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EVALUASI PEMANFAATAN FASILITAS PERPAJAKAN DI MASA PANDEMI COVID-19 (STUDI KASUS PADA PT X)

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EVALUATION OF THE UTILISATION OF TAX FACILITIES DURING THE COVID-19 PANDEMIC (CASE STUDY AT PT X)

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ABSTRACT

This study aims to evaluate the use of tax incentives related to the Covid-19 pandemic and identify the implications of using tax incentives by PT X. Tax management and tax incentives are included in the Regulation of Minister of Finance (RMF) Numbers 23, 44, 86, and 110 of 2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak, which contains Article 22 income tax on imports and Article 25 income tax (monthly tax installments) as a reference for this research. PT X was affected by the Covid-19 pandemic and has benefited from the associated tax incentives. It has used Article 22 import incentives and Article 25 installment discounts and has been able to take advantage of these incentives through its good tax management. Based on the results of observations, documentation, and interviews, it is known that PT X has made a total tax savings of 14.7% of its income tax burden through an exemption of Article 22 income tax on imports and the incentive for a reduction in Article 25 income tax (monthly tax instalments). The tax savings also had an impact in the terms of reducing the amount due in tax refund. PT X's tax refund fell to Rp 1.4 billion from 17.6 billion in the previous year. This had a positive impact in helping the company to preserve cash at a time when it saw a decline in performance relative to the start of the pandemic.

Keywords: Covid-19, Tax incentives, Tax Management.

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1. INTRODUCTION

Tax is a source of state treasury income from the population and is used for development and state needs. Individuals or entities that become taxpayers, tax cutters, and tax collectors are all taxpayers with tax rights and obligations under the applicable regulations. Extensive research has been conducted worldwide on rights in the form of tax incentives. These may typically be granted to stimulate research and development into cleaner products (Song et al., 2020) and to make an area attractive to invest in (Zhang et al., 2018). Previous research by Lodewyk & Siahaan (2020) showed that the government provided tax incentives to reduce the economic impact of the Covid-19 pandemic. According to Aditya (2021), the provision of tax incentives may help in reducing the domino effect or risk caused by the Covid-19 pandemic.

The Covid-19 pandemic was declared a non-natural national disaster on 13 April 2020 (President of the Republic of Indonesia, 2020). It went on to impacts work systems right across the spectrum, from micro-scale companies to international-scale companies. Work systems were altered in line with regulations from the Indonesian Government that included large-scale social restrictions (LSSR), social distancing, physical distancing, and the Community Activities Restrictions Enforcement (CARE) policy. Additionally, to help return the finances of the business world to stability, the government launched various policy packages, including tax incentives.

The Indonesian Government first issued a tax incentives policy through Regulation of the Minister of Finance of the Republic of Indonesia Number 23/PMK.03/2020. Subsequently, the ongoing Covid-19 pandemic prompted the Minister of Finance of the Republic of Indonesia to extend tax incentives by issuing Regulation of the Minister of Finance of the Republic of Indonesia Number 44/PMK.03/2020 and including the procedures for its implementation in the Circular Letter of the Director-General of Taxes Number SE-29/PJ/2020. Based on the case distribution map per province as shown on the https://Covid19.go.id/peta-sebaran page, it can be seen that a growing number of areas are being affected by the Covid-19 pandemic, which is creating a strong negative impact on the economy. Therefore, to help the community, the government has added taxpayers who receive tax incentives through Regulation of the Minister of Finance of the Republic of Indonesia (RMF) Number 86/PMK.03/2020 and Number 110/PMK.03/2020.

In the context of the ongoing pandemic and the government facilities in the form of tax incentives, which remain available and could even be extended again, researchers are keen to investigate how these facilities are being utilised.

PT X is a company that has been affected by the Covid-19 pandemic. It is engaged in primary and chemical industries via its main activity of cement fabrication. Based on data from the Indonesian Cement Association in Suryahadi & Rahmawati (2020), there was a decline in the use of cement nationally, as shown by sales up to the third quarter. From January to September 2020, domestic cement sales stood at 44.65 million tonnes, down 8.52% from the same period in the previous year, to be exact, stood at 48.80 million tonnes.

Table 1. PT X Financial Ratios in 2016-2021

Year	2016	2017	2018	2019	2020	2021
Current Ratio	452.50%	370.31%	313.73%	328.33%	291.73%	243.98%
Quick Ratio	396.65%	319.47%	266.91%	279.83%	248.47%	195.19%
Debt to Asset Ratio	13%	15%	16%	17%	19%	21%
Debt to Equity Ratio	15%	18%	20%	20%	23%	27%
Inventory Turnover	8.6x	8.2x	8.3x	8.4x	7.8x	6.5x
Fixed Asset Turnover	1x	0.9x	1x	1.1x	0.9x	1.0x
Total Asset Turnover	0.5x	0.5x	0.5x	0.6x	0.5x	0.6x
Net Profit Margin	25%	13%	8%	12%	13%	12%
Return on Equity	15%	8%	5%	8%	8%	9%
Return on Investment	13%	6%	4%	7%	7%	7%

Table 1 shows the financial performance ratios, notably the liquidity and profitability ratios, of PT X, which declined over the period 2015 to 2018. This decreased in performance is partly attributable to the growing capacity of existing cement plants and the threat of new entrants, which was not matched by a corresponding significant increase in consumer demand. Furthermore, while the company's liquidity began to improve slightly in 2019, the emergence of the Covid-19 pandemic in Indonesia in 2020 put new pressure on its financial ratios. As a result, PT X may experience liquidity problems or difficulties in meeting its short-term obligations due to its reduced ability to generate profits. Thus, based on the facts above, it is necessary to evaluate PT X's use of tax incentives.

