

Strengthening Tax Audit Management by Controlling and Auditors' Competence: Tax Court Case in Indonesia

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ABSTRACT

The Directorate General of Taxes (DGT) has proper tax audit management regulations, but the implementation still needs to be improved so that audits become effective. To find out these needs, a case study is conducted by discussing the dispute in the Tax Court Decision. This article finds that there is still a lack of communication between units in the DGT in the audit process, the use of professional judgment by the auditor is not fully following the regulations but it is effective, the follow-up audits are still incomplete, and the honesty in conveying facts is a problem. Disputes can be resolved when the required data from the other tax offices are available at the Court. If this data is available at the time of the audit, then there is no need for a dispute. This article suggests the need to increase controlling and competence of tax auditors. Controlling needs to improve during the audit process as well as evaluation of the results of follow-up audits, especially when it involves other units in the DGT such as the tax offices. The competence is enhanced by understanding the industry of the audited taxpayer.

Keywords: *management, audit, controlling, professional judgment.*

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INTRODUCTION

The taxation system in Indonesia is self-assessment, in which the taxpayers count, reckon, pay, and report their taxes. To ensure what the taxpayers report in their tax returns (SPT) is under the facts and existing regulations, the tax authorities, in this case, the Directorate General of Taxes (DGT), carry out verification and audit. One of the items that become the concern of DGT's tax auditors is to ensure the revenues or sales reported are correct. The results of tax audits are expected to effectively increase taxpayer compliance in the future (Kasper & Alm, 2022), and there will be no dispute over the results.

There are many techniques used by tax auditors to ensure the sales value are correct, one of which is confirmation (Direktorat Jendral Pajak, 2013). Confirmation is ensuring the correctness of data obtained from a second party to a third party. In a tax audit, confirmation is a way for tax auditors to ensure the correctness of data obtained from taxpayers from other parties, for example, sales data for taxpayers is confirmed with the buyer and the buyer's report on the periodic VAT return. Confirmation isn't the only technique used to ascertain sales value. It needs additional techniques to support the confirmation

results. Tax auditors can use other techniques, such as a certain financial ratio. If the tax auditor uses more than one audit technique for a certain value, such as sales, the results must support one another. If the results of each technique used differ, then which technique guides the decision? In this condition, the tax auditor can use professional judgment to determine the value of business sales in calculating taxable income (Deviana et al., 2021; Iskanto, 2015, 2016).

However, the existing tax regulations in Indonesia stipulate that only under certain conditions a tax auditor can use his professional judgment to determine actions, namely (1) determination of tax payable and (2) law enforcement proposals. Circumstances that allow tax auditors to use professional judgment are (Sultony, 2018) (1) the taxpayer refuses to be audited, (2) the taxpayer is uncooperative by not providing the documents and data needed by the auditor, and (3) there are indications the taxpayer has committed a crime taxation. The use of professional judgment (as a discretion) must follow certain procedures because it can be misused by the tax auditor. Therefore, there must be a standard procedure to regulate it (Sultony, 2018). Sultony

(2018) suggests that the use of professional judgment for which there are no regulations must be carried out collectively between the tax audit team and the head of the unit stipulating the audit results. If there is a condition that is not regulated in tax regulations, and the tax auditor must make a decision in determining the amount of taxable income, can the tax auditor still make a decision using professional judgment? Can the use of professional judgment be referred to as suggested by Sultony (2018)? Such conditions are discussed in this article.

The professional judgment of the tax auditor in determining the value of sales or revenues which is the basis for determining taxable income can become a dispute between the DGT and the taxpayer. One of these disputes is contained in the Tax Court Decision, in Indonesia, Number PUT-000186.15/2020/PP/M.VIA Year 2022 (Pajak, 2022). In this case, DGT did not obtain additional data to support the results of auditing the taxpayer documents. Based on the existing documents and the validity of these documents the DGT does not dispute, so the DGT does not make any corrections to the value of sales. This fiscal correction of the sales is solely based on confirmation of the sales reported by the taxpayer. DGT did not receive convincing data from confirmation results to the tax office where the buyers of the taxpayer products were registered. So, the sales of the taxpayer in the Income Tax Return of 2016 were subject to positive fiscal corrections. The taxpayer does not agree with DGT's correction, because DGT does not consider alternative audit techniques, namely testing the flow of money and goods, in determining the value of sales.

The Tax Court proved that the DGT tax auditor's confirmations to several tax offices, where the buyers registered, were not answered by each of the tax offices. However, each tax office follows up this confirmation as data to conduct tax audits on buyers because the buyers do not report their tax returns correctly. There is no communication between the tax auditor and each tax office regarding the follow-up carried out by the tax office. The results of the follow-up of each tax office are known in court after the tax auditor reconfirms. Based on this case, it is suggested that the management of tax audits still needs to be improved, especially in the controlling aspect (in the audit process and legal resistance from taxpayers).

