

Critical Analysis of Tax Audit Process: Evaluative Study at DGT Regional Office of South Jakarta II

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ABSTRACT

A tax audit constitutes a primary business process within the framework of the DGT. While the efficacy of tax audits in augmenting tax revenue is evident, their concomitant effect of escalating tax disputes in the tax court is equally salient. The objective of this study is to evaluate the tax audit process at DGT. The evaluation employs criteria from the Organization for Economic Co-Operation and Development (OECD), including accuracy, efficiency, objectivity, transparency, fairness, completeness, defensibility, and consistency. The research method employed is qualitative, with a case study approach. The data were collected through surveys, document analysis, and interviews. The research focuses on the DGT Regional Office of South Jakarta II. The research encompasses a specific audit type, namely a field audit conducted by functional tax auditors, spanning the period from 2021 to 2023. The results demonstrated that a portion of the tax audit process has been conducted in alignment with OECD criteria. However, there is room for improvement in audit processes, particularly regarding the identification of taxpayer non-compliance. Furthermore, the audit process can be conducted in accordance with the criteria if the taxpayer is cooperative.

Keywords: Tax Audit; Evaluation; OECD.

Analisis Proses Pemeriksaan Pajak: Studi Evaluatif di Kantor Wilayah DJP Jakarta Selatan II

ABSTRAK

Pemeriksaan pajak merupakan proses bisnis utama dalam kerangka DJP. Meskipun efektivitas pemeriksaan pajak dalam menambah penerimaan pajak sudah jelas, dampaknya yang bersamaan dalam meningkatkan sengketa pajak di pengadilan pajak juga sama menonjolnya. Tujuan dari penelitian ini adalah untuk mengevaluasi proses pemeriksaan pajak di DJP. Evaluasi tersebut menggunakan kriteria dari Organization for Economic Co-Operation and Development (OECD), termasuk akurasi, efisiensi, objektivitas, transparansi, kewajaran, kelengkapan, pembelaan, dan konsistensi. Metode penelitian yang digunakan adalah kualitatif, dengan pendekatan studi kasus. Data dikumpulkan melalui survei, analisis dokumen, dan wawancara. Penelitian ini difokuskan pada Kantor Wilayah DJP Jakarta Selatan II. Penelitian ini mencakup jenis pemeriksaan khusus, yaitu pemeriksaan lapangan yang dilakukan oleh pemeriksa pajak fungsional, yang mencakup periode 2021 hingga 2023. Hasil penelitian menunjukkan bahwa sebagian dari proses pemeriksaan pajak telah dilakukan sesuai dengan kriteria OECD. Namun, masih ada ruang untuk perbaikan dalam proses pemeriksaan, khususnya terkait identifikasi ketidakpatuhan wajib pajak. Selanjutnya, proses pemeriksaan dapat dilakukan sesuai kriteria apabila wajib pajak bersikap kooperatif.

Kata Kunci: Audit Pajak; Evaluasi; OECD.



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INTRODUCTION

Tax audits constitute a principal component of the DGT's business process (Directorate General of Taxes, 2023). A review of the literature reveals that tax audits have a positive impact on tax revenue, both directly and indirectly (Chalu & Mzee, 2017). A tax audit represents a crucial instrument for achieving the government's tax revenue targets. According to the extant research, governments that are interested in increasing tax revenue must ensure that their tax administration is both honest and effective (Alm, Martinez V, & McClellan, 2016). However, the performance of tax revenue from Material Compliance Testing (MCT) activities in 2023 did not meet the target, as evidenced by the data presented in reference¹. The revenue collected by MCT activities was only IDR 99.8 trillion, representing 74.27% of the target of IDR 134.44 trillion. The realization was derived from several MCT activities, including supervision (IDR 50.88 trillion), audit (IDR 34.55 trillion), collection (IDR 12.97 trillion), and law enforcement (preliminary evidence examination and/or investigation) (IDR 1.61 trillion) (DGT performance report, 2024). The report indicates that one of the impediments to attaining the objective is the low success rate of potential audits that result in tax assessment letters paid by taxpayers.

From the perspective of the tax authorities, audits serve the purpose of testing taxpayer compliance (Andri, Winarningsih, & Devano, 2021). Moreover, the process of undergoing a tax audit has the potential to result in increased tax liability and a shift in taxpayers' tax-aggressiveness, that is, their propensity to minimize their tax obligations through strategic means (Lennox, Li, Pittman, & Wang, 2019; Adediran, Alade, & Oshode, 2013; Birskytel, 2013). Conversely, audits can also be regarded as a potential trigger for tax disputes. The process of resolving such disputes, including objections and appeals, commences with the issuance of an audit report or tax assessment letter that the taxpayer in question has contested (Trisnawati, 2021).

