Knowledge management of financial performance for tax amnesty policy

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Abstract, the objectives of this study is to analyze differences of financial performance before and after the enactment of tax amnesty on XYZ company. This study is done by employing quantitative approach. Financial performance is measured by liquidity through current ratio, profitability through return on assets ratio, leverage through debt to equity ratio. Data analysis technique employed is different test with paired t test. The findings of this study indicate that there are differences in financial performance seen from liquidity measured through current ratio, profitability through return on assets ratio, leverage through debt to equity ratio before and after the enactment of tax amnesty policy.

1. Introduction
Taxes are a burden for companies that will reduce net income [1]. From government's point of view, taxation is one of the state and regional revenues as the largest main source of funds with very significant role to finance government spending and national development. However, the Executive Director of the Center for Indonesia Taxation Analysis (CITA) assesses the tax revenue performance has not been satisfactory. During last ten years, tax revenues target has not been achieved, even the percentage of 2016 tax revenue realization of 81.4 percent is the worst [2]. According to data from the Directorate General of Taxation (DJP) of the Ministry of Finance, the performance of state tax revenue during first quarter of 2016 is still apprehensive. Tax revenues realization from January to March 2016 only reached Rp199.0 trillion, or about 14.6 percent of the tax target in the 2016 APBN. This amount in reality shows a decrease of Rp4, 4 trillion compared to January-March 2015 reached Rp203, 4 trillion [3]. Number of tax potentials that are difficult to reach target of tax revenue make the government’s efforts becomes very heavy. So it takes a variety of concrete efforts, and implemented in the form of government policy to explore state revenue from taxation sector. The government is certainly expected to reconsider taxation policies that can attract public interest into taxpayers one of them is through tax amnesty (tax forgiveness).
Tax amnesty is defined as a tax forgiveness which is one of the economic policies taken by the Indonesian government that is expected to be able to optimize the potential tax, and provide the potential increase in revenue of the State Budget (APBN) of this year, and the years next according to Law Number 11 Year 2016 on Taxes Forgiveness. In Law Number 11 Year 2016 Article 1, the tax forgiveness shall be the tax abolition which should be payable, not subject to sanction of tax administration and criminal sanction in the field of taxation, by disclosing property and paying ransom as regulated in this Law. Tax forgiveness is for all taxpayers, either for individual taxpayers or corporate taxpayers, but is exempted for taxpayers who are being investigated and have published P21, taxpayers under judicial process and taxpayers who are serving a tax criminal penalty. The object of tax forgiveness is the net assets addition reported in the Statement Letter. Some of the facilities offered by this tax amnesty are the abolition of taxable principal, administrative sanction and tax penalty, no tax audits, no initial evidentiary or investigation checks, and data and information regarding Taxpayers related to the amnesty policy are confidential. The compensation of tax amnesty is calculated by tax rate multiplied by the imposition, whereby the basis of the imposition is an asset not previously reported in the Financial Statements of 2015. XYZ Company is a company engaged in the retail commerce. The company was established in 2014. XYZ Company grows and develops into a big distributor. In the commerce and distribution activities conducted by XYZ Company, there is a tax to be paid or tax payable either monthly or annually. Tax amnesty is a government effort to attract public funds and one of the best opportunities owned by the company. With the enactment of this tax amnesty policy, it is possible to increase the assets and earnings of XYZ companies. This allows for significant differences before and after the tax amnesty of financial ratios of the firm. The ratios studied in this study are the ratio of financial statements consisting of cash ratio, current ratio, debt to assets ratio, debt to equity ratio, return on assets, and return on equity.

Tax
According to [4], the tax is the contribution of the people to the state coffers based on the law (which can be imposed) which can directly address the funds used to pay general expenses, whereas according to [5] the tax is a contribution to the state (which can be imposed) which is owed by a compulsory to pay them according to the rules, with no immediate re-performance, directly appointed, and whose use is to finance general expenditures relating to the duty of the state to administer the government. [1] states that taxes are people’s contribution to the state treasury under the law (which can be enforced) by not obtaining counter achievement which can be directly demonstrated and used to pay general expenses.