This study was conducted to evaluate the utilisation of tax facilities from the point of view of the beneficiary. Therefore, PT X is an appropriate subject against which to examine the use of pandemic-related tax incentives. Given that it has been affected by the pandemic and is also a taxpayer eligible to benefit from tax incentives in the form of exemptions from Article 22 income tax on imports and Article 25 discount on income tax, which can be seen by referring to the attachment of RMF Number 23/PMK.03/2020, PT X has the business field classification code of 23941 for the cement industry and is thus included in a business sector that can take advantage of the tax incentives.

The principal question of this research concerns how PT X has used the tax incentives and the implications of this for the company's exemption from Article 22 income tax on imports and the withholding of Article 25 income tax installments. The researcher also notes the limitations of the research problem in that it is only analyses the incentives for exemption from Article 22 income tax on imports and the provison of a discount on Article 25 income tax installments in the context of the Covid-19 pandemic. Furthermore, the period analysed covers only the January to December 2020 tax period.

This research is expected to provide information for academics about PT X's use of tax incentives related to the Covid-19 pandemic. It can also serve as an evaluation for the tax department and management at PT X as business actors in utilizing these tax incentives. Finally, the research can contribute to government policymaking related to future tax incentives.

2. LITERATURE REVIEW

2.1. TAX MANAGEMENT

According to Suandy (2016), *tax management* is defined as correctly meeting tax obligations while also paying the lowest tax amount possible to achieve planned profits and liquidity. Tax management thus aims for the correct and efficient application of tax regulations achieve profit. As an objective, this can be achieved through the tax management function, which consists of tax planning, implementation of tax obligations, and tax control.

Tax planning is the initial stage in tax management and forms the basis of the tax management strategy. The provisions of tax regulations are gathered and researched at this stage, and the conclusion of this type of study propose various tax-saving measures. This is a legal activity since tax savings are made in grey/unregulated areas.

Tax planning must consider local and international activities and to be successful, must include the following stages:

- Analyse the available information
- Formulate a model or plan about possible tax rates
- Evaluate the implementation of the tax plan
- Identify weaknesses and improve tax plans
- Make changes to the tax plan

The next stage after tax planning concerns the implementation of tax obligations, which entails implementing the results of the tax planning. This must comply with the provisions of the applicable tax regulations to align with the tax management goal. Two things must be undertaken to achieve the tax management objectives, namely:

- Understand the provisions of the tax regulations
- Perform bookkeeping in line with the specified requirements

The final stage of tax management is tax control. This aims to ensure that tax obligations are met trhough the appropriate tax planning and meeting of formal and material requirements. The checking of tax payments is an essential part of tax control, with the final tax procedure comprising payment inspection and tax reporting. Tax control in cash flow regulation is a crucial part of the tax savings strategy. For example, it is more profitable to make tax payments at the end of the period compared to paying early, although late payments may attract a penalty risk of 2% of the delay.

Tax incentives are a government policy designed to ease the burden on taxpayers and may include tax exemptions under certain circumstances, types of deductible fees, or reductions in import tariffs. However, not all taxpayers correctly utilise the tax incentives regulated through this regulation by the Minister of Finance. This inability is due more to a lack of information about the related regulations than it is to entities not meeting the requirements. This can be seen as poor tax management by the taxpayer, especially regarding the planning and implementation of tax obligations.

2.2. TYPES OF TAXES THAT RECEIVE INCENTIVES

RMF Number 23/PMK.03/2020 to RMF Number 110/PMK.03/2020, which regulates tax incentives related to the Covid-19 pandemic, stipulate various types of taxes for which incentives apply. These include Article 21 income tax, Final income tax based on Government Regulations (GR) number 23 of 2018, Construction Services Final income tax, Article 22 import income tax, Article 25 income tax, and value-added tax (VAT).

2.3. TAX INCENTIVE REGULATION RELATED TO THE COVID-19 PANDEMIC

Tax incentive policies are regulated through the issuance of Regulations of the Minister of Finance. The Indonesian Government, through RMF Numbers 23/PMK.03/2020, 44/PMK.03/2020, 86/PMK.03/2020 and 110/PMK.03/2020 in 2020, has legal protection in applying these incentives. RMF Number 23/PMK.03/2020 was effective from 23 March 2020 and subsequently amended by RMF Number 44/PMK.03/2020, effective from 27 April 2020. RMF Number 86/PMK.03/2020 was issued in the third quarter of 2020 and entered into force on 16 July 2020. This was later amended by RMF Number 110/PMK.03/2020, which was effective from 14 August 2020 and regulated tax incentives up to 31 December 2020. The summary shown in Table 2 provides further details.