In the year 2020, the number of tax disputes that were heard by the tax court reached a total of 16,634 cases. Of these disputes originating from the Directorate General of Taxes, 88% (or 14,660 cases) were resolved in this manner. Based on these conditions, the time required for taxpayers to receive a decision on a dispute can be up to 36 months (Trisnawati, 2021). This results in increased compliance costs by taxpayers and collection costs by the tax office. Related to this, Avci and Demirci (2021) argue that effectiveness in tax audits will create effective tax administration. Furthermore, the implementation of an effective strategy has been demonstrated to facilitate taxpayer compliance (Hamilton, 2012).

¹ As indicated in the DGT Performance Report for 2023, the tax revenue generated by Material Compliance Testing (MCT) activities encompasses the revenue derived from Supervision, Audit, Collection, and Law Enforcement activities. As defined in Circular Letter Number 05 of 2022, Material Compliance Monitoring (MCT) encompasses the supervision of taxpayers through Formal Compliance Research conducted prior to the current tax year, as well as Material Compliance Research conducted through activities such as tax data analysis and on-site visits. It can be concluded that Material Compliance Testing, as referenced in the Performance Report, represents an active initiative of the DGT, comprising a range of activities that generate tax revenue.

Prior research has demonstrated that the effectiveness of tax audits is significantly influenced by three key factors: top management support, taxpayer attitudes, and the utilization of tax information systems. Meanwhile, tax regulations and the quality of tax audits have no significant effect (Andri, Winarningsih, & Devano, 2021). Similar research by Syahlan (2021) indicates that all factors affect the effectiveness of tax audits to some extent. Top management factors and information systems support this indirectly. The regulatory factor is not sufficiently assessed based on the existence of the rules alone. The decisive taxpayer factor is his cooperative attitude.

The evaluation of the tax audit process can ascertain the sufficiency of the factors that substantiate the efficacy of tax audits. Furthermore, the evaluation can elucidate the role of these factors in influencing the efficacy of tax audits (Syahlan, 2021). According to Romadhaniah and Rosid (2019), the efficacy of audits must be considered for two reasons, namely the low tax ratio and taxpayer compliance. According to extant research, effective tax audits have been demonstrated to increase taxpayer compliance (Kasper & Alm, 2022).

This study differs from previous research in that it employs the OECD (2006) criteria to evaluate the tax audit process. The OECD criteria encompass eight essential elements: accuracy, efficiency, objectivity, transparency, fairness, completeness, defensibility, and consistency. These criteria are designed to assess the tax audit process in its entirety, from initial planning to final outcomes. Figure 1 explains the tax audit process starting with: *first, pre-audit* which includes activities to identify taxpayer non-compliance, prepare an audit plan, and issue an audit warrant. *Second, testing* consists of the activities of the first meeting with the taxpayer as well as borrowing documents, analysis, and issuance of a notice of audit results. *Third, the discussion* includes the activities of the taxpayer's response to the audit notification letter, the final discussion of the audit results and quality assurance. *Fourth, completion*, namely the issuance of an audit report and tax assessment letter. *Fifth, post-audit*, where taxpayers can file an objection if they disagree with the results of the audit. If the objection result is still not approved, the taxpayer can file an appeal at the tax court.

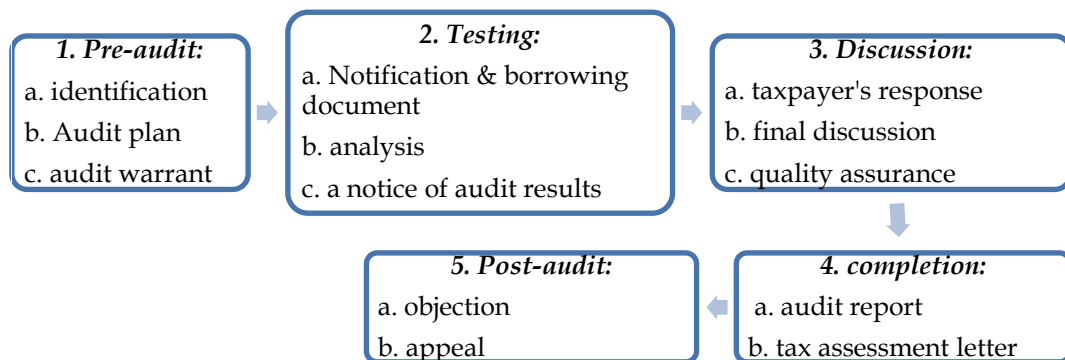


Figure 1 Tax audit process

Source: Research data, 2024

The objective of the research is to evaluate the tax audit process at the DGT. It is anticipated that the results of the research will be more comprehensive and will complement the results of previous research. Furthermore, it is expected that

the research results will provide recommendations to the DGT for the improvement of tax audit performance. Table 1 provides a detailed explanation of the OECD criteria, as outlined in the 2006 report.

