

## LITERATURE REVIEW: ANALYSIS OF THE APPLICATION OF FISCAL RECONCILIATION IN SOME COMPANIES

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### ABSTRACT

Fiscal reconciliation is the process of adjusting commercial financial statements with tax calculations carried out to meet applicable tax regulations and to solve the differences between fiscal financial reports and commercial financial reports. This process ensures that the company complies with tax regulations and stays clear of possible penalties or fines. Due to differences in tax and accounting procedures that may have an impact on financial statements and tax liabilities, analysis of the application and computation of fiscal reconciliation in many businesses is a pertinent topic. Together with commercial financial reports, fiscal financial reports are created, thus even though commercial or business financial reports are prepared based on business accounting principles, taxation provisions are dominant in the reporting process of financial statements for companies' tax payments. Previous research has shown significant discrepancies between the results of commercial financial statements and fiscal calculations, often due to differences in revenue and cost recognition between commercial and fiscal accounting. The method determined through this research is a comparative literature review. The result of this research shows that some companies' corrections are not in line with tax regulations, which has an impact on how much income tax has already been paid and reported by these companies. Since deferred tax has been shown to significantly and favorably affect corporate income tax, the management of the company should pay taxes right away to lower the overall tax burden. The findings of this study suggest that corporate entities should do fiscal reconciliation due to discrepancies in cost recognition between Indonesian accounting standards and fiscal legislation.

**Keywords:** Fiscal Analysis, Fiscal Reconciliation, Manufacturing Companies.

### ABSTRAK

*Rekonsiliasi fiskal adalah proses penyesuaian laporan keuangan komersial dengan perhitungan perpajakan yang dilakukan untuk memenuhi peraturan perpajakan yang berlaku dan untuk menyelesaikan perbedaan antara laporan keuangan fiskal dan laporan keuangan komersial. Proses ini memastikan bahwa perusahaan mematuhi peraturan perpajakan dan terhindar dari kemungkinan penalti atau denda. Karena perbedaan dalam prosedur perpajakan dan akuntansi yang mungkin berdampak pada laporan keuangan dan kewajiban perpajakan, analisis penerapan dan penghitungan rekonsiliasi fiskal di banyak bisnis merupakan topik yang relevan. Bersamaan dengan laporan keuangan komersial maka terciptalah laporan keuangan fiskal, sehingga meskipun laporan keuangan komersial atau bisnis disusun berdasarkan prinsip akuntansi bisnis, namun ketentuan perpajakan sangat dominan dalam proses pelaporan laporan keuangan pembayaran pajak perusahaan. Penelitian sebelumnya menunjukkan adanya perbedaan yang signifikan antara hasil laporan keuangan komersial dan perhitungan fiskal,*

seringkali disebabkan oleh perbedaan pengakuan pendapatan dan biaya antara akuntansi komersial dan fiskal. Metode yang ditentukan melalui penelitian ini adalah studi pustaka komparatif. Hasil penelitian menunjukkan bahwa koreksi yang dilakukan beberapa perusahaan tidak sejalan dengan peraturan perpajakan sehingga berdampak pada seberapa besar pajak penghasilan yang telah dibayar dan dilaporkan oleh perusahaan-perusahaan tersebut. Karena pajak tangguhan telah terbukti secara signifikan dan menguntungkan mempengaruhi pajak penghasilan badan, manajemen perusahaan harus segera membayar pajak untuk menurunkan beban pajak secara keseluruhan. Temuan penelitian ini menyarankan agar entitas perusahaan melakukan rekonsiliasi fiskal karena adanya perbedaan pengakuan biaya antara standar akuntansi Indonesia dan peraturan fiskal.