2.3. TAX INCENTIVE

Research by Devereux et al. (2008) and Zhang et al. (2018) showsed that tax incentives or a reduction in tax rates make a country more attractive to investors from abroad. Lestari & Abdillah (2021) conducted the latest research on Covid-19 tax incentives in Indonesia. Their study results show that PT MI took advantage of the incentives granted by Minister of Finance Regulation Number 86/PMK.03/2020 and reported on the realisation of exemption from Article 22 income tax. In another study, Maeda (2020) showed that PT. Backlight Group Indonesia is among the companies to have benefited from Article 21 income tax incentives and MSME incentive facilities. However, companies often do not take advantage of such tax facilities because tax consultants have failed to realy the relevant information and/or there has been a lack of socialisation of the policy.

Table 2. Summary of Regulation of the Minister of Finance and Number of Business Field Classification Codes that Receive Tax Incentives

Minister of Finance Regulation number	Effective date	Number of beneficiary Business Field Classification codes				Other Tax Incentives
		Article 21 Income Tax Incentives	Article 22 Import Income Tax Incentive	Article 25 Income Tax Installment Incentive	Accelerated VAT Refund Incentive	
23/PMK.03/2020	23/03/20	440	102	102	102	
44/PMK.03/2020	27/04/20	1062	431	846	431	MSME Final Income Tax*
86/PMK.03/2020	16/07/20	1189	721	1013	716	
110/PMK.03/2020	14/08/20	1189	721	1013	716	Construction Services Final Income Tax**

* The first time the MSME Final Income Tax Incentive related to the Covid-19 pandemic appeared

** The first time the Construction Services Final Income Tax Incentive related to the Covid-19 pandemic appeared

2.4. PROCEDURES FOR RECEIVING TAX INCENTIVES

A company should first examine the eligibility criteria for taxpayers seeking to reduce their Article 25 income tax instalments or to be classed as exempt from Article 22 income tax on imports. These criteria include, among others, a bonded area or a business field classification code listed in the relevant RMF. The taxpayer must then submit a notification to use Article 25 income tax incentives and provide a letter in support of their application for the exemption from Article 22 income tax on imports.

3. RESEARCH METHODS

This study uses a qualitative research approach. The unit of analysis of this research is PT X and the research subjects are the company's tax staff. The research location is in West Java, and the observation period ran from December 2021 to January 2022.

The study began with participant selection, which was conducted using the purposive sampling method. This method is a non-random sampling method in which the researcher takes data from subjects who have a direct work relationship with the entity being studied in the expectation that this will help in answering the research problems. This was followed by data collection through direct observation, looking at PT X's documents related to the research, and direct interviews with the tax staff of PT X.

The data analysis was conducted by reducing the collected data and grouping it into categories of utilisation and implications for Article 22 income tax on imports or Article 25 income tax (monthly tax instalments). Furthermore, the data were displayed against the stages of tax management criteria, including tax planning, implementation of tax obligations and tax control.

4. ORGANIZATION PROFILE

PT X is a company engaged in the cement industry in Indonesia. The history of PT X began in the 1970s with the establishment of a cement factory in West Java. At the beginning of its operation, the plant had a production capacity of 500,000 tonnes per year. PT X's cement production can reach 24 million tonnes annually because it has several new factories. PT X also has more than five subsidiaries.

PT X is a public company listed on the Indonesia Stock Exchange (IDX). Because it is listed on the IDX, PT X must submit a report and disclose company information. The annual financial report must be accompanied by an accountant's report for the audit and submitted to Bapepam no later than the end of the third month. For limited review, semi-annual financial reports must be submitted at the end of the first month if accompanied by an accountant's report.

PT X, in its business activities, did imports and export. Imports are carried out to meet the needs of unavailable goods or whose quality standards cannot be met domestically. As for exports, PT X is the only producer of certain types of cement so it gains market share in other developing countries such as China, Bangladesh, Australia, the Philippines, and Sri Lanka.

PT X is one of the companies affected by the Covid-19 pandemic. PT X is also a taxpayer who can take advantage of tax incentives related to the Covid-19 pandemic, namely incentives for exemption of Article 22 income tax on imports and Article 25 income tax. PT X is the subject of research because it meets the criteria for using incentives and there is also an urgency that PT X's liquidity was low even though it has utilised tax incentives.

5. RESULT AND DISCUSSION

5.1. RESULT

PT X pays taxes because it is a tax-compliant company. As a manufacturing company, it has many types of taxes imposed on it. First, PT X's employees are subject to Article 21 employee income tax; then, PT X is subject to Article 23 income tax, Article 15 income tax, and Article 4(2) income tax for transacting with vendors. There is also corporate income tax and Article 25 income tax (monthly tax instalments). As it is a specific company, PT X also collects special income tax as part of the mandatory collection.

PT X's taxation is managed by taxation department, which comprises eight Shared Services Centre members and three people specialising in payroll matters. Tax planning which is conducted according to the situation and circumstances of the company. The company examines every new incentive that becomes available to determine whether it meets the eligibility criteria. In addition to tax incentives, PT'X tax staff firstly gather and study the basic regulations before conducting a tax regulation review, the results of which are shared with fellow subsidiary tax teams and utilised by PT X.