Table 1. The OECD Tax Audit Criteria

No	Criteria	Definition
1	Accurate	The process of identifying non-compliance necessitates precise legal interpretation and judgment
2	Efficient	Minimal taxpayer and tax authority collection burden
3	Objective	All decisions are based on facts
4	Transparent	The auditor's findings or corrections are documented in the audit working papers and discussed with the taxpayer during the audit process
5	Fair	Tax audits are conducted in accordance with the relevant tax procedures and provisions
6	Complete	The audit process has a predetermined starting and ending point
7	Defensible	Decisions produced by the auditor are subject to external scrutiny and can withstand such scrutiny
8	Consistent	Taxpayers are treated in the same manner regardless of the identity of the audit team

Source: Research data, 2024

RESEARCH METHOD

This research is a case study employing qualitative methods. As Creswell (2014) asserts, research utilizing qualitative methods is conducted to refine existing theories, which remain incomplete. Furthermore, the existing theory has been unable to fully encompass the intricacies of the existing problems.

The research object is the Regional Office (Kanwil) of the DGT in South Jakarta II. The rationale for this is that the regional office is responsible for the oversight of numerous Tax Service Offices, including both intermediate and pratama. Consequently, the number and characteristics of taxpayers within the scope of the regional office are numerous and diverse. The research encompasses a specialized audit, specifically a field audit. The audit executor is a functional tax auditor who conducted the audit between 2021 and 2023. The audit codes studied are 1441, 1442, 1451, 1452, 1461, 1462, and 4992. The number of audits included in the study was 630 audit warrants.

The collection of data is achieved through the utilization of a variety of techniques, including surveys, interviews and the examination of relevant documentation. The preliminary information on the tax audit process is derived from two sources: literature studies and surveys of tax auditors. In-depth interviews were conducted with tax auditors, DGT officials, taxpayers, and other relevant parties. This was done to confirm the survey results and the results of the data analysis from the documentation. Creswell (2014) states that it is necessary to seek multiple materials from diverse sources of information to gain a more

comprehensive understanding of a case. Table 2 provides information about the sources from various backgrounds of positions, work units, and their roles in the tax audit process.

Table 2. Informants of the study

No	Informant	Code	Unit	Role
1	Tax Auditor Supervisor	FPP1	DGT	Tax Auditor
2	Tax Auditor Team Leader	FPP2	DGT	Tax Auditor
3	Head of Audit Administration and Guidance Section	Kanwil1	DGT	Tax Official
4	Section Head of Objection, Appeal and Deduction I	Kanwil2	DGT	Tax Official
5	Head of Audit Performance and Evaluation Section	KPDJP1	DGT	Regulator
6	Staff of Audit Evaluation and Performance Section	KPDJP2	DGT	Regulator
7	Taxpayer	WP	PT XYZ	Taxpayer
8	Tax Consultant	KP	Danny Darussalam Tax Center	Taxpayer Advisor
9	Taxation Lecturer	DP	University of Indonesia	Neutral
10	Instructor center for tax education and training	WI	Center for tax education and training	Tax Auditor Trainer
11	Head of Tax Monitoring Section	Komwasjak1	Ministry of finance	Tax Supervisor
12	Head of Tax Supervision subsection I	Komwasjak2	Ministry of finance	Tax Supervisor
13	Head of Tax Supervision subsection II	Komwasjak3	Ministry of finance	Tax Supervisor

Source: Research data, 2024

Miles and Huberman (1989) employ a method of data analysis that involves simplifying the data, presenting it, and finally drawing conclusions. Interview results will be transcribed and grouped according to evaluation criteria. The answers that have been grouped are then analyzed to identify the primary concepts. The results of this analysis are then presented with the support of survey results, secondary data analysis, previous research results, and other relevant information. Figure 2 illustrates the research workflow and data analysis.