**Kata Kunci:** Analisis Fiskal, Perusahaan Manufaktur, Rekonsiliasi Fiskal.

## INTRODUCING

In the dynamic business world, fiscal reconciliation is an important aspect of corporate tax management. Fiscal reconciliation is the process of comparing and harmonizing financial data between company records and data reported to tax authorities. In the context of manufacturing companies, fiscal reconciliation involves matching transactions recorded in the company's books with tax returns filed. Manufacturing companies such as PT Mata Indah Nusantara, PT Sumber Alam Utama, PT Karya Insan Satu Nama, PT Delapan Putra Bersaudara, PT FASA, PT SFM, and PT Satu Cita Protenza often have many transactions, including the purchase of raw materials, production, sales of finished products, and other expenses. Fiscal reconciliation must ensure that all transactions are recorded correctly and following tax regulations. Some fundamental differences between accounting methods and tax regulations can affect fiscal reconciliation. The tax treatment of depreciation of fixed assets or recognition of income, and there are differences in the amount of profit before tax between commercial financial statements and fiscal financial statements. Errors in recording transactions or tax calculations can have an impact on the company's tax obligations. This study aims to analyze fiscal reconciliation in several companies and determine whether it is following the provisions of Tax Law Number 36 of 2008.

## METHODS

We used a comparative literature review method in analyzing 10 local journals and 10 international journals that discuss fiscal reconciliation. Most of these journals discuss the application and calculation of fiscal reconciliation in manufacturing companies using descriptive explorative and quantitative analysis that requires data accuracy. Some companies discussed in these journals are PT Satu Cita Protenza, PT Delapan Putra Bersaudara, PT FASA, PT Technomed Asia, PT Karya Insan Satu Nama, PT SFM, PT Mata Indah Nusantara, PT Sumber Alam Utama, PT Matahari Department Store Tbk., and CV Karya Bhakti Sentosa. The data used for analysis is commercial profit and fiscal profit data used to determine deferred taxes. Sugiyono (2016) argues that the descriptive method is a method used to analyze a research result without making broader conclusions. He also argued that quantitative methods are research methods based on the philosophy of positivism that are used to examine certain populations or samples.

## RESULT AND DISCUSSION

Widjaja and Suryanti (2020) argue that if financial statements are prepared

specifically for tax purposes by observing all tax regulations, then the report is called a fiscal financial statement. Nasution (2022) argues that fiscal reconciliation is a process of adjusting the fiscal income statement based on applicable tax provisions that must be carried out by taxpayers before calculating corporate income tax. Differences in the preparation of fiscal statements and commercial statements result in differences in the calculation of the profit and loss of a tax entity. So it can be said that commercial financial statements can be converted into fiscal financial statements by adjusting or performing fiscal reconciliation by tax laws. Nasution (2022) also said that fiscal reconciliation was carried out both for revenue items and cost items. There is a significant difference in value between commercial profit and fiscal profit in multiple companies caused by differences in rules between Financial Accounting Standards and Tax Law, causing fiscal reconciliation to be made. The permanent difference is caused by different arrangements related to the recognition of income and costs between Financial Accounting Standards and the Provisions of Tax Laws.

Commercial statements, according to Pratiwi (2019), are reports that offer details on a company's performance, financial position and changes over time. These details are helpful to several individuals. Commercial financial statements are not objective or unbiased reports created following widely recognized accounting principles. Financial statements, however, are not required to disclose nonfinancial information and typically reflect the financial implications of past events, thus they may not contain all the information that may be needed in making decisions. Management is free to select criteria as long as they continue to address management needs while creating the report. Commercial financial statements are not objective or unbiased reports created following widely recognized accounting principles.