This article finds that DGT tax auditors are good at conducting audits and using professional judgment

in making decisions. Even though this professional judgment is not fully under existing regulations, there is a prudential principle that is considered by the tax auditor. In the audit process, the tax auditor must be supported by other work units, such as other tax offices, so that the results of this tax audit are effective. In the absence of smooth communication between the tax auditor and other units in the DGT in providing the confirmation and information needed, the results of the tax audit will continue in disputes and be resolved in the tax court. Settlement through the courts should be avoided and prevent a waste of resources. In this case, the objective of an effective audit result will not be achieved.

The tax offices involved in this case also took the right action in terms of following up on data from the tax auditors. This follow-up resulted in an increase in the compliance of the taxpayer's buyers and increased state revenues. Therefore, there is a need to strengthen the management of tax audits. Controlling can be done when the tax audit requires assistance from other units in the DGT. It is necessary to ensure that the data or information required by the tax auditor in carrying out the audit can be fulfilled properly.

LITERATURE REVIEW

The state needs funds to run the government, namely to meet the needs of goods and services for the public interest. The biggest source of funds for Indonesia is taxes. This condition is following the Theory of Taxation pioneered by Adam Smith (1776). Therefore, tax collection must meet several principles, namely equality, certainty, the convenience of payment, and efficiency. Tax management must be well-designed so that this tax collection principle can be applied effectively. One of the activities in tax management is a tax audit.

In countries that implement a self-assessment system, such as Indonesia, the role of tax audits is very important. The tax authority must be able to ensure and believe that the taxpayer's report is following applicable regulations and that there is no attempt by the taxpayer to reduce the number of tax payments. After implementing a tax audit, tax compliance can increase. Implementation of an effective tax audit can improve taxpayer compliance in the future, meanwhile, an ineffective tax audit will give different results (Kasper & Alm, 2022). Other studies state that tax audits of non-compliant taxpayers alone can increase compliance in the future (Beer et al., 2020). The definition of an effective tax audit is the ability of a tax audit to detect non-compliance by taxpayers in reporting their taxes, namely disclosing income that has not been reported (Kasper & Alm, 2022; Rablen, 2014). In addition, the certainty that an audit will be carried out also affects the level of compliance. With an effective tax audit, disputes over audit results can be reduced.

The definition of management according to Henry Fayol in his book entitled *Administration Industrielle et General* (1908), is a process consisting of planning, organizing, directing people, and controlling to achieve goals. To carry out tax audits effectively, the tax authorities must have good tax audit management. DGT already has tax audit management, however, this tax audit management must continue to be improved due to changing times.

To achieve an effective tax audit, the DGT issues the Director General of Taxes Circular Letters, and internal regulations, concerning Tax Audit Plans, Strategies, and Performance Measurement. One of the Letters is SE-11/PJ/2017 concerning the 2017 Tax Audit Plan (Direktorat Jendral Pajak, 2017). SE-11 explains in detail the tax audit plan for 2017. This SE also regulates the basis for conducting tax audits of a certain taxpayer because there is data from other tax audits of the certain taxpayer, and also regulates how the placement of the number of tax auditors in a work unit is based on workload in each work unit.

Provisions regarding Monitoring, Controlling, Evaluation, and Follow Up, explain that tax audit control must be carried out starting at the preparation, implementation, and reporting stages. In the monitoring section, there are provisions regarding monitoring of the results of the tax audits that are not approved, and legal action is taken by the taxpayer. By implementing this SE-11, the legal action taken by the taxpayer should be minimized. The application of SE-11 can prevent delays in receiving the required data. The Circular Letter of the Director General of Taxes Number SE-15/PJ/2018 Concerning Tax Audit Policy explains in detail how the tax audit plans and procedures are carried out by the DGT (K.

K. R. Indonesia, 2018). However, this SE-15 does not discuss controlling the implementation and results of tax audits. Controlling tax audits are discussed more fully in SE-11 of 2017.

For management to be carried out properly, tax auditors must be prepared, both in terms of numbers and knowledge. A comparison of the number of tax auditors with the number of taxpayers in Indonesia is far from ideal. Therefore, DGT already has a strategy for prioritizing which taxpayers must be audited, as well as placing tax auditors according to workload. This strategy has been implemented by DGT every year, for example as contained in SE-11/PJ/2017.