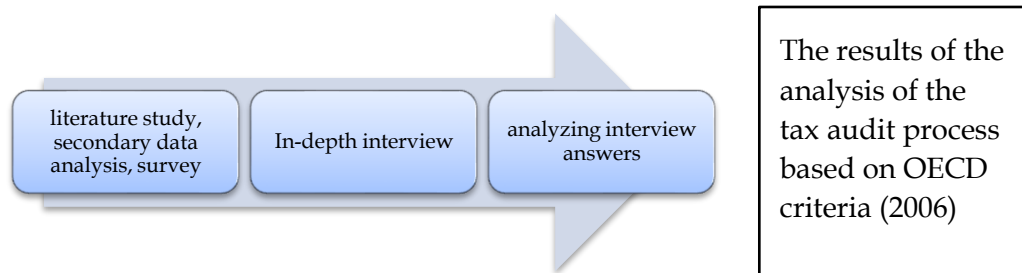


Figure 2. Research Data Analysis

Source: Research data, 2024

RESULT AND DISCUSSION

The primary analysis results were derived from in-depth interviews with relevant parties (see Table 2). These interviews were conducted from August 19-30, 2024, via face-to-face and Media Zoom meetings. Prior to the interviews, a survey was administered to tax auditors at the South Jakarta DGT Regional Office II from August 7-18, 2024. The survey was conducted for a duration of two weeks, as the results were intended to serve as preliminary research information. According to Sugiyono in Trisnawati (2021), when the number of respondents exceeds 30 individuals and there are repeated answers, it is appropriate to conclude the survey. A total of 50 survey respondents were identified among the 215 tax auditors, yielding an overall response rate of 23.25%. According to Woodside (2010), cited in Wuryaningsih and Nuryanah (2024), the acceptable response rate ranges from 8% to 30%.

Table 3 presents a description of the demographic characteristics of the respondents, including gender, educational background, position within the audit team, and experience as tax auditors.

Table 3. Demographics of Respondents

	Total	Percentage
Gender		
Male	42	84%
Female	8	16%
Last Education		
undergraduate or equivalent	39	78%
graduate	11	22%
Position in the team		
Supervisor	8	16%
Leader	10	20%
Member	32	64%
Experience as a tax auditor (year)		
1-5	13	26%
6-10	17	34%
11-15	12	24%
>15	8	16%

Source: Research data, 2024

In accordance with *the accurate criteria*, the survey findings indicate that tax auditors' perceptions align with the assertion that the audit plan has been formulated with precision and accuracy. This finding is supported by the responses provided by the interviewees during the interviews. Kanwil1 stated that the current audit is an accurate determination of the taxpayer to be audited. This is because the identification of taxpayers to be audited has undergone a supervisory process by the Account Representative and filtering through Compliance Risk Management (CRM). Meanwhile, resource persons FPP1, FPP2, and KPDJP1 have also stated that the determination of taxpayers to be audited was quite accurate. They argue that in the audit, there are findings or corrections so that an Underpaid Tax Assessment Letter is issued, which must be paid by the taxpayer.

Circular Letter Number 15 of 2018 delineates the audit business process as comprising three principal elements. One of these is the procedure for selecting taxpayers for audit, which is to be conducted in a transparent, objective, and reliable manner. The DGT's objective is to select taxpayers for audit based on their risk and non-compliance using CRM. The study conducted by Astuti and Gunadi (2021) indicated that the implementation of CRM in tax audits has the potential to enhance revenue by facilitating a systematic approach to managing compliance risks. However, the interviewee from Kanwil1 posited that there are still deficiencies in CRM. Consequently, the DGT must pursue a consistent trajectory of improvement and refinement of CRM.

Table 4. Tax Potential versus Tax Assessment Value

Tax Audit Code	Before Tax Audit	After Tax Audit	Before Tax Audit	After Tax Audit		
	No Tax Potential	Tax Assessment Value	Tax potential	Tax Assessment Value > Potency	Tax Assessment Value = 0	Tax Assessment Value < Potency
1441	2	2	3	-	2	1
1442	6	2	25	16	-	9
1451	-	-	6	3	-	3
1452	1	1	19	6	2	11
1461	36	25	40	16	3	21
1462	112	99	377	154	9	214
4992	3	2	-	-	-	-
Total	160	131	470	195	16	259

Source: Research data, 2024

Table 4 illustrates the research data, which indicates that 160 of the 630 audit warrants lacked potential for taxation as originally planned. The potential tax value is derived from supervisory activities conducted by the AR prior to the commencement of the audit process. However, after the audit, a total of 131 audit warrants were found to have value in the tax assessment letter. A similar phenomenon was observed in the case of the remaining 470 audit warrants. Initially, the 470 audit warrants exhibited a certain potential value. However, following the audit, 195 audit warrants demonstrated a tax assessment value that

exceeded the potential value, while 16 audit warrants exhibited a tax assessment value of zero. The remaining 259 audit warrants exhibited an assessment value that was less than the potential value.