While the firm undertakes its tax planning by considering its situation and circumstances, according to one member of tax staff at PT X, incentives are generally given to encourage employees and the company. However, a tax incentive is compensation from the government for companies affected by the Covid-19 pandemic. Prior to utilising the pandemic-related tax incentives, PT X used other tax incentives, namely the tax amnesty. Table 3 contains evidence where incentives were applied at PT X.

Table 3. Tax Management at PT X

Tax Management	**Implemented**	**Evidence**
Tax Planning		
Analyze available information	Yes	'...every time there are incentives, regulations from the government that appear related to incentives, we try to study them...'
Formulate a model or plan about possible tax rates	Yes	A letter was addressed to the KPP regarding instalment amounts under Article 25 income tax (monthly tax instalments)
Evaluate the implementation of the tax plan	Yes	There is a meeting agenda every month
Identify weaknesses and improving tax plans	Yes	There is a briefing every week, namely on Monday.

Make changes to the tax plan	Yes	‘...so, in our own department, there is someone who is in charge of sharing, studying the new regulations and we share it with our own tax team and later will be used by the company.’
Implementation of Tax Obligations		
Understand the provisions of tax regulations	Yes	The existence of tax training after the emergence of new regulations.
Perform bookkeeping that in line with the requirements	Yes	Bookkeeping was carried out by PT X; participation in tax contributions was appreciated by the Supervision and Consultation Section II staff of KPP Large Taxpayer Two.
Tax Control		
Tax payment check	Yes	A folder containing a hard copy of proof of tax payment and SPT on behalf of PT X and its subsidiaries.
Tax reporting	Yes	There is a set date every month for depositing and reporting taxes.

Table 3 outlines the tax management activities carried out by PT X. It can be seen that there are no problems corncerning tax planning, the implementation of tax obligations, and tax control by PT X. The interviews demonstrate the smooth running of tax incentives related to the Covid-19 pandemic; indeed. PT X already had a Standard Operating Procedure (SOP) in place before it took advantage of these incentives, as shown by the following quote:

‘The company always supports programs from the government. Every time there is an incentive, the company will study whether we are a taxpayer who can take advantage of it or not. The basic regulations in addition to tax incentives are also collected and studied in advance by us. Then a review of the regulations is carried out, sharing, re-studying, and sharing the results of the study to fellow tax teams of subsidiaries and used by the company.’ – PT X’s Tax Staff 1

In contrast to the results obtained by Maeda (2020), where companies were found to lack information on tax incentives related to the Covid-19 pandemic, meaning they were unable to take advantage of these incentives, PT X was able to harness them. PT X's tax staff could also explain in detail the procedures to carry out before taking advantage of these incentives.

‘Especially for tax incentives related to the Covid-19 pandemic, the company immediately learns about it as soon as the relevant regulations are issued. From there, the company saw that it could take advantage of some of these incentives. Then a comparison is made if you use it or not and it is submitted to top management. When management approves it, we immediately put in place a mechanism to be able to take advantage of these incentives. The mechanism to be able to take advantage of tax incentives related to Covid-19 is done by looking at the requirements in the regulations.

Because it is not a bonded zone, see the attachment to the business field classification code. The business field classification code of PT X is included in an industry that gets incentives, so PT X follows the necessary conditions such as submitting by mail or applying to the DJP online. PT X chose to use the online route through DJP Online. On that page, there is a special page related to taking advantage of these incentives and submitting applications.' – PT X's Tax Staff 1

Table 4. Incentives Applied by PT X

Incentive	Used	Not used	Justification
Article 21	√	-	Matches with the Code of Classification of Business Fields*
Final income tax	-	√	Not an MSME
Construction service income tax	-	√	Not P3-TGAI Construction Services
Article 22 imports	√	-	Matches with the Code of Classification of Business Fields
Article 25 instalments	√	-	Matches with the Code of Classification of Business Fields
Value added tax	-	√	Exceeded the tax refund limit

*Not included in the scope of the problems discussed because the company was not a direct beneficiary

Table 4 show that took advantage of the income tax incentives of Article 21, Article 22 on imports and Article 25. PT X took advantage of the incentive for exemption from Article 22 income tax on imports, starting on 8 April 2020. This can be seen from the initial date of the notification of import of goods document recorded on the list of incentives for Article 22 income tax on imports for 2020. The notification of imports of goods number recorded on that date attached to the document belonging to PT X contains the number XXXXXX-XXXXXX-20200313-005133 and XXXXXX-XXXXXX-20200327-005147 with import values of Rp 2,824,099,131 and Rp 2,983,152,361, respectively. Table 5 contains a monthly breakdown of the import values and the amounts that are exempted from Article 22 income tax on imports.

Article 22 income is imposed on government-owned and private business entities that engage in export and import activities. PT X is subject to Article 22 income tax as it performs some of these activities, including imports. However, based on the interview results, PT X has had problems concerning the late submission for processing of notification of imports of goods documents.

