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Comparative Effect Analysis of Commercial Profit and Fiscal Profit at PT. X in Surabaya

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Financial statements provide a final picture of a company's financial condition and performance and are used as a basis for managerial, investment, and taxation decisions. In Indonesia, commercial financial statements are prepared under Financial Accounting Standards, whereas fiscal financial statements follow tax regulations. This study compares commercial profit and fiscal profit at PT. X in Surabaya and identifies the fiscal corrections required to reconcile the two measures. The research uses a descriptive-comparative approach based on PT. X's 2016 financial statements, with analysis focused on permanent and temporary differences in deductible costs and depreciation. The results show positive fiscal corrections of Rp 93,498,981, consisting of Rp 42,225,000 in permanent differences and Rp 51,273,981 in temporary differences. These corrections increase taxable profit from commercial profit before tax of Rp 704,999,954.82 to Rp 798,498,935.82 and raise income tax payable to Rp 175,692,491.82, or Rp 20,572,436.88 above the amount before correction. The findings confirm that consistent fiscal reconciliation is necessary to prevent misstatement of taxable income and to align corporate bookkeeping with applicable tax provisions.
Keywords: Commercial Profit, Fiscal Profit, Fiscal Reconciliation, Book-Tax Differences, Income Tax

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1. Introduction

Profit is a crucial performance indicator for both internal and external parties. Given the importance of profit to stakeholders, companies must present quality profit information. Quality profit is profit that reflects future profitability (Djamaluddin, 2008, p. 55). Most investors assume that high profits reflect a company's good performance. However, investors don't know whether the information contained in those profits is of high quality. Profits that don't reflect true information about management performance can mislead users of financial statements, impacting the company's quality and value.

Increases and decreases in a company's profits can be seen from changes in profit. Changes in profit can be used as a basis for assessing a company's performance. Therefore, understanding changes in profit is crucial for users of financial statements because it can indicate improvements or declines in a company's financial performance. Changes in profit are influenced by changes in components within the financial statements, one of which is changes due to income tax calculations.

Differences between commercial and fiscal profit do not justify maintaining two inconsistent bookkeeping systems. Instead, fiscal reconciliation is required to adjust commercial financial statements prepared under Financial Accounting Standards to the tax basis used in calculating taxable income. Fiscal correction refers to adjustments arising from differences between accounting rules and tax provisions in recognizing income and expenses (Kiswara, 2009). The reconciliation process identifies positive and negative corrections as well as permanent and temporary differences.

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Therefore, PT. X as a Corporate Taxpayer engaged in the distribution of Castrol oil is required to maintain bookkeeping. Bookkeeping plays a very important role in determining and calculating the amount of taxable income from business results subject to corporate tax, where there is a difference in treatment between Financial Accounting Standards and tax regulations. The calculation used is Income Tax Article 25 because the turnover generated during the year is more than IDR 4.8 billion.

The comparison is relevant not only for corporate tax compliance but also for users of financial statements because book-tax differences affect the interpretation of reported profit and the amount of tax payable. For PT. X, a distributor of Castrol oil with annual turnover exceeding Rp 4.8 billion, accurate bookkeeping is therefore essential for determining taxable income and corporate income tax obligations.

Based on the background of the problem above, it is necessary to conduct research at PT. X in Surabaya to determine the comparison between commercial profit and fiscal profit. Therefore, to understand the differences in existing regulations, the researcher conducted a study entitled "Analysis of the Influence of the Comparison of Commercial Profit and Fiscal Profit at PT. X in Surabaya."

Accounting and Financial Statements

Accounting provides a structured process for recording, classifying, summarizing, reporting, and analyzing financial transactions so that economic information can be used in decision-making. In the context of this study, the function of accounting is important because the same underlying records become the basis for both commercial financial reporting and the subsequent fiscal reconciliation. Baridwan (2009) emphasizes the procedural role of accounting in organizing transaction data, while the financial reporting framework places greater emphasis on communicating the entity's financial position and performance to users.

Financial statements are part of the broader financial reporting process. They normally present information concerning assets, liabilities, equity, revenues, expenses, profit or loss, and cash flows, together with notes and other explanatory material. Their usefulness depends not only on numerical accuracy but also on whether the recognition and measurement principles applied are consistent with the standards that govern the report. This distinction becomes particularly important when commercial accounting standards and tax rules prescribe different treatments for the same transaction.

Commercial financial statements are primarily designed to present economic performance and financial condition. Management uses them to evaluate operations and stewardship, while external users such as investors, creditors, suppliers, government institutions, and the public use them for different economic decisions. The profit figure reported in commercial statements therefore has an informational function that is broader than taxation. A high reported profit may indicate strong performance, but its interpretation still depends on the quality of recognition, measurement, and disclosure underlying that figure.