Table 4 reveals that the accuracy of tax audit results is not always aligned with the potential value. Kanwil1 has highlighted a discrepancy in the depth of analysis between the supervision and audit processes. The supervision conducted by AR tends to be less comprehensive than the audit process undertaken by tax auditors. This is attributed to the distinct authority vested in AR and tax auditors. Consequently, it is unsurprising that the AR analysis pertaining to potential value may not be as precise as desired.

The findings of this study, based on both data analysis and interviews with relevant parties, indicate that the tax audit process is an accurate of identifying the taxpayer being audited. However, there is a discrepancy between the initial potential value and the findings of the audit.

In accordance with *the efficient criteria*, the survey results indicate that tax auditors' perceptions align with the view that audit activities utilize a relatively modest amount of financial resources. Sibarani's study (2023) posits that operational efficiency is contingent upon the resources utilized in the audit process. These resources include financial and human resources, specifically auditors. Another study posits that efficiency for DGT can be gauged by the maximum tax revenue generated from audits with minimal costs (Rosdiana & Irianto, 2014). When viewed in terms of achieving the target, audit activities have not succeeded in meeting the target set for 2023. In that year, DGT was only able to realize revenue of IDR 99.8 trillion, or 74.27% of the target of IDR 134.44 trillion.

The interviewee, DP, posits that four factors influence the efficacy of an audit. These are the number of auditors, the competence of the auditors, regrouping, and the systems that support audits. With respect to the number of auditors, KPDJP1 asserts that it is insufficient. The data indicate that the number of auditors has not increased in recent years, whereas the tax revenue target from audits has increased significantly.

"Based on statistical data, the revenue target from the audit rose sharply while the number of tax audit resources was almost stagnant at around 5000 auditors" (KPDJP1).

To surmount these impediments, the informant from KP posits that DGT should prioritize special audits over routine audits. It is a characteristic of special audits that they result in tax assessments that must be paid for by taxpayers, whereas routine audits do not. However, an analysis of the data reveals that the number of audits warrant routine audits exceeds that of special audits. A review of data from the South Jakarta II DGT Regional Office reveals that tax audits conducted between 2021 and 2023 totaled 11,116 audit warrants. Of this total, routine audits account for the majority (61%), or 6,781 audit warrants. In contrast, other and special purpose audits represent 25% (2,790 audit warrants) and 14% (1,545 audit warrants), respectively. The distribution of the number of audits resulted in the auditor's focus being divided. Examiners have the option of pursuing either an investigation of potential tax liabilities in special audits or a reduction in the amount of outstanding debt in routine audits.

The number of routine audits has become a significant concern not only within the Regional Office of DGT South Jakarta II but also at the national level. This was articulated by the resource person, KPDJP1, who serves as the Section Head of Evaluation and Audit Performance within the Directorate of Audit and Collection. KPDJP1 identified several constraints that impede the achievement of audit revenue, beyond the mere number of routine audits. One such constraint is the limited number of human resources allocated to auditors. As evidenced by the data, the number of human resources for auditors has remained stagnant in recent years, despite a significant increase in the revenue target from audit. The results of the interviews with the sources indicate that an increase in the number of auditors is necessary to meet the growing demand for audits in line with the revenue target.

The results of the analysis indicated that the audit performance was less efficient. This is presumably since the tax revenue target from PKM audits is not being met. Furthermore, the number of human resources available for auditors is limited, yet they are required to complete a significant number of routine audits in comparison to special audits. It is notable that routine audits result in a lower number of tax assessment letters of underpayment than special audits.

The results of the survey, when evaluated according to *objective criteria*, indicate that tax auditors agree with the assertion that the audit working papers and audit result reports have been prepared based on verifiable facts. The survey results are at odds with the information provided by the Regional Office 2 resource person. According to data from Kanwil2, 74.65% of DGT appeal disputes lack sufficient evidence to support the proposed corrections. This is because tax auditors still employ an indirect approach in their analysis. This viewpoint aligns with the argument put forth by the KP resource person, who asserted that examination methods and techniques can influence the reliability of the findings. KP recommended that the indirect approach method should no longer be utilized by DGT, citing the current neatness of the taxpayer's bookkeeping as a rationale. Moreover, KP underscored the importance of basing audit findings or corrections on concrete data, rather than on differences in equalization.

