

ANALYSIS OF ASSETS AND LIABILITIES RECOGNITION RELATED TO TAX AMNESTY PROGRAM: COMPARATIVE OF ACCOUNTING AND TAX REGULATIONS

Adang Hendrawan¹, Muthia Khairunnisa Hapsari², and Milla Sepliana Setyowati³

¹Fiscal Administrative Department, Faculty of Administrative Science, Universitas Indonesia, Depok, Indonesia
Email: adang.hendrawan@gmail.com

²Fiscal Administrative Department, Faculty of Administrative Science, Universitas Indonesia, Depok, Indonesia
Email: hapsarimuthia@gmail.com

³Fiscal Administrative Department, Faculty of Administrative Science, Universitas Indonesia, Depok, Indonesia
Email: milla.s.setyowati@gmail.com

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Abstract: *This research analyzed the regulations of additional asset and liability recognition based on tax amnesty program determined in Indonesia's Tax Amnesty Law and Declaration of Financial Accounting Standard (DFAS) No. 70 on Asset and Liabilities Accounting of Tax Amnesty. The analysis referred to argumentation about tax conception of regulator and the financial position of the tax amnesty's asset and liability. This study used qualitative approach to get a clearer understanding about the difference between tax and accounting policy in regulating the tax amnesty's asset and liability recognition along with the impacts. This study showed that the difference between tax and accounting policy was located in choosing the appropriate account under the equity balance. According to the tax regulation, the account stated as Retained Earnings. Meanwhile, the accounting Standard stated the account as Paid in Capital. The difference gave some impacts to taxpayer that was analyzed from psychological cost and certainty principle.*

Keywords: *Tax Amnesty, Recognition, Asset, Liability, Accounting, Psychological Cost, Certainty*

Introduction

It is mentioned in the Law No. 11/2016 on Tax Amnesty, that both corporate and individual taxpayers who have not fulfilled their obligation regarding income tax, value-added tax, and value-added tax on luxury goods are given an amnesty so that those taxpayers will be able to

fulfill their obligation from the very beginning without any administrative sanctions or criminal sanctions. The benefit perceived by taxpayers are no investigation upon their asset and liabilities recognition.

According to the Law of Tax Amnesty Article 3 Paragraph 2, it is mentioned that in order to perceive the benefit of the tax amnesty, then all taxpayers must recognize their assets and liabilities that are not declared yet through income tax return and must also pay ransom with various tariff classification upon additional the assets and liabilities declaration.

Besides providing general guidelines regarding procedure to participate in tax amnesty, it is mentioned in Chapter VII of Law of Tax Amnesty 2016 about the administrative requirements after recognition of additional assets and liabilities into bookkeeping system, mainly for taxpayers who are required to do the bookkeeping. Through the regulation of the government requires the recognition of additional assets and liabilities to be appeared in financial statement as mentioned in the following Article 14 Paragraph 1 Law of Tax Amnesty 2016.

“Taxpayers, who are required to conduct bookkeeping process based on the provision of the Law on General Provisions and Tax Procedures, must record the difference between the value of net assets mentioned in Article 5 Paragraph (3) stated in Declaration Statement and the value of net assets declared by taxpayers in income tax return (Income Tax Return). Moreover, as mentioned in Article 6 Paragraph (1) it is considered as additional retained earnings in balance sheet.”

The article provides the guidance for taxpayers from the government regarding bookkeeping system for taxpayers who are participating in Tax Amnesty, where they are actually required to do bookkeeping. According to article 28 paragraph 7 of Law of General Provisions and Tax Procedures, it is mentioned that bookkeeping system following tax provisions must refer to Financial Accounting Standard (FAS) of Indonesia, except stated otherwise by the law.

Accounting standard constitutes type of transactions that must be recorded, bookkeeping procedure, and statement procedures. Procedures of the accounting standard serves to make sure that decisions regarding accounting are taken accordingly (*unified*) and properly (*reasonable*) (Gresham, 2015).