Nevertheless, financial statements might not offer all the details that Yuniarwati and Wicaksono (2022) stated that fiscal reconciliation is an adjustment to provisions according to commercial or accounting bookkeeping that must be adjusted according to tax provisions. Statement of Financial Accounting Standards 57 explains that provisions are liabilities whose time and amount are uncertain. Provision is recognized if an entity has obligations of either legal or constructive nature as a result of past events, settlement of those obligations likely resulted in outflows as a resource containing economic benefits, and a reliable estimate of the amount of such obligations can be made. Wicaksono (2022) argues that a provision is a reward received or paid in connection with a facility granted or received, for example, receipt or payment of provisions for credit ceilings, bank guarantee provisions, credit card annual fees, and commitment fees. So it can be said that based on the provisions of tax laws and regulations, some incomes are not tax objects, while commercially these incomes are recognized as income. Dali and Hanafi (2022) argue that there are two fiscal corrections, namely positive fiscal corrections and negative fiscal corrections. A positive fiscal correction is a fiscal correction that causes profits to increase and taxes owed to be large. A negative fiscal correction is a fiscal correction that causes profits to decrease and less tax owed. Supit (2022) argues that profit is the difference between income over expenses related to business activities. Profit is influenced by two main parts, namely revenue and costs.

Kusuma (2014) argues that the implementation of fiscal reconciliation carried out by PT Satu Cita Protenza has not been following applicable tax regulations, this can be seen from the calculation of article 29 underpaid income tax of Rp13,625,361 and according to the author of Rp45,488,034 so that the difference between article 29 underpaid income tax at the end of the year is Rp31,862,674. The implementation of fiscal

reconciliation calculations on PT Satu Cita Protenza's commercial statements from the bookkeeping of financial statements held by PT Satu Cita Protenza based on Financial Accounting Standards proves that the company did not make fiscal corrections following the principle of taxability deductibility. This is due to differences in cost recognition in fiscal reconciliation. There is an expense that the company has erred or not made a positive fiscal correction. The results of fiscal corrections to the company's income and costs include differences in depreciation expense calculation methods used by companies that are different in time, the presence of unrecognized income, namely interest income because it includes final income so that it cannot be added as the company's net income, the existence of costs that do not include deductions from taxable income, including recreational expenses, donations, and non-nominative banquet expenses.

According to Tajudin & Rachmany (2020), variations in cost allocation periods have an impact on both current-year and future profitability. There will be an equal cumulative charge between the fiscal report and the commercial report. The distribution of deferred taxes for the current period is the only distinction. The amount of income tax that may be subtracted from the remaining compensable losses in subsequent periods due to temporary variances is known as deferred tax. According to Dariansyah (2020), PT XYZ violates Tax Law Number 36 of 2008, which implies that business entities must perform fiscal reconciliation because there is a discrepancy in cost recognition between applicable accounting standards and fiscal laws. Indonesia. The company is expected to have records in the books of all items in the financial statements that show the differences between financial accounting standards and tax provisions in preparing fiscal reconciliations. This is being done to reduce future errors.

Yatim et alia (2013) argue that the error in calculating the amount of corporate income tax owed is due to an error in charging costs in the taxable income statement. For this reason, further research can use a quantitative method by expanding the sample of companies to determine the impact of temporary or permanent differences on profitability or company performance. After distinguishing the cost recognition, the company corrects the cost. There are also strategic public policy tensions that have fiscal implications. Fiscal correction is very necessary because it can help in calculating income tax correctly following applicable rules.

## **CONCLUSION**

To minimize corporate tax expenditure, the application of income tax article 21 to manufacturing firms and components has been shown to have a favorable and significant influence on the tax conditions of the company. Fiscal reconciliation calculations on financial statements are crucial since they can support the framework of the company. Due to variations in the recognition of both temporary and permanent variations in income and expenses, there is a sizable discrepancy between commercial profit and fiscal profit when calculating deferred tax. Since deferred tax has been shown to significantly and favorably affect corporate income tax, the management of the company should pay taxes right away to lower the overall tax burden. The outcome demonstrates that certain businesses made false assertions in their fiscal financial statements, which caused the corporate income tax to be calculated incorrectly. Because corporations produce their income statements as an adjustment to variations in recognition across Financial Accounting Standards, it can be assumed that fiscal reconciliation has a considerable impact on taxable earnings in various companies.

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