Tax amnesty (Tax forgiveness)
Law Number 11 of 2016 Article 1 explains that tax amnesty is the tax abolition that should be payable, not subject to sanctions of tax administration and criminal sanctions in the field of taxation, by disclosing the Property and paying Redemption money as stipulated in the Act (Law No. 11 of 2016). Said to [6] tax amnesty is a government policy in the field of taxation that provides tax abolition that should be owed by paying redemption money in a certain amount that aims to provide additional tax revenue and opportunities for non-compliant taxpayers become obedient taxpayers, is expected to encourage the increased voluntary compliance of the Taxpayer in the future. [7] defines tax amnesty as an opportunity that is granted within a limited time to a group of certain taxpayers to pay a certain sum of money as waiver of liability (including interest and penalties) in relation to the previous tax year without any fears of criminal prosecution. [8] suggest that tax amnesty is a limited opportunity given by the government to certain groups of taxpayers to pay the prescribed amount, in exchange for tax liabilities forgiveness (including interest and penalties) relating to the previous tax period, criminal law. [9] mentions that tax amnesty is useful to increase tax revenue in short term, improve future compliance, encourage the repatriation of capital or assets, transition to a new tax system. A policy applied must have its own purpose as well as one of the tax forgiveness policies. As stated by [7] the
objective of the tax amnesty, namely: (a) Increase state revenues in the short run, (b) Increase Taxpayer compliance so as to enhance horizontal justice and increase revenue in the medium term.

Positive side of the tax forgiveness program is to increase state revenues from the tax sector by essentially taking the unpaid state by means the Taxpayer paying along with his obligations without any sanction [7]. In Law Number 11 of 2016 also described the objective of tax amnesty applied by Indonesia are: (1) accelerating growth and restructuring the economy through the transfer of property, which will affect the increase of domestic liquidity, rupiah exchange rate improvement, interest rate reduction, and increased investment; (2) to a more equitable taxation system and a more valid, comprehensive, and integrated tax database extension; (3) increase tax revenue, which will be used for development financing as stipulated in Law No. 11 of 2016 article 2. Thus, amnesty tax is a forgiveness tax payable that is not subject to administrative sanctions by disclosing property and paying ransom in accordance with the laws and regulations. The Tax Amnesty Policy is conducted in the form of waiver of the state's right to collect taxes owed. Therefore, it is reasonable if the Taxpayer is required to pay the Redemption money for the Tax Pardon it obtains.

**Liquidity**

According to [10] liquidity is a ratio to show or measure the company's ability to meet its obligations that have matured, both liabilities to the outside company (liquidity business entities) and within the company (liquidity company), while [11] states liquidity is showing the company's ability to meet its financial obligations that must be met or the company ability to meet its financial obligations when billed. If being able to meet its finances right on time means the company is in a "liquid" state, and the company is said to be able to meet its financial obligations on time. Liquidity Ratio is the ratio used to measure how liquid a company is useful to know the company's ability to finance and fulfill obligations or debts when billed or matured [10]. This ratio compares short-term liabilities with short-term resources (current assets) available to meet those short-term liabilities. Liquidity ratio is the ability of the company to pay off short-term obligations on time. The ratio used to measure liquidity is the current ratio. According to [10] the current ratio is the ratio to measure a company's ability to pay short-term liabilities or debts that are due sooner when billed in its entirety. [12] explains that the current ratio measures a company's ability to meet its short-term debt by using its current assets (assets that will turn into cash within a year or a business cycle). Current ratio is the most common measure used to determine the ability to meet short-term liabilities, as this ratio shows how far demand from short-term creditors is met by assets that are estimated to be cash in the same period as the debt maturity [13]. According to [14] current ratio is a ratio that measures how far the company's current assets can be used to meet its current liabilities. [10] explains that if this ratio is low it can be said that companies lack the capital to repay debt. However, if the results of high ratio measurement, not necessarily considered good. This can happen because cash is not being used as well as possible. This is in line with the opinion of [15] which states that if the current ratio is too high is considered not good because it can indicate cash accumulation, the amount of bad debts and accumulation of inventory, but if the current ratio is low, relatively more risky, has operated its current assets relatively. According [15] current ratio is a commonly used measure or short-term solvency, the company ability to meet the needs of debt when it matures. [12] explains that the current ratio can be measured using the following formula:

\[
Current\ Ratio = \frac{Current\ Assets}{Current\ Debt} \times 100\%
\]

**Profitability**

Profitability ratios are a set of ratios that show a combination of liquidity, asset management, and debt effects on operating results [16]. This means profitability is the level of net profit that can be achieved by the company when running operations. Profitability describes the company's revenue to finance the investment. Profitability shows the ability of the capital invested in the whole asset to generate profit.
for the investor. According to [10], profitability is the ratio to assess the ability of companies in the search for profit. This profitability gives an idea of how effectively the company operates so as to provide benefits for the company. This is shown by the profits generated from sales and investment income. A high level of profitability can indicate a company’s ability to go concern. High profitability can also indicate a company's ability to fulfill its obligations. Profitability in this study is measured from Return on Assets (ROA). Return on Assets (ROA) is the capability of the capital invested in the whole asset to generate profit for all investors (bondholders and stockholders). [10] defines return on asset as a ratio showing return on the amount of assets used in the firm. According to [12] return on assets (ROA) is a company's financial ratios related to profitability measures the ability of companies to generate profits or earnings at the level of income, assets and capital stock. According to [17] the ratio of return on assets is used to measure the overall effectiveness in generating profits with available assets. [18] explains that this ratio is used to measure the ability of management in obtaining profit (profit) as a whole. The greater the ROA, the greater the level of profit achieved by the company and the better the company's position in terms of asset use.

Return On Asset can be formulated as follows [10]:

\[
\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \times 100\%
\]

Leverage

According to Ross in [19] liquidity is calculated by dividing current assets with current liabilities. Liquidity represents the amount of capital available for use as an investment and or expenditure. It also shows the ability of a company to fulfill their obligations when and when they are due. According to [10] Debt to Equity Ratio (DER) is the ratio used to calculate the value of debt with equity. Debt to Equity Ratio (DER) is a variable that defines how much the proportion of the company's capital whose source of funding comes from loans or credit. While [15] defines Debt to Equity Ratio as a measure used in analyzing financial statements to show the amount of collateral available to creditors. Explains that this ratio is useful to know the amount of funds provided by the borrower (creditor) with the owner of the company. This ratio also serves to find out each rupiah own capital that is used for debt guarantees [10]. Debt to Equity Ratio (DER) as the ratio of total debt to equity. This ratio indicates the company ability own capital to fulfill its obligations [16]. [20] argues that Debt to Equity Ratio measures the proportion of funds sourced from debt to finance the company's assets. According to [10], the Debt to Equity Ratio (DER) ratio can be calculated using the following formula:

\[
\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Equity}} \times 100\%
\]

2. Methodology

This research uses quantitative research type. The approach used is quantitative method. According [21] quantitative method is a study using data research in the form of numbers and analysis using statistics. Data are all information made by respondents, or derived from documents, either in the form of statistics/ in other forms for research purposes. Data were obtained with values of one or more variables in the sample or population [22]. According to [22], the types of data can be classified into quantitative data and qualitative data. The data used in this research are quantitative data. Quantitative data is data in the form of numbers or numbers. In accordance with its form, quantitative data can be processed or analyzed using mathematical or statistical calculation techniques. Quantitative data serves to determine the number or magnitude of an object to be studied. In this study prioritize the use of quantitative data because this study aims to explain the relationship between each variable in the study. Quantitative data in the form of corporate financial statement data. The data used in this research is liquidity data through ratio of current ratio, profitability through return on asset ratio and leverage through ratio of debt to equity ratio at XYZ company during 3 semester period before tax
amnesty policy and 3 semester after tax amnesty policy. The 3-semester period prior to the policy is from January to June 2015, July-December 2015, and January to June 2016. The 3-semester period following the amnesty tax policy is January-June 2017, July-December 2017, and January-June 2018. Data analysis technique used is different test. Different test used is paired t test, that is if the data collected from two related samples, it means that one sample will have two data that is pre-test and post-test. The paired t-test test aims to look at treatment changes by comparing the conditions before and after the intervention. Here are the steps of testing Paired Sample t-test:

1. Determining the research hypothesis
2. Calculate t test statistic
   \[ t = \frac{\text{after} - \text{before}}{\sqrt{\frac{\sigma^2_{\text{after}}}{n} + \frac{\sigma^2_{\text{before}}}{n}}} \]
3. Determine the level of significance: \( \alpha = 0.05 \) with degrees of freedom (df) of \( n - 1 \)
4. Determine the criteria for hypothesis testing
   a. If \( t \leq t (\alpha / 2, n - 1) \) or \( t \geq (\alpha / 2, n - 1) \) or Sig. (P-value) <\( \alpha = 0.05 \), then \( H_0 \) is rejected and \( H_a \) is accepted which indicates a significant value, which means both groups are tested statistically different variables, which means that an event can be said to affect the variables studied.
   b. If \( t \leq t (\alpha / 2, n - 1) \) or Sig. (P-value) >\( \alpha = 0.05 \), then \( H_0 \) is accepted and \( H_a \) is rejected which shows insignificant value, which means the two groups of variables tested are not statistically different, which means that an event can be said has no effect on the variable under study.

3. Result and Discussion
   Descriptive of Liquidity Variable
   Liquidity ratio is the ratio used to measure the level of a company's ability to meet short-term financial obligations on time. The ratio of liquidity of this study is measured by using current ratio. The following is a description of financial performance through liquidity ratio 3 semesters before and 3 semesters after tax amnesty policy.

   \[ \text{Likuiditas (CR) } \]

   Figure 1. Liquidity ratio before and after tax amnesty

   Based on Figure 1, there is a tendency to increase the liquidity ratio of 3 semesters prior to the enactment of tax amnesty policy with 3 semesters after the enactment of tax amnesty policy. The higher the current ratio means the greater the company's ability to meet short-term financial obligations. A high current ratio indicates that the creditor is in a safe position, because there is a high probability that the company can pay its debt within the given timeframe.

   Descriptive of Profitability variable
   Profitability is one of measurement for company performance, showing ability of a company in generating profit during certain period at certain level of sale, asset and capital stock. Profitability in
this study is measured by Return on Assets. Here is a description of financial performance through profitability ratios 3 semesters before and 3 semesters after tax amnesty policy.

Based on Figure 2 shows a fluctuating profitability tendency measured through return on assets. In the 3 semesters prior to the enactment of the tax amnesty policy showed a fluctuating profitability level with a decrease in the period $t-2$ which then increased in 3 semesters after the tax amnesty policy declined in the period $t+3$. The higher the profitability ratio means the higher the company's ability to earn profit and the better its financial performance.

**Descriptive of Leverage Variable**
The leverage ratio is a ratio that measures how much a company is financed with debt. The ratio of leverage in this study is measured by using Debt to Equity Ratio (DER) which shows the comparison between debt with own capital. Debt to equity ratio is the ratio used to assess debt with equity. This ratio is sought by comparing the entire debt, including current liabilities with the entire equity. Here is a description of financial performance through leverage ratio of 3 semesters before and 3 semesters after tax amnesty policy.

Based on Figure 3 shows the tendency to increase leverage in 3 semesters prior to the enactment of tax amnesty policy while 3 semesters after the enactment of tax amnesty policy tend to decrease. High Low Debt to Equity Ratio will affect the level of achievement of financial performance achieved by the company. The lower the Debt to Equity Ratio the company, the better the company's condition. Thus in terms of leverage ratio shows a good financial performance due to decreased Debt to Equity Ratio after the enactment of tax amnesty policy.