Belkaoni (1992: 74) argued that accounting standard is a fundamental challenge faced by accountants and all stakeholders. Thus, preparations of format of accounting standards must be conducted accordingly and properly. The accounting standard is prepared and is legalized by legal institutions. From the global scope, there are two examples of legal institution that serve to prepare various standard of financial accounting statements adapted worldwide. Those institutions are Financial Accounting Standard Board (FASB) base in the United States of America and International Financial Report Standard (IFRS) base in London.

In Indonesia, the authority is mandated to Indonesia Accountant Association (IAA). It is mentioned in the website that IAA claims to be responsible in all aspects regarding quality improvement on accountants as well as preparing accounting standard for all non-government entities in Indonesia (Indonesia Accounting Association, 2016).

In regards with tax amnesty, Indonesia Accountant Association (IAA) has legalized the Declaration of Financial Accounting Standard (DFAS) No. 70 on Asset and Liabilities Accounting of Tax Amnesty. The legalization of DFAS is considered as strategic support from IAA towards the policy of tax amnesty. The strategic support is provided in the form of

provisions regarding declaration of tax amnesty's asset and liabilities if those entities declare their asset and liabilities in their financial statements.

Unlike Law of Tax Amnesty, where declaration can be directly done by calculating the difference between tax amnesty's assets and liabilities on retained earnings, DFAS No. 70 provides two options to taxpayers to declare their assets and liabilities in tax amnesty:

1. According to the current FAS, which applies DFAS 25 considered as material errors, it provides an option of retrospective statement or restatement of the previous financial statement.
2. Taxpayers measures their assets and liabilities as much as cost of asset acquisition in tax amnesty, and also declares difference in tax amnesty's assets and liabilities as part of additional paid-in capital in equity.

Even though the second option seems similar with the provision mentioned in Law of Tax Amnesty, which is declaration of the difference in tax amnesty's assets and liabilities on equity, it is conceptually different between retained earnings and paid-in capital/contributed capital.

Based on the description on the background above, researchers focused on a number of issues which will be discussed as follows:

1. What is the difference in the regulation of the provisions on the recognition of assets and tax amnesty obligations in the 2016 Tax Amnesty Law and in PSAK 70?
2. How are the consequences of the differences viewed from the psychological cost and certainty principle in the principle of good tax policy?

Based on the problems described above, the objectives to be achieved in this study are:

1. To analyze differences in the regulation of asset recognition and tax amnesty obligations set by the government in the 2016 Tax Amnesty Law and by IAI under PSAK 70.
2. To analyze the impact of these differences in terms of psychological costs and certainty principles in the principle of good tax policy.

This study is limited to the regulation of the provisions of recognition of assets and liabilities of tax amnesty in article 14 of the Tax Amnesty Law and PSAK 70. In addition, researchers limit the study of the impact on taxpayers on the cost of taxation theory in concept of psychological cost and one of principles good tax policy in the form of legal certainty.

Literature Review

In this research, there are several concepts that serve to form a framework of thinking. The concept used in this research is assets and liabilities recognition, equity, other comprehensive income (OCI), and compliance cost. In regards with tax amnesty, İpek, Öksüz, dan Özkaya defined tax amnesty as a step where government allows its rights of billing arrears of tax receivables that exceeds due date and sanctions due to such payment delays. The policy is addressed to accelerate revenue for the government (İpek, Öksüz, dan Özkaya, 2012).

a. Recognition of assets and liabilities

In regards with the policy of tax amnesty, which requires assets and liabilities declaration that have not been declared yet, taxpayers required to do bookkeeping must also declare their tax amnesty's assets and liabilities. Thus, the research employs the concept of recognition of assets and liabilities. Belkaoui (1992: 205) expressed that there are number of criteria to perform recognition, which are definition, measurability, relevance, and

reliability. An asset must be recognised if it meets the definition of basic framework formulated by the International Accounting Standard Board (IASB), which is when the assets potentially generate profit for a company in the future (future benefit) and when the cost of acquisition can be reliably measured.

b. Equity

Besides that, it is also used the concept of equity to explain the difference in accounts of equity, especially retained earnings and paid-in capital. Capital accounting of shareholders refer to recognition, measurement, presentation, and disclosure of capital on a financial statement of a company (Bellandi, 2012).