In general, 2 types of expertise affected the quality of the tax audit, namely (1) regarding the industry in which the taxpayer operates and (2) specific knowledge regarding the task, such as audit techniques. Specifically, to improve the quality of tax auditors, special knowledge regarding taxation (tax task-specific knowledge) needs to be increased for each individual at all levels in the tax office (Nathan C. Goldman et al., 2022).

DGT tax audit management has been established with easy-to-understand regulations. In addition, human resources who carry out tax audits have also been trained. The Ministry of Finance, Republic of Indonesia, has a Tax Education and Training Center. DGT employees, including tax auditors, have sufficient opportunities to study at the Tax Education and Training Center. Therefore, it can be ascertained that tax auditors have sufficient expertise in improving the quality of tax audits.

On the other hand, a taxpayer certainly wants to increase profits by increasing sales or revenues. In marketing, the taxpayer must try to fulfill customer satisfaction (Biemans et al., 2022). This strategy must synergize between the marketing department and the sales department. The main tasks of the marketing department and the sales department are different (Homburg et al., 2008). Companies that produce refined sugar whose buyers are limited by regulations, these companies must be able to please their customers by complying with existing regulations. Therefore, there is a procedure that must be implemented so that only customers who meet the criteria can buy refined sugar and this procedure still pleases the customer. If the company wants to add customers who differ from the predetermined criteria, there must be approval from the government.

Indonesia has certain regulations regarding the refined sugar industry. Refined Sugar is sugar that is used as raw material or auxiliary material in the production process. Refined Sugar has a very high quality of purity and meets Indonesian National Standard (SNI) which is required by the ministry that administers government affairs in the industrial sector.

Regulation of the Minister of Trade of the Republic of Indonesia Number 17 of 2022 explains that refined sugar may only be used by food and beverage, pharmaceutical, herbal/herb, tobacco, and other industries. Refined sugar is prohibited for sale other than in the industry (M. P. R. Indonesia, 2022).

In business, it is necessary to apply ethics. Business ethics is carried out by not violating the rules and norms in the organization and society. Likewise, when there is an interaction between the taxpayer and the tax authority, it is necessary to pay attention to the actions and decisions that are determined, not to violate existing rules and norms, and not to harm the interacting parties. One of the principles of business ethics is honesty. The implementation of honesty is fulfilling the requirements in the contract. It is necessary to apply honesty in the audit process so that what has been agreed upon in the audit process can result in an effective tax audit and reduce disputes in the future. The DGT tax auditors who are civil servants must comply with a code of ethics, one of which is honesty (Republik Indonesia, 2014). This code of ethics cannot be applied to taxpayers who are currently being audited by the DGT, because the code of ethics for State Civil Apparatus (ASN) only binds ASN. When there is a difference in information between the DGT and the taxpayer during the tax audit, which information is used and the guidelines need to be the concern of the party providing the solution?

METHOD

This paper uses the case study method. The case is the decision of the tax court in Indonesia, namely the Tax Court Decision Number PUT-000186.15/2020/PP/M.VIA Year 2022 (Pajak, 2022). This decision discusses a dispute between a taxpayer named PT. Makassar Tene and DGT. This taxpayer is

registered at the Makassar Middle Tax Office. The tax court's decision resolved several disputes, and this article only discusses one dispute, namely a positive correction of sales by the DGT of IDR. 27,172,543,499.

First, this article describes a disputed transaction. It also explained the nature and conditions of the taxpayer's business. Then this article explains DGT's arguments in determining the correction. Regarding this correction, the taxpayer certainly disagrees and provides arguments for this disagreement. Next, it is explained how the proof by each party, DGT and the taxpayer, in court. Then this paper explains the decision of the Tax Judge Council. Finally, based on the data in this Tax Court Decision, an analysis is carried out and explained how the relationship between this case and the management of tax audits and literature. The results of the analysis will be concluded and recommendations will be given to strengthening tax audit management.

RESULT AND DISCUSSION

Transaction

The taxpayer, PT. Makassar Tene, having an address in Makassar, is registered at the Makassar Middle Tax Office. DGT audited the taxpayer's income tax return for the 2016 tax year. The taxpayer is engaged in the refined sugar business whose products must be sold to industries and is raw materials for its buyers. This form of refined sugar is the same as crystal sugar. The selling price of refined sugar is cheaper than crystal sugar. The taxpayer should not sell its products as consumption by its buyer. The results of the DGT's tax audit gave rise to several disputes, and one of them is the sales or revenues of refined sugar. The magnitude of the sales dispute from the Notice of Tax Underpayment Assessment (SKPKB) is IDR. 31,795,610,998. Then the taxpayer filed an objection, and the objection decision stipulated that the DGT's positive fiscal correction was reduced to IDR. 27,172,543,499. The objection decision is still not satisfactory for the taxpayer. The taxpayer filed an appeal to the Tax Court over the sales dispute in the amount of Rp. 27,172,543,499.