Table 5. Import Value and Exempted Article 22 Income Tax on Imports for the 2020 Tax Year

Number	Month	Import value (Rp)	Amounts exempt from Article 22 income tax on imports (Rp)
1	April – June	170,381,565,887	4,417,951,000
2	July	55,721,281,892	1,462,729,000
3	August	31,357,133,887	813,661,000
4	September	73,626,295,216	1,894,010,000
5	October	50,169,810,868	1,286,410,000
6	November	97,662,017,230	2,543,356,000
7	December	68,560,583,218	1,766,665,000
8	Addition	21,016,049,207	535,144,000
Total		568,494,737,405	14,719,926,000

‘Imports are carried out by companies to meet the needs of goods that are not available domestically. Import activities are carried out starting from the purchasing department by searching for goods to purchase. Sometimes there are documents related to Income tax Article 22 imports that must be completed by the purchasing department, namely notification of imports of goods. The notification of imports of goods document is then sent to the treasury for payment. The taxation department was the last department to receive the original documents. Sometimes there are documents that are tucked away because they are used by many parties.’ – PT X’s Tax Staff 2

Outside PT X, there have also been problems with the excessive length of the process up to the issuance of notification of imports of goods documents. Documents are received at the customs and excise office and mandatory content checks, customs processes, receipts, and billing responses are then carried out. Some elements of the mandatory content checks and customs processes may be repeated if certain conditions have not been satisfied. Counterparties to the transactions are also located abroad, which creates problems with the communication of document requests. This is the first obstacle that must be resolved within PT X.

When PT X prepared its realisation report, the Article 22 income tax on imports documents were recapitulated. As a result, several documents from July to November 2020 were discovered at the end of the year. Thus, certain imports were omitted from the report on the realisation of Article 22 income tax on imports incentives. As such, Article 22 income tax on imports was not refunded to PT X, amounting to Rp 535,144,000 from 15 notifications of imports of goods documents. The late arrival of documents to be reported has thus been an obstacle for PT X in utilising the tax incentive for exemption from Article 22 income tax on imports. Such delays have occurred due to the counterparties being located abroad, thus rendering communication more challenging.

The recap of the Article 22 income tax import documents juxtaposes the notification of imports of goods data reported on the realisation report. It turned out that seven documents had already been reported, meaning only eight had to be reported in the realisation report at the end of the 2020 tax period. The total value of the additional imports reported was Rp 187,592,000, thus leaving Rp 347,552,000 for the December 2020 realisation report. Nevertheless, PT X was still able to take full advantage of the Article 22 income tax incentives for imports.

PT X was unable to take advantage of the Article 25 income tax instalment cuts in the first quarter of 2020 as neither the Covid-19 pandemic nor the tax incentive policy was in place at that time. The Article 25 Income tax instalment discount was however applicable in April and PT X received a 30% reduction, or Rp 1,610,292,363 per month, for the April-June 2020 tax period. The firm then received an overpayment in the third quarter so was unable to take advantage of this incentive. During the tax period October – December 2020, PT X took advantage of the new discount rate of 50% or Rp 10,325,960,841 per month. Appendices 1 to 4 contain further details and a complete breakdown of the relevant figures.

5.2. DISCUSSION

The problem with PT X's use of tax incentives have concerned the lengthy administrative process and the delayed arrival at the tax department of its notification of imports of goods. Import of goods declaration documents must pass through many other departments before they arrive at the tax department, including purchasing and treasury departments. After taking advantage of the incentives, the firm faces the obstacle of tax audits.

Based on the analysis of observations and documentation, prior to seeking a Covid-19-related tax incentive, there is evidence that PT X was required to write a letter regarding the amount of Article 25 income tax it owed for three months of a tax period. The letter helped to calculate the amount of Article 25 income that PT X owed.

PT X saved Rp 14.7 billion through the incentive for exemption from Article 22 income tax on imports, equivalent to 4.3% of the income tax burden in 2020. Meanwhile, it realised savings of Rp 35.8 billion through the incentive on Article 25 income tax (monthly tax instalments) which was eqivalent to 10.4% ot its annual income tax. The firm thus saved a total of Rp 50.5 billion from the two exemptions over the year. This was equivalent to a saving of 14.7% of the income tax burden paid in 2020.

It can thus be seen that PT X's tax management and the use of tax incentives provided by the government are running well. There is no problem when PT X uses such tax incentives, especially for exemption from Article 22 income tax on imports and the reduction in Article 25 income tax (monthly tax) instalments. However, while the firm has demonstrated it can use both incentives appropriately, its declining financial ratios are a cause for concern, especially on the liquidity side. It is therefore possible that the incentive were not ideal as a) they only delayed, not removed, PT X's obligation to pay taxes, b) the length of the tax incentive for PT X was not observed, or c) the incentive failed to have a significant impact due to the healthy condition of the firm before the Covid-19 pandemic. Zhang et al. (2018) reported that tax incentives are less significant when one of the requirements for the cash flow of small companies or large companies is not met.

PT X's financial statements for 2020 contain a tax refund of only IDR 1.4 billion. This was significantly lower than the 2019 amount of IDR 17.6 billion. This indicates that as a taxpayer, the firm was paying more tax than it should have been. The lower the tax refund for taxpayer, the more efficient or significant the cash used by the company for its primary activities.

6. Conclusion and Recommendation

6.1. Conclusions

This study has examined the use of tax incentives at PT X and their implications. The firm was successfull in its use of tax incentives aimed at reducing the impact of the Covid-19 pandemic. It directly benefited from incentives in the form of an exemption from Article 22 income tax on imports and a reduction in Article 25 income tax (monthly tax instalments). These incentives were set out in four Minister of Finance Regulations, namely RMF Numbes 23/PMK.03/2020, 44/PMK.03/2020, 86/PMK.03/2020 and 110/PMK.03/2020. PT X was able to make good use of the tax incentives as it already has good tax management in place.