Equity according to Harahap (2011: 213) is a right that remains over the assets of an institution (entity) after being reduced by its obligations. In conducting business and in order to increase business, a person usually requires equity which can be obtained in various ways such as investor participation through the purchase of shares issued by the company. Equity deposits can be in the form of money, new assets, or labor. However, in terms of the legal form of the company in the form of a Limited Liability Company (PT), the equity deposit is certainly a share (Waluyo, 2014, p. 202).

c. Other Comprehensive Income

In state-owned enterprises, there are two types of capital based on the respective sources which are (1) paid-in capital or contributed capital and (2) retained earnings (Warren, Reeve, and Duchac, 2009 p.578). FASB Statement No. 130 as quoted by Bellandi (2012) defines comprehensive income as an overall change that occurs on the side of equity both from owner and non-owner activities (Bellandi, 2012: 242).

Based on this, other comprehensive income is part of the equity component. Included in comprehensive income are net income and other transactions other than the owner which affect shareholders' capital but are excluded from the calculation of net income. Some companies use the term "accumulated nonowner changes in equity" to indicate other comprehensive income.

Comprehensive reporting of income will increase the consistency of company information and will result in more efficient use of financial statement information. However, some companies often incorporate items with other comprehensive income characteristics into retained earnings or paid-up capital without information on notes to financial statements. Unification is assessed by Smith and Reither (1996) will cause difficulties, especially for users of financial statements in sorting information used to analyze company performance (Smith & Reither, 1996). The concept of OCI is used to analyse alternatives of account in determining best possible place to do transaction within the framework of tax amnesty in Indonesia recently.

d. Cost of taxation

Normative taxation theory has emphasized that a taxation system must be balanced between equity, efficiency, and simplicity. Most scientific writings have focused their focus on justice and efficiency; put aside the focus on the ease of the taxation tax system. The result

of this lack of focus on convenience is the development of taxation systems with increasing complexity (Sandford, Godwin, & Hardwick, 1989, p. 293).

The purpose of convenience has become a concern among policy makers and researchers. The reason is because the resource costs of collecting taxes are quite large, possibly as large as the cost of efficiency which has been a concern for policy makers. According to Standford et al. (1989), the cost of collecting taxes consists of administrative costs issued by the government and compliance costs issued by taxpayers. These costs are incurred by taxpayers in an effort to seek obligations or lower tax debt.

Administrative costs are costs borne by the tax authority related to tax collection and other obligations to taxpayers (Juddoo, 2014). Taxation systems require administration to control tax assessments and collections (Yitzhaki, 1979). Compliance cost components are costs or expenses that can be measured by money value (tangible) or that cannot be measured by the value of money (intangible), which must be paid / borne by the Taxpayer relating to the process of implementing obligations and rights. taxation rights. The Compliance Cost consists of three elements which include:

1) Fiscal Cost

Costs or expenses that can be measured by the value of money that must be paid / borne by the Taxpayer are related to the process of implementing tax obligations and rights.

2) Time Cost

Costs in the form of time needed to carry out tax obligations and rights.

3) Psychological Cost

Psychological costs include stress and / or unrest, anxiety, anxiety, uncertainty that occurs in the process of implementing tax obligations and rights.

The other concept is compliance cost, which is used to analyse the impact of the two provisions of recognition on taxpayers. In regards with the cost of taxation, this research is limited to psychological cost. Meanwhile in regards with tax policy, this research is limited to legal certainty as one of principles of excellent tax policy based on AICPA.

Research Method

This research employs qualitative-based approach to obtain deep understanding about provisions of tax amnesty's assets and liabilities recognition based on tax and accounting provisions along with the impact on taxpayers. In terms of the objective, this research is classified into descriptive research with original contribution.