The results of the DGT's tax audit explain that there were sales to several buyers who were not expected to be industrial, therefore the DGT made corrections to the selling price of the taxpayer. The total quantity of sugar sold is fixed and is not corrected by the DGT, but the sales value in IDR is added. The selling price of refined sugar to the non-industry should be higher than the selling price to the industry. The sales details corrected by the DGT are in Table 1.

Table 1
Details of Taxpayer Sales Corrections

No	Buyer's Name	Selling Price (IDR)	Actual Price (IDR)	Difference (IDR)
1	Mr. Sudono	159.992.727.267	181.991.727.266	21.998.999.999
2	MR. Gunarto	37.215.589.088	42.332.732.588	5.117.143.500
3	CV Mutiara Bintang	410.181.820	466.581.820	56.400.000
	Callysta			
	Total	197.618.498.175	224.791.041.674	27.172.543.499

Source: Tax Court Decision

The DGT obtains the selling price from the documents provided by the taxpayer, and the actual price is from the selling price of crystal sugar at the time the transaction takes place and the confirmation results made to each buyer. For the fiscal correction made by the DGT of IDR.27,172,543,499, the taxpayer submitted an appeal to the Tax Court. The process of filing this appeal has fulfilled the formal requirements so that the Tax Court can process the taxpayer's appeal.

DGT's Argument

DGT concluded that there were sales to non-industry buyers. From the confirmation results to the buyers, it is known that the buyers on behalf of those listed in Table 1 (Mr. Sudono and Mr. Gunarto) have a smaller production capacity than the sales value reported by the taxpayer. DGT concluded buyers cannot produce all the sugar purchased from the taxpayer for the production process. Thus, it is assumed that the taxpayer sells to non-industry buyers.

However, based on the existing documents, DGT found data that the buyers of this taxpayer's product did not report input tax on their periodic value-added tax (VAT) return. Based on Table 1, Mr. Sudono and Mr. Gunarto should have become Taxable Enterprises and reported their periodic VAT return because they have met the requirements to become Taxable Enterprises. Taxable Enterprise is a term in taxation in Indonesia. A taxpayer is called a Taxable Enterprise if it meets certain conditions, such as sales or revenues of more than IDR 4.8 billion in 1 tax year, must collect output VAT when selling its products, and report its VAT obligations.

The results of the confirmation to the buyers found that the production capacity of Mr. Gunarto of 2,520 tons per year and sales of the taxpayer to Mr. Gunarto of 4,296 tons. Production capacity of Mr. Sudono of 6,000 tons per year and sales of the taxpayer to Mr. Sudono of 18,672 tons. After requesting confirmation, the DGT tax auditor did not receive any confirmation or response regarding the transaction from the tax office where the buyers were registered.

Based on the available data, DGT concluded that there were sales of refined sugar to non-industries buyers at the same selling price as sales to industry buyers. Therefore, DGT adjusts the selling price of refined sugar to this non-industry by adding sales value. The results of this correction have been conveyed by the DGT to the taxpayer and discussed in the discussion at the end of the audit. The taxpayer is allowed to respond to these findings.

The Taxpayer Argument

The taxpayer explained that the DGT had never conveyed this finding during the audit process, issuance of the Notification of Audit Results (SPHP), and final discussion. The taxpayer had no opportunity to make a response. The taxpayer argued that the absence of a confirmation answer from the tax office where the refined sugar buyers registered was not the only indicator that non-industrial transactions took place, both formally and materially.

The taxpayer has provided all the documents needed by DGT for the sales audit. DGT has conducted tests of these documents, both testing the flow of money and the flow of goods, and all the taxpayer's sales have been proven and reported, both on the income tax return and the Periodic VAT return. Based on the documents, there are no disputes. No sales were made to non-industrial buyers.

The taxpayers do not have related party transactions based on the Income Tax Law (Pemerintah Republik Indonesia, 2008) to buyers in this dispute. Therefore, this cannot be used as a reason for the DGT to make positive corrections to the sales value. This sale was carried out by the taxpayer to carry out a program from the Ministry of Trade of the Republic of Indonesia to support small and medium enterprises (SMEs). Before carrying out this sale, the taxpayer carries out a Standard Operating Procedure (SOP) which aims to ensure that the taxpayer's refined sugar buyers are truly industrial. One of the SOPs is to request a business license and industrial registration certificate for refined sugar buyers. From the current account provided by the taxpayer to the DGT, the taxpayer receives income which is the sale of refined sugar according to the documents and available evidence.

