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Tax Authority Prepares 8 Alternatives for Taxpayers' Revenue Calculation

The government makes new guidelines for tax audit by arranging 8 (eight) alternative methods for Taxpayers' revenue calculation, other than conventional way based on the Taxpayers' recording or bookkeeping.

The target of these revenue calculation alternative methods is the Taxpayers obliged or choosing to do bookkeeping or recording, yet in audit, the following conditions are discovered:

- The Taxpayers do not or have yet to completely fulfil the bookkeeping or recording obligation; or
- The Taxpayers do not or have yet to completely show or lend the recording/bookkeeping or its supporting evidence.

The 8 (eight) alternative calculation methods that may become references for Tax Auditor in practice include:

1. cash and non-cash transactions;
2. fund source and utilization;
3. unit and/or volume;
4. cost of living calculation;
5. net property augmentation;
6. based on the previous fiscal year's Tax Return or audit result;
7. economic value projection; and/or
8. ratio calculation.

These options are stipulated in Minister of Finance (MoF) Regulation Number 15/PMK.03/2018 on Other Methods to Calculate Revenue, which was effective as of its promulgation on 13 February 2018.

Calculation Base

MoF Regulation Number 15/PMK.03/2018 also details further data and information references that may be used to support the use of the 8 (eight) alternative methods, as follows:

First, the revenue calculation uses cash and non-cash transaction method. The calculation is performed upon data and/or information concerning the cash and non-cash incomes in a fiscal year.

Second, the revenue calculation uses the fund source and utilization method. The reference is data and/or information regarding fund source and/or utilization in a fiscal year.

Third, the revenue calculation uses unit and/or volume method. The reference is data and/or information on the amount of business unit and/or volume generated by Taxpayers in a fiscal year.

Fourth, the revenue calculation uses cost of living calculation method. The calculation is conducted pursuant to data and/or information of Taxpayers' cost of living along with their liabilities including the expense incurred to add property in a fiscal year.

Fifth, the revenue calculation uses net property augmentation method. The Tax Auditor may use data and/or information in regards to net property at the beginning and end of the year in a fiscal year as the revenue calculation base.

Sixth, the revenue calculation uses the method that is based on the Tax Return or audit result in the previous fiscal year. Pursuant to the type of the method, the revenue calculation base is the Tax Return or audit result in the previous fiscal year.

Seventh, the method uses the projection of economic value method. As for this method, the Tax Auditor shall make projection on the economic value of a business activity in particular period in a fiscal year.

Eighth, the revenue calculation uses ratio calculation method. As for this method, the calculation refers to comparable percentage or ratio.

ALTERNATIVE METHODS TO COUNT REVENUE		
No.	**Methods**	**Calculation Base**
1.	Cash and non-cash transaction	Amount of cash and non-cash incomes in a fiscal year
2.	Fund source and utilization	Data of fund source and/or usage in a fiscal year
3.	Unit and/or volume	Amount of business unit and/or volume produced by Taxpayers in a fiscal year
4.	Cost of living calculation	Taxpayers' cost of living and their liability including the expense incurred to add property in a fiscal year
5.	Net property augmentation	Net property in the beginning and end of the year in a fiscal year
6.	Previous fiscal year's Tax Return or audit result	Previous tax year Tax Return or audit result
7.	Economic value projection	Economic value projection of a business activity in specific period in a fiscal year
8.	Ratio calculation	Comparable percentage or ratio

Technically, the procedures for these alternative methods usage will be regulated further in Director General of Taxes (DGT) Regulation.

To avoid tax audit that is time-consuming and costly, it is recommended that Taxpayers consider the quality of their revenue bookkeeping/recording in accordance with the prevailing provisions. If the bookkeeping is deemed incomplete, the Taxpayers shall be cooperative to smooth the process of tax audit.

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