Within the scope of qualitative research, informants have an important role to provide detailed and in-depth information in the implementation of field studies. Field studies are conducted to find data that supports the object of discussion by collecting data through relevant parties. This was done through in-depth interviews with informants who mastered accounting and taxation.

Interviews were conducted with representatives of tax practitioners in the members of the 2016 Tax Amnesty Law drafting team, academics from the Faculty of Economics and Business, University of Indonesia on the grounds that these parties were parties who understood both the accounting and taxation provisions, as well as tax consultants who understood the perspectives of the problems ever tax and taxpayer practitioners are faced with regard to the application of provisions on the recognition of assets and tax amnesty obligations under the Tax Amnesty Law and PSAK 70.

This research has taken place since November 2016 until April 2017. Data collection of the research is conducted through interview with the drafting team member of Law of Tax Amnesty 2016, academicians, and practitioners of tax and accounting. Besides that, documentation study and literature review are also conducted as part of data collection, which are both in the form of hardcopy and softcopy.

Result and Discussions

The analysis starts with discussions on the difference between tax amnesty's assets and liabilities recognition based on tax provision mentioned in Article 14 Paragraph 1 of Law of Tax Amnesty 2016 and tax provision of DFAS 70.

Result and Discussion

Analysis of the Difference of Tax Amnesty's Asset and Liabilities Recognition

1. Treatment of Tax Amnesty's Assets and Liabilities Based on Law of Tax Amnesty

Provision on article 14 paragraph (1) Law of Tax Amnesty 2016 mentions that tax amnesty's assets and liabilities is recorded in retained earnings. The motive of recording it in retained earnings is that there is no account of equity that is relevant to the tax amnesty policy.

Considering the article 14 of Law of Tax Amnesty has clearly stated, through the explaining chapters, that there has been different perspective of the public regarding options of retained earnings.

According to perspective of academicians and practitioners of tax and accounting, the provision of article 14 paragraph 1 is considered in line with DFAS 25. The policy of tax amnesty's assets and liabilities recognition is mainly driven by assets and liabilities that are not recorded in the past financial statement, thus adjustment on retained earnings is necessary to do.

Mechanism of declaration of adjusted retained earnings in bookkeeping system is considered in line with the existing financial accounting standard (FAS), which is DFAS 25 on Tax Policy, Adjustment of Accounting Estimation, and Errors. Provisions on DFAS have required all entities to provide financial restatement upon the past financial statement considered contains errors (unreported assets and liabilities). Even though considered in line with the financial accounting standard (FAS), however provisions in article 14 paragraph 1 does not mention further the financial restatement.

Provision in article 14 paragraph 1 cannot be entirely judged either true (relevant) or false (irrelevant) as adjustment on retained earnings has been actually relevant to the existing financial accounting standard (FAS), which is DFAS 25. Nevertheless, there are some weaknesses, especially in terms of inventory account.

There are problems that frequently occur regarding to inventory declaration in many forums discussing about tax amnesty. The problem of inventory declaration is driven by provision of article 2 paragraph 3 PMK-119 as technical guidelines of Law of Tax Amnesty. The law mentions that additional assets and liabilities, that generate net assets, are treated as new assets and new liabilities for taxpayers at the date of Statement of Tax Amnesty.

The problems occur when declared inventories do no longer have its physical form by the time the Statement of Tax Amnesty is issued. Referring to DFAS 25 on restatement upon the past

financial statement, then inventory declaration should have referred to DFAS 14 on inventory. The inventory has to be declared using realizable cost approach, or in other words it cannot be just restated based on value in the Statement of Tax Amnesty. The same thing applies to other assets where initial recognition of asset, based on DFAS 25, should have referred to other financial accounting standards (FAS) relevant to each type of assets and liabilities.

If it is still used the value stated in Statement of Tax Amnesty, like the above case of inventory, then the concept of criteria of assets and liabilities recognition is irrelevant, especially criteria of reliability, as it does not represent the real condition.