Panel of Judges

At court, the taxpayer can prove that this transaction occurred and is supported by valid documents. DGT does not dispute the evidence provided by the taxpayer. It is also known that Mr. Sudono and Mr. Gunarto have been audited at the Tax Office where they were registered. The results of the tax audit proved that Mr. Sudono and Mr. Gunarto did not report all their sugar purchases from the taxpayer. Notice of Tax Underpayment Assessment (SKPKB) has been issued for these two buyers for the 2016 fiscal year. CV Mutiara Bintang Callysta has reported the purchase of sugar from the taxpayer on its Periodic VAT return in 2016. This latest data was obtained when the DGT tax auditor re-confirmed the dispute data to Tax Office where these buyers are registered. This reconfirmation was made while the appeal process was still ongoing. Thus, it is clear that the taxpayer's sales are correct. The DGT received incomplete evidence for this transaction because the sugar buyers from the taxpayer did not report all their purchases and there was no response from the Tax Office where the buyers were registered on the first confirmation request. The Panel of Judges decided that the taxpayer's appeal was accepted. The DGT's correction to these sales was cancelled.

Analysis

The taxpayer legal action process, in this case, is as follows: Notice of Tax Underpayment Assessment (SKPKB) on behalf of the taxpayer was issued on September 3, 2018. The taxpayer filed an objection to the SKPKB on November 16, 2018. DGT's decision on the taxpayer's objection was issued on October 25, 2019. The taxpayer submitted an appeal to the Tax Court on January 3, 2020. DGT reconfirmed with the Tax Office on 16 February 2021. The trial was completed by the Panel of Judges of the Tax Court on April 20, 2021. This paper discusses the tax audit process until the SKPKB was issued, and proof of sales to Mr. Sudono, Mr. Gunarto, and CV. Mutiara Bintang Callysta.

Audit Process. Although the basis for using professional judgment is not fully following tax regulations, the DGT tax auditor has carried out a good audit and used excellent professional judgment. It is not known whether the professional judgment is an individual tax auditor's decision or a collective decision after going through a discussion mechanism with the head of the work unit, as explained by Sultony (2018). This professional judgment shows the tax auditor's caution in decision-making. The tax auditor understands that there are special provisions for the taxpayer being audited, namely the sale of refined sugar only to the industry and the price is cheaper than the price of crystal sugar. The tax auditor understands that there is a possibility of fraud in the sale of refined sugar. This understanding of the tax auditor is following the explanation of Nathan C. Goldman et al. (2022).

The tax auditor confirms the sale to the buyers on the sale of this refined sugar. The results of the confirmation to the buyers are not simply trusted by the tax auditor, therefore the tax auditor also confirms with the Tax Office where the buyers are registered. Unfortunately, the Tax Office did not respond to this confirmation. Due to the limited period for the tax audit, and the DGT tax auditor could not be sure of the truth of the disputed sales value, the tax auditor made a sales correction. In this case, the tax auditor's decision is following the auditor's professional judgment. Unfortunately, there is no confirmation from the Tax Office where the buyers are registered. There is no information regarding the follow-up of the confirmation letter from the DGT tax auditor until the tax auditor completes the audit and produces the tax audit report.

No answer about the confirmation by the Tax Office proves that to obtain an effective audit result, knowledge about a tax audit is not only important for tax auditors but also other DGT employees involved in the tax audit process. The knowledge includes procedures and realizes the importance of conducting tax audits.

Without confirmation from the Tax Office where the buyers are registered will incur additional costs for the state. In this case, the taxpayer filed an appeal and objections. The additional costs from the DGT are to serve the taxpayer's quest for justice. In this case, no action and evaluation have been taken because no confirmation was received by the tax auditor. Therefore, it is necessary to make

improvements to the tax audit administration at the DGT as stipulated in SE-11/PJ/2017. The application of regulations in SE-11 still needs to be improved and understood by DGT employees who are involved in the tax audit.

In this case, the management of tax audits is very broad, not only involving the management who handles tax audits directly but also includes a sense of empathy for the work of other tax officers. If there is empathy from an employee at the Tax Office who receives this confirmation letter, there will be information or communication from the Tax Office regarding the follow-up to the confirmation. Thus, it is necessary to incorporate a sense of empathy or share responsibility for the work of other employees by helping colleagues work. With good communication, not only within one work unit but also with colleagues of all civil servants in Indonesia, especially DGT employees. With this empathy, audit completion will produce effective results as explained Kasper & Alm (2022) & Rablen (2014).