Nevertheless, PT X experienced various obstacles in its use of the two incentives. It encountered constraints in the administrative process, which required more effort than before, technical problems, albeit with no material losses, and growing indications of inspections following the realisation of tax incentives. However, PT X was fairly well prepared in terms of its evidence data, thus rendering a determination of tax underpayments unlikely in the event that the firm was examined.

PT X's exemption from Article 22 income tax on imports led to a savings of Rp14,184,782,000, while the reduction in Article 25 income tax (monthly tax instalments) led to retained cash of Rp 1,610,292,374 per month for the April–June 2020 tax period and Rp 10,325,960,863 per month for the October–December 2020 tax period. For comparison, the savings from these two incentives equated to 4.3% and 10.4% of the income tax burden of PT X. PT X must pay that portion, if they do not take advantage of the tax facilities related to the Covid-19 pandemic. Nevertheless, in the end of the year, the payment of Article 22 income tax on imports and Article 25 income tax (monthly tax instalments) can become a tax credit on Annual Corporate Income Tax. PT X's tax refunds fell from Rp 17.6 billion to only Rp 1.4 billion, thus proving that it only relises a faster time value of money or liquidity.

6.1. Suggestions

PT X could mitigate the risks from the existing constraints by evaluating its administrative process related to the use of tax incentives. While some of the problems in the administration are immaterial, PT X could nevertheless create a system, especially for notification of imports of goods documents containing Article 22 income tax on imports, so that they are not late in entering the database. PT X could also ensure that documents are archived completely before being checked so that the inspection process runs smoothly.

This study has highlighted various issues for future research. Firstly since it focused on the company that was the subject of the research, there was no scope for examining the use of incentives for company employees. Further research is thus needed on the provision of incentives for Article 21 employee income tax to be borne by the government. This income tax is given to company employees as salary. However, there was a problem regarding the employees taxpayer identificition numer.

As an extension of the Ministry of Finance, the Directorate General of Taxes should cooperate in disseminating regulations or policies before a policy is ratified. This would increase the number of taxpayers who were aware of and would thus take advantage of the tax incentives and would help to reduce the inappropriateness of the incentives provided.

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APPENDIX

Appendix 1. Calculation of Article 25 income tax instalments for the period January to March 2020

	PT X's profit and loss for the period January-December 2019		Rp.
1	Net income		14,650,632,103,226
2	Cost of goods sold		9,407,450,724,289
	Gross profit		5,243,181,378,937
3	Operating expenses		
	3.1.	Transportation and sales	2,789,226,187,824
	3.2.	General and administration	586,564,795,326
	Operating profit		1,867,390,395,787
4	Other income/(expenses)		
	4.1.	Interest income	287,130,359,262
	4.2.	Profit/(Loss) on exchange - net	(6,289,039,744)
	4.3.	Interest expense and other financial expenses	(575,490,259)
	4.4.	Others are clean	130,256,036,024
	Total Income/(Expenses) Others		410,521,865,283
5	Share of the net income of associates - net		12,487,949,434
6	Profit before Corporate Income Tax		2,290,400,210,504
7	Temporary difference		
	7.1.	Decreasing asset, including leased assets	(496,655,178,041)
	7.2.	Provision for bonus and holiday allowance	-
	7.3.	Provision for employee benefits - net	(56,852,000,000)
	7.4.	Provision for post-employment medical benefits - net	-
	7.5.	Payment of finance lease debt	-

	7.6.	Finance charges and foreign exchange gain (loss) related to leasing transactions - net	-
	7.7.	Provision (payment) for ex-mining land restoration expenses - net	370,309,419
	7.8.	Write-off of allowance for doubtful accounts and obsolete inventory - net	(9,665,264,875)
	Total temporary difference		(562,802,133,497)
8	Permanent difference		
		Non-deductible expenses:	
	8.1.	Employee enjoyment	59,613,773,585
	8.2.	Public relations	3,584,231,406
	8.3.	Donations	2,161,785,771
	8.4.	Etc.	2,384,647,154
		Tax penalties	16,193,760
	8.5.	Income whose tax is final	(287,017,354,724)
	8.6.	Share of the net income of associates - net	(12,487,949,434)
	Total permanent difference		(231,744,672,482)
9	Estimated Net Income		1,495,853,404,525
10	minus:		
	10.1.	Income subject to income tax is final and is not an object of regular income tax	(733,268,737,319)
	10.2.	Profit on foreign exchange	6,289,039,744
	Total Income subject to income tax is final and not an object of regular income tax		(726,979,697,575)
11	Taxable Income		768,873,706,950
12	Taxable Income for the period of Jan-Dec 2019 - Instalment Calculation Basis		768,873,706,950
13	Corporate Income Tax payable (Taxable Income x 20%)		153,774,741,390
14	Tax Credit - (Jan - Dec 2019)		
	14.1.	Income Tax Article 22	30,436,335,313
	14.2.	Income Tax Article 23	487,168,379
	14.3.	Income Tax Article 24	483,560
	14.4.	Income Tax Article 25	74,884,153,081
	Total Tax Credit		105,808,140,333
15	Corporate Income Tax payable as the basis for calculating the instalments of Article 25 Income Tax (for 3 Tax Periods)		47,966,601,057
16	Article 25 Income Tax Instalment		15,988,867,019