2. Recognition of Tax Amnesty's Assets and Liabilities Based on DFAS 70

After legalizing the Law of Tax Amnesty in 1 July 2016, it took about three months until 14 September 2016 for the Financial Accounting Standard Board to issue Statement of Financial Accounting Standard No. 70 (DFAS 70) on Tax Amnesty's Assets and Liabilities Accounting. There are urgencies for IAA to legalize new financial accounting standard regarding tax amnesty's assets and liabilities. The main urgency is to protect stakeholder's interest. Process of the new financial accounting standard is undertaken as the response towards various problems due to provisions mentioned in article 14 paragraph 1 of Law of Tax Amnesty regarding bookkeeping system of assets and liabilities.

In many forums, the board of financial accounting standard addresses various issues regarding financial statement of entities that participate in tax amnesty. From those issues, the board issued Exposure Draft (ED) DFAS 70 in 18 August 2016 to collect some feedbacks from stakeholders such as firms, regulators, academicians, committee and member of IAA, as well as other related parties. During 18 – 26 August 2016 IAA collected many feedbacks from those stakeholders and further included those feedback for initial design of accounting standard.

Besides that, the board conducted public hearing based the Exposure Draft by inviting stakeholders. Staff analysed the public hearing outcome on other information obtained from the process of accounting standard formulation to be further considered by the boards. After elaborating various feedbacks, the board finally legalized DFAS 70 on the Tax Amnesty's Assets and Liabilities Accounting. As mentioned in DFAS 70, entities are provided two options regarding assets and liabilities recognition.

1. Option 1 (Paragraph 6)

At the moment the Statement of Tax Amnesty is issued, the entities has to provide financial statement with following provisions:

- a. Recognise tax amnesty's assets and liabilities if the recognition is required by financial accounting standard (FAS);
- b. Do not recognise an item as either assets or liabilities if it is not allowed/required the financial accounting standard (FAS); and
- c. Measure, deliver, and recognise tax amnesty's assets and liabilities based on the financial accounting standard (FAS)

Entities apply paragraph 41 – 53 of DFAS 25: Accounting policy, Adjustment on Accounting Estimation, Errors, if prefer option 2 [par.24]

2. Option 2 (Paragraph 7)

During the initial recognition process, an entity will measure tax amnesty's assets and liabilities based on provisions mentioned in paragraph 10 – 23 DFAS 70. The entity applies DFAS 70 prospectively if it chooses option 1. Financial statement prior to effective period of DFAS 70 is not required to be restated.

In option 1 additional tax amnesty's assets is considered as errors so that entity would follow relevant FAS including DFAS 25. DFAS 25 provides technical guidelines for an entity to follow the existing accounting standard by recognising their additional tax amnesty's assets and liabilities based on DFAS 25, thus there would be adjustment on earnings. As the consequences, the impact of the assets and liabilities recognition will be recognised as correction for the previous periods, so that it has to be recognized on earnings and the financial statement has to be restated based on DFAS 25 on the Tax Policy, Adjustment on Accounting Estimation, and Errors mentioned in paragraph 41 – 53.

Nevertheless, not all entities participating in the tax amnesty program can apply DFAS 25. The obstacles will be perceived by entities with least-sufficient information regarding when the assets are acquired. Meanwhile other obstacles are the requirement for entities to provide financial restatement for the error periods as mentioned in DFAS 25, in line with article 14 paragraph 1 Law of Tax Amnesty.

With the above mentioned, obstacles regarding unclear period of assets and liabilities acquisition, it would be uneasy to determine which period the financial statement has to be restated. Besides that, by providing financial restatement, it means the company has confessed the omission of asset in the past time which leads to lower quality of financial statement. Lower quality of financial statement makes it difficult for the entity to apply DFAS 25, thus the board of financial accounting standard took proactive strategy to overcome the obstacles by legalizing special provision of DFAS 70.

