Current 25th Income Tax Debt and Current Tax Burden

date	Description	Dr (Rp.)	Cr (Rp)
31 dec	Current Article 25 Income Tax Burden	100,235,902	
	Article 25 Current Income Tax Payable		92,361,800
	Deferred PPh 25 debt		7,874,102
	Acknowledgment of Current 25th Income Tax Debt, Burden		
	Current 25th Income Tax and Deferred 25th Income Tax Payable		

Conclusion

1. PT. Rezky Abadi Transportaco in determining Article 25 tax obligations for the current year as long as the data we have received, has calculated and determined Article 25 PPh debt in accordance with applicable tax regulations.
2. The fiscal correction made by PT Rezky Abadi Transportaco does not identify permanent difference corrections and time difference corrections, which, although correct in determining the current year's tax debt, cannot be used as a basis for determining the current year's tax burden.
3. In accordance with the conclusion 5.1.2 above, PT. Rezky Abadi Transportaco does not form deferred taxes related to Income Tax Article 25, so that the entire current year's tax debt is the same as the current year's tax burden.

Suggestion

1. In order for the income report to be of better quality, the company should form a deferred tax by recognizing the current year's tax expense, by linking the time of recognition of income and expenses that give rise to the tax burden, both on Article 25 Income Tax Expenses, as well as on Article 4 Income Tax Expenses
2. To comply with the suggestions in number 2 above, in making fiscal corrections, you must identify permanent differences and allocative differences

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