Appendix 2. Calculation of Article 25 income tax instalments for the period April to June 2020

	PT X's profit and loss for the period January-March 2020		Rp
1	Net income		3,132,283,559,343
2	Cost of goods sold		1,999,214,496,758
	Gross profit		1,133,069,062,585
3	Operating expenses		
	3.1.	Transportation and sales	589,958,960,333
	3.2.	General and administration	96,501,166,087
	Operating profit		446,608,936,165
4	Other income/(expenses)		
	4.1.	Interest income	74,870,005,629
	4.2.	Profit/(Loss) on exchange - net	69,831,667,367
	4.3.	Interest expense and other financial expenses	(236,492,296)
	4.4.	Others are clean	9,735,544,991
	Total Income/(Expenses) Others		154,200,725,691
5	Share of the net income of associates - net		-
6	Profit before Corporate Income Tax		600,809,661,856

7	Temporary difference		
	7.1.	Decreasing asset, including leased assets	(61,288,111,302)
	7.2.	Provision for Bonus and holiday allowance	-
	7.3.	Provision for employee benefits - net	416,728,713
	7.4.	Provision for post-employment medical benefits - net	-
	7.5.	Payment of finance lease debt	-
	7.6.	Finance charges and foreign exchange gain (loss) related to leasing transactions - net	-
	7.7.	Provision (payment) for ex-mining land restoration expenses - net	(1,246,262,310)
	7.8.	Write-off of allowance for doubtful accounts and obsolete inventory - net	(5,989,843,644)
	Total temporary difference		(68,107,488,543)
8	Permanent difference		
		Non-deductible expenses:	
	8.1.	Employee enjoyment	9,424,291,638
	8.2.	Public relations	411,148,597
	8.3.	Donations	503,546,729
	8.4.	Etc.	466,460,617
		Tax penalties	40,638,400
	8.5.	Income whose tax is final	(93,562,813,380)
	8.6.	Share of the net income of associates - net	(3,188,911,211)
	Total permanent difference		(85,905,638,610)
9	Estimated Net Income		446,796,534,703
10	minus:		
	10.1.	Income subject to income tax is final and is not an object of regular income tax	(79,081,741,097)
	10.2.	Profit on foreign exchange	-
	Total Income subject to income tax is final and not an object of regular income tax		(79,081,741,097)
11	Taxable income		367,714,793,606
12	Taxable Income for the period of Jan-Dec 2019 - Instalment Calculation Basis		367,714,793,606
13	Corporate Income Tax payable (Taxable Income x 20%)		69,865,810,785
14	Tax Credit - (Jan - Dec 2019)		
	14.1.	Income Tax Article 22	5,495,328,376
	14.2.	Income Tax Article 23	300,957,798
	14.3.	Income Tax Article 24	-
	14.4.	Income Tax Article 25	47,966,600,868
	Total Tax Credit		53,762,887,042
15	Corporate Income Tax payable as the basis for calculating the instalments of Article 25 Income Tax (for 3 Tax Periods)		16,102,923,743
16	Article 25 Income Tax Instalment - Before Article 25 Income Tax Incentives according to RMF No. 44/PMK.03/2020		5,367,641,248
17	Reduction in the amount of Article 25 Income Tax instalments (30%)		1,610,292,374
18	Article 25 Income Tax Instalment - After Article 25 Income Tax Incentives according to RMF No. 44/PMK.03/2020		3,757,348,873

Appendix 4. Calculation of Article 25 income tax instalments for the period July to September 2020

	PT X's profit and loss for the period January-June 2020	Rp
1	Net income	5,797,384,416,754
2	Cost of goods sold	3,902,980,958,044
	Gross profit	1,894,403,458,710
3	Operating expenses	