When refers to the second option, which is special provision of DFAS 70, then an entity would recognise assets and liabilities as much as total asset declared in the Statement of Tax Amnesty on additional paid-in capital. Based on the provision, the assets and liabilities are considered as new assets and liabilities. Transaction based on this guideline is considered as equity transaction. That way the difference between tax amnesty's assets and liabilities is recognised on equity account as additional paid-in capital and cannot be recognised as either realized profit/loss or earnings.

By applying the special recognition entities do not have to restate their financial statement prior to the effective date. For initial recognition an entity is allowed to declare any values listed in the Statement of Tax Amnesty to be recognised as deemed cost. However, the entity is also allowed to recalculate (optional) their assets and liabilities considering no particular requirement regarding fair value based on the financial accounting standard (FAS) in the Statement of Asset Declaration.

Recalculation would affect the recognition in which there would be no separation of tax amnesty's assets and liabilities from other assets (beyond tax amnesty). Instead without recalculation, tax amnesty's assets and liabilities recognition would be separated from other assets and liabilities recognition. The objective is to anticipate fair value of assets and liabilities that may not be in line with the financial accounting standard (FAS).

The Impact of Recognition Provision on Taxpayers

Earnings are actually change in wealth generated from a business process. For public firms that participate in tax amnesty program, the increase in retained earnings which is not accompanied by any business activities during the period of the increase is considered as public lies.

If it refers to a perspective that tax amnesty's asset is generated business activities that are not recognised, there will be no problems in terms of DFAS 25. However, there are other perspectives expressing if the tax amnesty's assets are recognised as new assets, then DFAS 70 will accommodate the recognition as taxpayers did not refer to the existing financial accounting standard (FAS) in measuring their asset. Taxpayers measured the fair value themselves instead of entrusting it to authorized appraisal. After the initial recognition, the next step refers to paragraph 15 DFAS 70 on measurement after initial recognition which based on the accounting standard (DFAS) of each asset.

Even though there would be option of re-measurement, instead this is what taxpayers are actually going to anticipate. If it is conducted assets re-measurement, it is assumed there will be difference in total assets previously declared in Statement of Assets Declaration. It can be concluded that value of assets previously recognised by taxpayers is not fair value. The difference in assets value will give impact to investigation that may be difficult to do, moreover it will also increase compliance cost of taxpayers in the form of psychological cost. Provisions of bookkeeping system mentioned in article 14 paragraph 1 Law of Tax Amnesty is considered too much (*excessive*) in managing something beyond its authority. 'It would be better if statement in the law ends in sentence "...recognised to equity," without further setting it to retained earnings in specific. The statement of "...must recognise tax amnesty's assets and liabilities to retained earnings" in the article is considered as a must. Instead fundamental aspect of financial statement preparation must refer to financial accounting standard (FAS). It is confirmed in article 66 paragraph 2 and 3 Law No. 40/2007 on Limited Liability Company, which mentions that:

1. Financial statement mentioned in paragraph 1 must at least consider the following provisions:
 - a. Financial statement consists of at least end of year balance sheet recently declared in comparison with the previous financial statement, profit loss statement of the current period, cash flow statement, statement of equity adjustment, and notes of the financial statements.
 - b. Report of the company's business activities
 - c. Report of corporate social and environmental responsibility
 - d. List of problems that occur in one accounting period that affect the company's business activities.
 - e. Report of investigation duty done by commissioners of the companies during the past accounting period
 - f. List of names of Board of Directors and Board of Commissioners
 - g. Salary and allowance for Board of Director and Board of Commissioner during the past accounting period.
2. Financial statement is prepared based on financial accounting standard mentioned in paragraph 2 point a.

As expressed by Belkaoui (1992: 74) and Harahap (2011), financial accounting standard dominates accountant's work and serves as guidelines for any stakeholder in preparing financial

statement provided for public. Accounting is internationally applicable and the Board of Financial Accounting Standard cannot set their own standard as Indonesia has referred to IFRS.

Directorate General of Taxation (DGT) should not have addressed accounting treatment in their regulation as DGT is actually considered incompetent to follow the dynamics of accounting standard. It also happened on assets revaluation where taxpayers had to recorded transaction of difference in asset revaluation in retained earnings. It is considered too much (excessive) to be regulated in the law and it should be anticipated so that taxpayers would not be confused regarding accounting treatment.