In his argument, the taxpayer was not given the information and opportunity to respond to this correction. Meanwhile, DGT has provided information and an opportunity for the taxpayer to respond to this correction. In court, there was no discussion regarding this debate. However, this condition must be a concern of the DGT because the taxpayer might take action that could weaken and inconvenience the DGT. In this tax court decision, there is another dispute, namely the correction of transportation costs, the taxpayer also takes actions that trouble the DGT.

During the final discussion of the tax audit, the taxpayer acknowledges and agrees to a positive fiscal correction of the transportation costs. At the time of the objection and appeal, the taxpayer still submits disagreement with the correction of this transportation costs. The reason for the taxpayer submitting this transportation costs correction as a dispute is no rule stating that the taxpayer may not submit objections and appeals against the agreement at the final discussion. The taxpayer's reasons were accepted by the Panel of Judges, processed in court, and finally, the dispute was won by the taxpayer. The positive fiscal correction that was approved by the taxpayer in the final discussion was cancelled by the Panel of Judges due to the taxpayer's request to cancel it (Ab, 2022; Deviana et al., 2021; Novita & Rahmi Fahmy, 2022; Prihastuti et al., 2022).

Based on the taxpayer's behavior in the process of seeking justice, the taxpayer could have taken actions contrary to the facts that had occurred before. This condition will be inconvenient for the DGT and will eventually result in additional costs, for example additional time to resolve the dispute. Therefore, it is necessary to take anticipatory steps, for example, supporting documents. Currently, DGT tax auditors who are civil servants have a code of ethics. It is necessary to consider whether there is a need for a code of ethics in the tax audit process that is binding on all parties involved, such as the tax auditors, the taxpayer, and the taxpayer's attorney.

Sudono. Mr. Sudono is registered at the Pratama Purworejo Tax Office. From DGT's confirmation to Mr. Sudono, Mr. Sudono only has 3 employees. Mr. Sudono ordered his sugar production from Mrs. Khatimah Putri Wahtuti who was registered at another Tax Office in another city. Mr. Sudono explained that he authorized Mrs. Khatimah Putri Wahtuti to take sugar from the refined sugar factory on her behalf.

Mr. Sudono processes refined sugar into brown sugar and rock sugar. Mr. Sudono markets his products. Mr. Sudono has not been registered as a Taxable Enterprise. For tax matters, Mr. Sudono is assisted by a tax consultant. Based on the results of the re-confirmation with the Tax Office where Mr. Sudono was registered, it is known that for the 2016 tax year, Mr. Sudono has been audited and issued the Notice of Tax Underpayment Assessment (SKPKB) for an Individual taxpayer.

Using data from the online portal, the tax auditor knows that Mrs. Khatimah Putri Wahtuti is a suspect in the case of abuse of refined sugar. The online news explained that Mrs. Khatimah Putri Wahtuti acknowledged that Mr. Sudono's production capacity had been manipulated from 6,000 tons per year to 60,000 tons per year. The Industrial Registration Certificate (TDI) on behalf of Mr. Sudono states that his production capacity is only 6,000 tons per year. Sales of the taxpayer to Mr. Sudono amounted to 18,672 tons. From the trials of other courts, it was proven that the taxpayer was not involved in the case of counterfeiting Mr. Sudono's production capacity, and the taxpayer became a victim in this case. From these data, it was concluded that the sugar buyer from the taxpayer, namely Mr. Sudono, represented by Mrs. Khatimah Putri Wahtuti, had purchased more refined sugar than Mr. Sudono could produce. Purchase realization amounted to 18,672 tons which were used as production raw materials with a capacity based on TDI of 6,000 tons. There is a difference of 12,672 tonnes ($18,672 - 6,000$) which is diverted and has the potential to be misused.

Assuming that the refined sugar processed by Mr. Sudono reaches a maximum capacity of 6,000 tons, working days in 2016 were 365 days, and the number of employees is only 3 people, it can be estimated how much Mr. Sudono's production is and compares the sales value reported in the income tax return. From this data, the tax auditor at the Tax Office where Mr. Sudono is registered can estimate the amount of refined sugar that Mr. Sudono sells to the public without processing it to be finished goods. The tax auditors at the Tax Office where Mr. Sudono is registered are expected to have Mr. Sudono's industrial knowledge as explained by Nathan C. Goldmana et al. (2022). It is necessary to understand how much refined sugar is needed to produce the brown sugar and rock sugar that Mr. Sudono reported on his income tax return.