The audit methods and techniques are subject to regulation as set forth in Circular Letter number 65 of 2013. The term "audit method" is defined as the techniques and procedures employed in the examination of books, records, and documents, as well as data, information, and other forms of evidence. In contrast, the audit technique is defined as a method of gathering evidence, testing, and/or proof developed by the tax auditor to ascertain the veracity of the object being audited. There are two principal methods of audit: direct and indirect. The direct method is an audit technique and audit procedure that tests the object being examined directly against books, records, and related documents. In contrast, the indirect method employs a specific calculation approach. The effectiveness of audit techniques has been demonstrated to have a substantial impact on the generation of tax revenue (Tarfa, Tarekegn, & Yosef, 2020).

In addition to the method and the techniques, an objective audit must be supported by complete data and information from the taxpayer. As interviewee WI observed, the objective nature of the audit results is contingent upon the taxpayer's ability to provide the requested documents.

“When the auditor can do the testing, meaning that the documents borrowed for testing are fulfilled, then I am 100% sure that the audit will be objective towards corrections or findings” (VI).

Regarding data, the primary challenge identified by Kanwil2 resource person is the time frame for data submission. On occasion, taxpayers are inclined to delay the submission of pertinent data and documentation during an audit. Nevertheless, after the issuance of the audit results notification letter, the taxpayer will furnish the requisite data and documentation. As a result, the examination conducted by the examiner is not perceived as objective.

Data and audit methods lead to the need to increase the competence of tax auditors. This was conveyed by the DP resource person that the competence of the auditor needs to be improved so that the audit results are objective. The research results state that the lack of auditor competence hinders the effectiveness of the audit (Tobing, Candradewini, & Enjat Munajat, 2023; Marlisza & Yulianti, 2022).

In the transparent criteria, the study posits that the implementation of openness, clarity, and professionalism in the audit process can serve to mitigate taxpayer dissatisfaction with the audit results. Taxpayer discontent with the content of the tax assessment letter may give rise to disputes (Purba & Rahadian, 2019). The results of the survey indicate that tax auditors perceive themselves to have been open to taxpayers throughout the audit process.

FPP2 proposed that the notification of findings prior to the submission of the audit result notification letter be subjected to clear regulatory oversight. In practice, the decision to issue a notification of findings prior to the submission of the audit result notification letter is made at the discretion of the tax auditor. Accordingly, FPP2 recommended that this issue be addressed in the Minister of Finance Regulation. This is of particular importance because the discussion of findings before the audit result notification letter can serve as a potential loophole for collusive or coercive actions by tax auditors toward taxpayers, which can have a negative impact on the morale and reputation of the DGT (Mawani & Umashaker Trivedi, 2021). The interviewee WI corroborated this argument. The implementation of a regulatory framework within the Minister of Finance Regulation will facilitate the provision of data that was previously not supplied by taxpayers. Consequently, this will mitigate the likelihood of disputes pertaining to the absence of pertinent data and documentation during a tax audit. The KPDJP1 resource person further elaborated that the discussion of temporary findings represents an additional right afforded to taxpayers. If such discussions are initiated, taxpayers will be afforded additional time to engage in discourse with the examiner. Ultimately, the SKP produced by the examiner will be more valid in accordance with the actual obligations of the taxpayer.

In addition to the necessity for auditors to be transparent, taxpayers must also be transparent throughout the audit process. Furthermore, public tax transparency is defined as the presentation of information that is easily understandable by the public. Such information may include the disclosure of information on the amount of tax paid, tax strategies, and technical and non-technical tax risk approaches (R. Ulbrich & Antoniou, 2019). The data and documents belonging to the taxpayer determine the audit testing process, which

also has an impact on the reliability of the taxable income calculation by the auditor. Therefore, it is of great importance that taxpayer disclosure is realized.

In accordance with *the fair criteria*, the findings of the survey indicate that the perception of tax auditors is in alignment with the assertion that the audit is conducted in a manner that is both accurate and in accordance with established procedures. This is evidenced by the implementation of the audit result notification letter submission procedure and the subsequent discussion of the audit results. This finding is corroborated by empirical evidence. A review of the data indicates that there have been no requests from taxpayers pertaining to Article 36, Paragraph 1, Letter D of the Law on General Provisions and Tax Procedures. The article sets forth the procedure for taxpayers to request the cancellation of their tax assessment letter. Submission of the application is permitted if the audit is conducted without submission of the audit result notification letter or without final discussion of the audit results with the taxpayer.

The data and survey results presented above are corroborated by the explanation of taxpayer source (WP). In accordance with his experiences during the tax audit process, taxpayers indicated that the procedures and provisions in place were followed. The audit proceeded in an orderly and expeditious manner. A similar account was provided by the FPP2 resource person. He asserts that the audit process was conducted in accordance with established procedures and regulations.