It would have been better if accounting standard entirely prepared to the Board of Financial Accounting Standard (DFAS), while Directorate General of Taxation and the government should have focused only on taxation. Excessive standard on a transaction would trigger problems for entities that entirely refer to IFRS.

Colditz and Gibbins (1972) expressed that legal system is one of social factors underlying accounting development. As addressed by Cahyono (2011) legal system that matters for accounting system in Indonesia is Law of Taxation. If the government intends to encourage better practice of self-assessment collection system by taxpayers, then the government is required to provide supports for taxpayers so that they can conduct their own accounting practice. If the government wants to drive better practice of self-assessment system by taxpayers, then the government should drive better accounting practices. That way the government would focus only on serving as investigator to make sure assets valuation is in line with provisions mentioned the law.

It is impossible that an entity provides two different financial statements. The basis of financial statement is financial accounting standard (FAS) instead of law. Even though there are number of regulations regarding accounting treatment for those breaking the standard (FAS), it is certain that the regulations would be ignored and would refer back to accounting standard (FAS). However, if the entity wants to prepare financial statement for taxation purpose, it is enough just to declare it in the attachment of tax return that the entity refers to the existing financial accounting standard (FAS).

According to accounting policy, tax amnesty's assets and liabilities recognition will be done only if it is required by the financial accounting standard (FAS). An entity is allowed not to recognise an item of assets and liabilities if FAS does not allow valuation on the item, for instance due to size of materiality. In order to mediate the difference, then entity frequently used term "immaterial" in FAS to disregard the requirement of recognising additional tax amnesty's assets and liabilities. The size of materiality refers to each entity, mentioned in operation standard from the respective entities or refers to Financial Service Authority (FSA) i.e. percentage of equity and sales, etc. It is addressed to anticipate question from tax officers regarding difference between financial statement in tax amnesty and financial statement audited and delivered in tax return.

Summary

According to the above findings, it can be taken some conclusions regarding recognition of tax amnesty's additional assets and liabilities as follow:

1. In connection with provision regarding recognition of tax amnesty's additional assets and liabilities, there is difference between Law of Tax Amnesty and DFAS 70 issued by the

Board of Financial Accounting Standard. According to article 14 paragraph 1 of Law of Tax Amnesty, taxpayers are required record and declare difference in additional assets and liabilities on retained earnings. It is in line with OFAS 25 with the assumption of the existing errors in the past accounting periods, this it requires the entity to restate their financial statement. However, the Board of Financial Accounting Standard considered it would be uneasy to apply DFAS 25 in regards with information of asset acquisition. Therefore, it took three months for the Board of Financial Accounting Standard DFAS to issue DFAS 70.

2. According to DFAS 70, the transaction is considered as new assets and liabilities, thus difference in the assets and liabilities in recorded in additional paid-in capital. Both of them (retained earnings and additional paid-in capital) are equity with different accounting concept. Retained earnings reflects a cumulative performance of an entity, while according to DFAS the transaction does not reflect the entity's performance. Instead it is considered as an incidental transaction thus classified as equity transaction.
3. According to the discussion result with drafting team of Law of Tax Amnesty, the difference would raise "ability to pay" to shareholders even though there is changes in deed of company when refers to DFAS 70. However, it is actually irrelevant as additional paid-in capital does not affect shareholders even to the deed of the company. These two provisions would drive psychological cost as well as legal uncertainty to taxpayers in applying accounting treatment upon transaction. In fact, the fundamental guidelines for financial statement preparation is financial accounting standard (FAS). Besides that, the authority of accounting standard preparation actually belongs to the Financial Accounting Standard Board of Indonesia Accountant Association (FASB IAA) as the authorized board in Indonesia. Provision mentioned in article 14 paragraph 1 is considered too much (excessive) as the authority does not actually belong to the institution.

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