**Hypothesis testing**
Differences Analysis of financial performance liquidity, profitability and leverage aims to determine whether tax amnesty policy is effective in improving the financial performance of liquidity, profitability and leverage. Data obtained from the financial performance of liquidity, profitability and leverage on before and after the enactment of tax amnesty policy. Differences test of financial
performance of liquidity, profitability and leverage of XYZ Company in tax amnesty policy using paired sample t-test (t-test paired).

The steps of hypothesis testing of this study are as follows:

a. Hypothesis:
   \[ H_0: \mu_1 = \mu_2 = 0, \text{ means that found no difference of liquidity financial performance, profitability and leverage of XYZ Company before and after tax amnesty policy.} \]
   \[ H_1: \mu_1 \neq \mu_2 \neq 0, \text{ means that found difference of liquidity financial performance, profitability and leverage of XYZ Company before and after tax amnesty policy.} \]

b. Significant level = 0.05

c. Critical area: H0 is rejected if Sig. < \alpha (0.05)

Differences performance score found in financial liquidity, profitability and leverage on the before and after tax amnesty policy apply whether statistically significant differently or not are presented in Table 1 as follows:

| Financial Performance | Mean  | t     | Asymp. Sig. | Conclusion |
|-----------------------|-------|-------|-------------|------------|
| Liquidity             | Before| 4.5038| 7.808       | 0.001      | Different  |
|                       | After | 7.5551|             |            |            |
| Profitability         | Before| 0.1587| -6.168      | 0.002      | Different  |
|                       | After | 0.2021|             |            |            |
| Leverage              | Before| 0.1808| -5.937      | 0.002      | Different  |
|                       | After | 0.1922|             |            |            |

Built on Table 1 above obtained Sig value for financial performance of liquidity, profitability and leverage less than 0.05, then reject H0 and accept H1 which means found differences in financial performance liquidity, profitability and leverage company XYZ in tax amnesty policy. Broadly speaking tax amnesty policy has effectiveness in improving financial performance of liquidity, profitability and leverage of XYZ company. Based on the outcome of existing analysis shows difference in liquidity financial performance measured through current ratio before and after tax amnesty policy enactment with a sig value of 0.001 means smaller than 0.05. The difference to CR indicates investment increase in the form of current assets from utilization of asset repatriation flows that enter Indonesia from the tax amnesty application by controlling or reducing the current debt owned by the company so that it affects the current ratio owned by the company. These results are in line with the results of research conducted by [3] which proves that there is a difference in current ratio before and after the tax amnesty enactment. Based on the results of existing analysis shows the difference in profitability financial performance measured through return on assets before and after the tax amnesty policy enactment with sig value of 0.002 smaller than 0.05. Differences to ROA indicate tax amnesty application causes a difference to the company's ROA because the company's stock capital invested able to generate net income that continues to increase in the company after tax amnesty application. The difference to the company's net profit continues to increase in line with the company's sales are also increasing after the tax amnesty. These results are in line with the results of research conducted by [3] proves there is a difference in profitability before and after the tax amnesty enactment. Grounded on the end results of the existing analysis shows differences in financial performance of leverage measured through debt to equity ratio before and after the tax amnesty policy enactment with sig value of 0.002 means smaller than 0.05. Differences to DER indicate the tax amnesty application causes a difference to the DER of the company. These results are in line with research outcome run by [23] proves there are differences between the DER before and after the tax amnesty enactment.
4. Conclusion

Based on analysis that has been done can be drawn some conclusions, among others:

- Found differences in financial performance viewed from liquidity measured through current ratio before and after the tax amnesty policy enactment.
- Found differences in financial performance seen from the profitability measured through return on assets before and after the tax amnesty policy enactment.
- Found differences in financial performance seen from the leverage measured through debt to equity ratio before and after the tax amnesty policy enactment.

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