Mr. Sudono has been subject to a Notice of Tax Underpayment Assessment (SKPKB) on Individual Income Tax. There is no information regarding the Notice of Tax Assessment (SKP) for VAT. Based on the value of Mr. Sudono's purchase of refined sugar in Table 1, there is strong evidence that Mr. Sudono should have become a Taxable Enterprise (PKP). There is also no data regarding how much Mr. Sudono's unreported sales value should be on the sale of refined sugar that is not used in the production process. Based on SE-11/PJ/2017, an evaluation and follow-up should be carried out by the Tax Office where Mr. Sudono is registered.

One of the management principles is controlling. Experts in Indonesia have differing opinions on interpreting the word controlling, as control or as supervision. In this case, the notion of supervision and control can be used. This controlling process can be applied at the time of confirmation and follow-up of the results of this tax audit. It is better if there is a Standard Operating Procedure (SOP) regarding the confirmation process to the Tax Office, for example how long it takes to receive an answer, and if there is no answer, don't just passively give professional judgment, but also actively contact the Tax Office unit concerned. If possible, this process is contained in the DGT information system (SI-DGT). Follow-up as in this case is controlled by the DGT Headquarter (KPDJP). It can be ascertained whether the results of this tax audit are sufficient to comply with existing regulations and produce quality tax audit results (Kasper & Alm, 2022; Rablen, 2014). The Tax Court decision data does not explain how to follow up regarding the tax obligations of Mrs. Khatimah Putri Wahtuti, and VAT obligations to Mr. Sudono.

As a seller of refined sugar that must be sold to the industry, what the taxpayer did was correct, namely the SOP regarding requesting data on the buyer's production capacity and supporting documents. The taxpayer will not challenge the buyers by asking for a statement confirming the truth of the amount of production capacity and how much the buyers need refined sugar. Additional documents as purchase conditions will make customers uncomfortable and reduce their purchases. This condition is following the explanation by Biemans et al. (2022).

The taxpayer has good prejudice by trusting the data provided by the buyers. The SOP, which only asks for data on production capacity, aims to increase income without violating the rules. When the buyer

provides incorrect documents and data, the person who falsifies the document will receive a penalty. With evidence in court, the panel of judges' decision was correct and the DGT's actions were ultimately correct by establishing SKPKB against Mr. Sudono.

In this case, the DGT does not only act as a tax auditor but also as an auditor of compliance with other regulations, such as the sale of refined sugar. It can be seen that, as long as other regulations are related to the duties and functions of the DGT, the tax auditor is also authorized to test the taxpayer's compliance with these other regulations. Other cases similar to this case may occur again in the future. Therefore, it is necessary to consider whether it is necessary to increase the DGT's authority or cooperation between the DGT and other agencies that have specific authority. The Cooperation can be carried out if the tax auditor obtains data or information regarding violations of regulations that are not under the authority of the tax auditor.

Gunarto. The data on the tax court decision explains that Mr. Gunarto owns the palm flower industry. Mr. Gunarto's main products are crystal and printed palm sugar. There is no information on what is meant by the palm flower industry. Based on searches on the internet, the palm flower industry is close to understanding the palm sugar industry.

Mr. Gunarto is registered at Pratama Purbalingga Tax Office. When reconfirming on 16 February 2021, the DGT tax auditor confirmed this with the Pratama Purworejo Tax Office. There is no information as to which Tax Office the tax auditor made the first confirmation and why the second confirmation was not made to the Pratama Purbalingga Tax Office. Mr. Gunarto has been registered as a Taxable Enterprise (PKP) and reported a Periodic VAT return. The Income tax return for the 2016 year and Periodic VAT return in the name of Mr. Gunarto have been audited and SKPKB issued. The results of this tax audit were signed on December 27, 2019.

DGT still needs to do some controlling of the tax audit over Mr. Gunarto's. The data explains that Mr. Gunarto's production is similar to palm sugar. Producing palm sugar does not require a lot of refined sugar because most of the raw materials of palm sugar are not refined sugar. With purchasing 4,304 tons of refined sugar, Mr. Gunarto could have been other productions or sales of refined sugar without processing it first. Evaluation of Mr. Gunarto's tax audit also needs to be based on the knowledge possessed by the tax auditor (Nathan C. Goldman et al., 2022) and the reasonableness of the tax audit results to achieve an effective tax audit (Kasper & Alm, 2022).

By comparing the date of the results of the tax audit on behalf of Mr. Gunarto (27 December 2019) and the date the taxpayer submitted an appeal to the Tax Court (3 January 2020), if there is good communication, the appeal process can save resources. The substance of the dispute can be reduced, that is, the taxpayer does not appeal the sales dispute to Mr. Gunarto. Information regarding the results of the tax audit of Mr. Gunarto was obtained from the re-confirmation by the tax auditor to the Pratama Purworejo Tax Office. This reconfirmation can resolve the existing dispute.