Verboon & Goslinga (2009) find that tax fairness has a positive effect on low-income entrepreneurial taxpayers. However, there is no positive effect for higher income entrepreneurs. Nevertheless, taxpayers' perceptions of tax fairness still promote taxpayer compliance (Farrar, Thorne, W. Massey, & Osecki, 2018). According to extant research, perceptions of fairness among taxpayers are influenced by divergent treatment from tax authorities (Kogler, Mittone, & Kirchler, 2016). It is therefore incumbent upon DGT to guarantee the fairness of the tax audit process.

Regarding *the complete criteria*, the audit period is explicitly delineated in the tax regulations. In accordance with minister of finance regulation 17/2013, as amended by minister of finance regulation 18/2021, the audit period is comprised of two distinct phases: a testing period and a discussion period. The testing period is set at six months, while the discussion period is set at two months. Survey results indicate that tax auditors perceive the audit to have been completed within the designated period. However, the survey findings diverge from the results of the research data analysis.

As illustrated in Table 5, 56% (or 350 audit warrants) were completed within the designated timeframe. In contrast, the proportion of audits completed outside the specified timeframe was 44% (280 audit warrants). Bachar and Roekhudin (2015) investigated the efficacy of tax audits by calculating the number of completed audit warrants relative to the number of SP2 arrears. The findings indicated that the lack of human resources for tax auditors constituted a significant impediment to the timely completion of audit warrants. To optimize the limited time and human resources available, WI resource persons proposed that the audit be conducted using a focused approach. This means that auditors concentrate their efforts on specific accounts, such as business circulation or tax credits. This

strategy is expected to enhance the efficiency and effectiveness of the audit process. Taxpayers are also expected to benefit from a more expedient and accurate audit outcome, which will ultimately contribute to the achievement of the audit's primary objectives: enhancing taxpayer compliance and increasing tax revenue.

Table 5. Time period for completion of tax audit

Tax audit code	Time period for completion audit warrants		Total
	On time	Not in time	
1441	3	2	5
1442	23	8	31
1451	5	1	6
1452	11	9	20
1461	59	17	76
1462	248	241	489
4992	1	2	3
Number of audit warrants	350	280	630

Source: Research data, 2024

In the meantime, FPP2 has indicated that the primary obstacle impeding the expeditious completion of the tax audit is the necessity for data collection. This presents a challenge for tax auditors for two reasons. In the first instance, the absence of complete data and documentation will have an impact on the validity of any subsequent corrections or findings. Secondly, taxpayers are required to provide data and documents for an extended period, whereas the auditor is constrained by the duration of the tax audit period. In a related vein, informant DP posited that tax auditor should endeavor to cultivate robust communication with taxpayers. Such an approach can foster trust and mutual respect between taxpayers and auditors. This approach can facilitate the expedient acquisition of data and documentation by the auditor.

In accordance with *the defensible criteria*, the survey results indicate that the tax auditor has considerable confidence in the likelihood of the taxpayer's objection to the tax assessment letter being rejected in its entirety. The survey results are consistent with the findings of Trisnawati's research (2021). Trisnawati examined 65,561 Objection Decrees from the period between 2016 and 2020. The result is that 8,372 decisions, representing 12.8% of taxpayer objection requests, were accepted. Conversely, 12,083 decisions, representing 18.4% of the total, were partially accepted. A total of 45,103 decisions, representing 68.8% of taxpayer requests, were rejected. A mere three decisions, representing a mere 0.005% of the total, resulted in an increase in the tax payable by taxpayers.

As Ardin (2023) noted, the objection process often favors the government or lacks independence. Kanwil2 interviewees strongly agreed that the DGT's win rate in the objection process is greater than that of the taxpayer. The objection reviewer will accept the taxpayer's objection request if it is very sure of the taxpayer's correctness. Kanwil2 in the interview revealed: "At the objection level, the DGT wins more. So, if we grant the objection, we are really firm, there is no doubt that the taxpayer is right."

The interviewee WI indicated that there is an indication that the objection reviewer is not impartial. This is since the objection reviewer is still employed by the same organization as the tax auditor. A review of the literature reveals that the issue of independence of objection reviewers arises because the objection unit is still situated within the same organizational structure as tax auditors (Supriyadi, Setiawan, & Matius Bintang, 2019).

This assertion is contradicted by the DGT's win rate in the appeal process, which represents a dispute resolution in the tax court following an objection. A review of the data indicates that the DGT's success rate in the appeal process is below 40% (DGT Annual Report, 2022). A similar finding was reported for the period between 2015 and 2018, indicating that the DGT's success rate at the appellate level in the tax court was below 50% (Anta Kusuma, Setiawan, & Yanuar Sugiharto, 2019). The resource person representing Komwasjak1 posited that the DGT's success rate in the appeal process is contingent upon a multitude of variables. Furthermore, the resource person posited that the judges in the Tax Court adhere to their own personal beliefs in accordance with the tenets set forth in Law No. 14 of 2002, which governs the Tax Court. Conversely, the tax auditor is bound by the dictates of the extant tax regulations. It is not uncommon for these two sets of rules to diverge, such that what the auditor deems to be true may not align with the judge's interpretation.