	3.1.	Transportation and sales	1,113,580,657,409
	3.2.	General and administration	298,424,291,815
	Operating profit		482,398,509,486
4	Other income/(expenses)		
	4.1.	Interest income	144,447,151,264
	4.2.	Profit/(Loss) on exchange - net	10,440,882,302
	4.3.	Interest expense and other financial expenses	(338,202,540)
	4.4.	Others are clean	(88,929,919,439)
	Total Income/(Expenses) Others		65,619,911,587
5	Share of the net income of associates - net		5,987,949,329
6	Profit before Corporate Income Tax		554,006,370,402
7	Temporary difference		
	7.1.	Decreasing asset, including leased assets	(177,571,976,614)
	7.2.	Provision for Bonus and holiday allowance	(123,532,583,815)
	7.3.	Provision for employee benefits - net	1,053,900,456
	7.4.	Provision for post-employment medical benefits - net	-
	7.5.	Payment of finance lease debt	-
	7.6.	Finance charges and foreign exchange gain (loss) related to leasing transactions - net	-
	7.7.	Provision (payment) for ex-mining land restoration expenses - net	(1,977,544,061)
	7.8.	Write-off of allowance for doubtful accounts and obsolete inventory - net	(6,301,597,294)
	Total temporary difference		
8	Permanent difference		
		Non-deductible expenses:	
	8.1.	Employee enjoyment	25,659,265,995
	8.2.	Public relations	855,694,686
	8.3.	Donations	987,136,104
	8.4.	Etc.	778,608,416
		Tax penalties	92,357,160
	8.5.	Income whose tax is final	(144,409,171,970)
	8.6.	Share of the net income of associates - net	(5,987,949,329)
	8.7.	Fixed Asset Impairment Fee	73,539,373,652
	Total fixed difference		(48,484,685,286)
9	Estimated Net Income		197,191,883,788
10	minus:		
	10.1.	Income subject to Income tax is final and is not an object of regular income tax	(13,174,345,833)
	10.2.	Profit on foreign exchange	(10,440,882,302)
	Total Income subject to Income tax is final and not an object of regular income tax		(23,615,228,135)
11	Taxable income		173,576,655,653
12	Taxable Income for the period of Jan-Jun 2020 - Basic Instalment Calculation		173,576,655,653
13	Corporate Income Tax payable (Taxable Income x 19%)		32,979,564,574
14	Tax Credit - (Jan - Jun 2020)		
	14.1.	Income Tax Article 22	6,984,389,610
	14.2.	Income Tax Article 23	596,744,000
	14.3.	Income Tax Article 24	-
	14.4.	Income Tax Article 25	59,238,647,409
	Total Tax Credit		66,819,781,019
15	Corporate Income Tax payable as the basis for calculating the instalments of Income tax Article 25 (overpaid) (for 3 Tax Periods)		(33,840,216,445)
16	Article 25 Income Tax Instalment		-

Appendix 2. Calculation of Article 25 income tax instalments for the period October to December 2020

	PT X's profit and loss for the period January-September 2020		Rp
1	Net income		9,542,112,706,801
2	Cost of goods sold		6,079,803,342,136
	Gross profit		3,462,309,364,665
3	Operating expenses		
	3.1.	Transportation and sales	1,762,020,532,716
	3.2.	General and administration	399,502,650,308
	Operating profit		1,300,786,181,641
4	Other income/(expenses)		
	4.1.	Interest income	207,991,340,421
	4.2.	Profit/(Loss) on exchange - net	22,030,127,967
	4.3.	Interest expense and other financial expenses	(431,560,823)
	4.4.	Others are clean	(214,510,975,415)
	Total Income/(Expenses) Others		15,078,932,150
5	Share of the net income of associates - net		8,123,603,307
6	Profit before Corporate Income Tax		1,323,988,717,098
7	Temporary difference		
	7.1.	Decreasing asset, including leased assets	(239,362,868,495)
	7.2.	Provision for Bonus and holiday allowance	(55,663,375,722)
	7.3.	Provision for employee benefits - net	(3,938,906,840)
	7.4.	Provision for post-employment medical benefits - net	-
	7.5.	Payment of finance lease debt	-
	7.6.	Finance charges and foreign exchange gain (loss) related to leasing transactions - net	-
	7.7.	Provision (payment) for ex-mining land restoration expenses - net	(2,532,857,068)
	7.8.	Write-off of allowance for doubtful accounts and obsolete inventory - net	(7,398,515,434)
	Total temporary difference		(308,896,523,559)
8	Permanent difference		
		Non-deductible expenses:	
	8.1.	Employee enjoyment	31,978,636,904
	8.2.	Public relations	2,039,774,681
	8.3.	Donations	1,848,835,002
	8.4.	Etc.	688,010,799
		Tax penalties	-
	8.5.	Income whose tax is final	(207,936,747,081)
	8.6.	Share of the net income of associates - net	(8,123,603,307)
	8.7.	Fixed Asset Impairment Fee	73,539,373,651
	Total fixed difference		(105,965,719,351)
9	Estimated Net Income		909,126,474,188
10	minus:		
	10.1.	Income subject to Income tax is final and is not an object of regular income tax	(209,205,193,521)
	10.2.	Profit on foreign exchange	(22,030,127,967)
	Total Income subject to Income tax is final and not an object of regular income tax		(231,235,321,488)
11	Taxable income		677,891,152,700
12	Taxable Income for the period of Jan-Jun 2020 - Basic Instalment Calculation		677,891,152,700
13	Corporate Income Tax payable (Taxable Income x 19%)		128,799,319,013
14	Tax Credit - (Jan - Jun 2020)		
	14.1.	Income Tax Article 22	7,008,162,428
	14.2.	Income Tax Article 23	596,744,000
	14.3.	Income Tax Article 24	-

	14.4.	Income Tax Article 25	59,238,647,409
	Total Tax Credit		66,843,553,837
15	Corporate Income Tax payable as the basis for calculating the instalments of Income tax Article 25 (overpaid) (for 3 Tax Periods)		61,955,765,176
16	Article 25 Income Tax Instalment - Before Article 25 Income Tax Incentives according to RMF No. 110/PMK.03/2020		20,651,921,725
17	Reduction in the amount of Article 25 Income Tax instalments (50%)		10,325,960,863
18	Article 25 Income Tax Instalment - After Article 25 Income Tax Incentives according to RMF No. 110/PMK.03/2020		10,325,960,863