Based on business permits, Mr. Gunarto's production capacity was 2,520 tons per year as of August 4, 2015. Then on January 28, 2016, Mr. Gunarto's industrial business permit stated that his production capacity was 8,750 tons per year. Sales of the taxpayer to Mr. Gunarto totaled 4,296 tons. The sales contract for refined sugar from the taxpayer to Mr. Gunarto consisted of 8 contracts with total sales of 4,304 tons. The actual sales are greater than contract sales. The documents provided by the taxpayer during the tax audit stated that Mr. Gunarto's production capacity was 2,520 tons per year. At the trial, the taxpayer provided new evidence that Mr. Gunarto's production capacity had been increased to 8,750 tons per year. This condition explains that the administration of the taxpayer is less tidy, causing an objection and appeal process that uses resources that are not supposed to be.

The dispute over the sale to Mr. Gunarto was the taxpayer's fault which became a blessing for the DGT. Because the taxpayer did not provide complete data on Mr. Gunarto's production capacity of 8,750 tons per year, this led to the tax auditor's initiative to use his professional judgment. This tax audit provided a way for the DGT to test Mr. Gunarto's compliance. Further tax audit of Mr. Gunarto's tax return provided additional tax revenues for the state. In this case, the results of this tax audit are an effective audit (Kasper & Alm, 2022; Rablen, 2014).

CV Mutiara Bintang Callysta. CV Mutiara is registered at Pramata Cilacap Tax Office. Sales to CV Mutiara amounted to 2,448 tons with 1 contract. The reason for DGT correcting this sale was no confirmation answer from the Tax Office where CV Mutiara was registered. The answer from the Tax Office on the second confirmation made by the tax auditor was true the sales of the taxpayer to CV Mutiara and all purchases by CV Mutiara had been reported in the Periodic VAT return for that period, January to December 2016. No further tax audit was carried out on CV Mutiara Bintang Callysta.

Disputes on sales corrections against CV Mutiara can occur due to negligence from the Tax Office where CV Mutiara is registered. There is no information regarding the confirmation request made by the tax examiner, so the tax examiner uses his professional judgment to be careful. Control during the audit process still needs to be improved so that the audit becomes effective and can reduce future disputes.

CONCLUSION

DGT has regulations regarding tax audit management. The application of tax audit planning principles has been made complete, detailed, and well-implemented. The application of the tax audit controlling principle still needs to be improved by increasing the awareness of DGT employees so that they are willing and able to assist in the tax audit process being carried out. Cooperation among units in DGT is needed to support the implementation of tax audits. By using this case studies from the Tax Court Decision, it is known that several things, namely the lack of cooperation among units at the DGT in assisting the tax audit process, need to be controlled at the time of the tax audit process, after the completion of the audit process, and follow-up that occurs after the completion of the audit process. In using professional judgment, probably the tax auditor is not based on existing provisions, but it is better if this professional judgment is used for caution and based on a mutual agreement between the tax auditor and the head of the unit where the audit decision is determined.

In this case, the tax auditor used professional judgment when other Tax Offices did not provide answers to the confirmations. The confirmation answers are obtained after the tax auditor reconfirms during the appeal hearing at the Tax Court. With the implementation of good control for all tax audit processes, then this tax audit can be effective.

When the taxpayer disagrees with the results of the tax audit, the taxpayer may give a different statement during the tax audit process and when seeking justice in Court. In this case, the taxpayer had no opportunity to refute the tax audit findings or corrections. However, DGT stated that the taxpayer had been allowed to provide a rebuttal for the corrections or findings. Therefore, DGT needs to anticipate the emergence of different taxpayer statements in the future.

One example of excellent controlling that needs to be done on follow-up tax audits is when the Tax Office where the buyer registered has followed up on data from the confirmation received from the tax auditor. However, an evaluation needs to be carried out whether this Tax Office audit results have resulted in an effective inspection or not.

IMPLICATIONS AND LIMITATIONS

This study suggests that controlling is increased in the tax audit process, especially if the tax audit process involves assistance from other work units within the DGT. It is recommended that this control be carried out by the work unit where the Tax Audit Assignment Letter is issued. In addition, there needs to be a code of ethics for audit and supporting documentation so that the taxpayer does not give different statements during the process and after the tax audit. The code of ethics can create honesty between the tax auditor and the taxpayer.

This paper uses only one dispute case in the tax court. It could be that in cases of other disputes, whether up to appeal or not by the taxpayer, the resolution is different.

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