The sources provided by WI and the research results of Anta Kusuma, Setiawan, and Yanuar Sugiharto (2019) indicate that the outcome of the Tax Court case involving DGT was influenced by the strength of the evidence presented. Considering the evidence, WI posits that DGT has presented a compelling case with a robust legal foundation.

Regarding *the consistency criteria*, the survey results indicate that tax auditors are moderately in agreement with the assertion that there is a discrepancy in the interpretation of tax regulations among auditors. Such discrepancies may result in disparate treatment of taxpayers. B. Ilyas and Burton (2013) posit that a regulation is occasionally not fully comprehended. This is since the regulation in question is open to a few different interpretations. Regarding the matter of tax regulations, the study conducted by Chalu and Mzee (2017) revealed that the efficacy of tax audits is significantly influenced by the presence of tax regulatory factors. The resource person from FPP2 posited that tax regulations should be made explicit. This is intended to eliminate any potential for ambiguity or interpretation by auditors. Similarly, the same point was reiterated by the resource person, DP. He noted that discrepancies in auditors' interpretations arise due to the intricate nature of the regulatory framework. It is therefore evident that clear guidelines are required for auditors.

Other studies demonstrate that the competence and independence of tax auditors exert a considerable influence on the efficacy of the audit process (Suhayati, 2017; Supriyatin, Ali Iqbal, & Indradewa, 2019). Considering the evidence, it can be posited that tax regulations and audit factors exert a considerable influence on audit effectiveness. Nevertheless, the DGT encounters obstacles to effective tax auditing, including a scarcity of resources, a dearth of tax officer expertise, and taxpayer resistance (Tobing, Candradewini, & Enjat Munajat, 2023). Considering the findings presented in the research conducted by Chalu &

Mzee (2017), Suhayati (2017), and Tobing, Candradewini, & Enjat Munajat (2023), it can be concluded that the effectiveness of audits can be enhanced by establishing clear and robust regulations and by fostering a deeper understanding and enhanced capabilities among auditors. KPDJP1 indicated that periodic training for tax auditors is conducted with the objective of enhancing their competence. This activity represents a form of collaboration between the DGT and the Financial Education and Training Agency.

CONCLUSION

The results indicate that certain tax audit procedures align with the criteria set forth by the Organization for Economic Co-operation and Development (OECD) in 2006. Nevertheless, there is room for improvement in some areas. The findings of this study align with those of Chalu & Mzee (2017) and Syahlan (2021), who posit that regulatory frameworks influence the efficacy of tax audits. Furthermore, the notion that tax audits are inherently efficient, as postulated by Rosdiana and Irianto (2014), is not supported by the findings of this study. In practice, the research indicates that the DGT should implement several new measures. It is imperative that the DGT implement a regulatory framework that stipulates the notification of findings prior to the submission of the audit result notification letter. Furthermore, this initiative aims to provide a legal basis for auditors, thereby supporting transparency. The refinement of the CRM is intended to prevent errors in the identification of taxpayer non-compliance. Furthermore, it is imperative that the DGT implement stringent regulations pertaining to taxpayers who are delinquent in their reporting obligations or fail to furnish the requisite data and documentation. This is a crucial step towards ensuring the timely and objective auditing of tax-related matters. Additionally, it is essential that the DGT reinforce the robustness of its evidentiary base to enhance its capacity to prevail in tax disputes at both the objection and appeal stages.

The present study is limited by the fact that the initial research object is confined to the scope of a single regional office in Jakarta. It is recommended that further research be conducted to include regional offices outside of Jakarta with differing characteristics. A more comprehensive evaluation of the tax audit process would be produced if researchers were to analyze it nationally. Secondly, the data period is insufficiently lengthy, spanning only three years. Consequently, a longer time span would facilitate a more comprehensive and in-depth examination of the audit process. Thirdly, the survey was conducted exclusively with tax auditors. In future research, surveys will also be conducted with taxpayers who are audited. This will assist researchers in identifying more balanced responses or perspectives regarding the tax audit process. Fourth, further research can develop evaluations using alternative criteria. Moreover, future research is anticipated to incorporate quantitative research methodologies. This can facilitate the mathematical explanation of the relationship between variables.

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