Tax reporting serves a more specific statutory purpose. Fiscal financial information is used to determine taxable income, tax payable, and compliance with the requirements imposed by tax legislation. Because the objective is different, tax rules may limit deductions that are acceptable in commercial accounting, prescribe particular depreciation treatments, or require stronger documentary evidence before an expense can reduce taxable income. The resulting difference between commercial profit and fiscal profit is therefore conceptually expected and must be explained through reconciliation rather than treated as an accounting anomaly.

Objectives and Users of Financial Information

Financial reports also serve as evidence of management stewardship over the resources entrusted to the company. For this reason, the statements must present information that allows users to assess not only the amount of profit but also the components that produce it. Assets, liabilities, equity, revenue, expenses, and

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cash flows form an integrated picture of the entity. When one component is measured differently for tax purposes, the effect can flow directly into the difference between accounting profit and taxable profit.

Users of accounting information can be grouped broadly into internal and external users. Internal users include management and other decision makers who directly influence operating activities. External users include investors, creditors, suppliers, government agencies, and other parties who evaluate the company from outside the organization. The tax authority occupies a distinctive position among external users because it does not simply interpret commercial profit; it applies statutory rules to determine the portion of that profit that constitutes taxable income.

This difference in user purpose helps explain why the fiscal calculation cannot be inferred mechanically from the commercial profit figure. Investors may be interested in whether expenses accurately reflect the economic resources consumed in earning revenue, while the tax authority must also determine whether each expense satisfies the legal conditions for deduction. The commercial statement and the fiscal calculation therefore answer related but not identical questions, and fiscal reconciliation is the formal procedure used to connect them.

Commercial and Fiscal Financial Reporting

Commercial financial statements are prepared to provide information useful for economic decision-making and to present the company's financial position and performance. Fiscal financial statements, by contrast, are prepared in accordance with tax provisions and are used to calculate taxable income and tax payable. Although both originate from the same accounting records, their purposes and recognition rules are not identical (Waluyo, 2011).

The main differences concern the treatment of revenues and expenses, consistency requirements, depreciation, inventory valuation, provisions, and other deductions. Commercial accounting follows Financial Accounting Standards, whereas fiscal accounting follows statutory tax rules. These differences explain why a company can report one amount of accounting profit and a different amount of taxable profit even when both calculations are based on the same underlying transactions (Resmi, 2011; Suandy, 2006). Inventory valuation is one area in which method selection can materially affect financial reporting and cost of goods sold. Indonesian tax rules recognize acquisition cost using permitted methods such as average and first-in, first-out (FIFO), while commercial accounting may provide a broader range of acceptable treatments depending on the applicable accounting standards. The practical importance of inventory valuation methods in private companies is also highlighted by Martini et al. (2026).

Structure of Fiscal Reporting and Reconciliation Procedure

In practice, fiscal reporting can be prepared either as a separate tax-oriented statement or, more commonly, by making fiscal corrections to the commercial financial statements. The latter approach preserves a single bookkeeping system and creates a transparent bridge between accounting profit and taxable profit. The fiscal report ordinarily includes a fiscal balance sheet, profit-and-loss calculation, explanatory notes, reconciliation between commercial and fiscal statements, and an overview of tax obligations. The commercial records therefore remain the starting point, while tax adjustments are documented separately in the reconciliation working papers.

The reconciliation technique follows the direction of the recognition difference. When income is recognized commercially but is excluded from fiscal income, the amount is deducted in the reconciliation. When income is not recognized commercially but is taxable under fiscal rules, it is added. Likewise, an expense recognized commercially but disallowed for tax purposes produces a positive correction because it must be added back to accounting profit. Conversely, an expense that is deductible for tax purposes but has not yet been

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recognized commercially can produce a negative correction. These adjustments allow the tax calculation to be derived from the same accounting records without duplicating the bookkeeping system.

The distinction between positive and negative correction should not be confused with whether the original transaction is economically beneficial or detrimental. A positive fiscal correction simply means that taxable profit increases relative to commercial profit, usually because an accounting expense is not deductible or because taxable income has not been fully recognized in the commercial calculation. A negative correction has the opposite effect. The purpose is to translate accounting recognition into the categories required by tax law and to create an audit trail that shows how taxable income is obtained.

For PT. X, the reconciliation is especially relevant because operational expenses include entertainment, communication, vehicle-related costs, travel, and depreciation. These accounts are common sources of tax adjustments because deductibility depends on the business purpose, the identity of the beneficiary, documentary support, and the specific tax treatment of the asset or expenditure. A systematic account-by-account review is therefore more reliable than applying a general percentage correction to total operating expenses.

Table 1. Key Differences between Commercial and Fiscal Accounting

Commercial Accounting	**Fiscal Accounting**
Based on Financial Accounting Standards formulated by the Indonesian accounting profession.	Based on tax regulations enacted by the competent authorities.
Purpose: provide useful information for users in economic decision-making.	Purpose: determine taxable income and the amount of tax payable.
Income statement matches revenues with expenses.	Tax calculation matches taxable income with deductions permitted by tax law.
Generally emphasizes consistency of accounting policies and disclosure of changes.	Changes in tax treatment must comply with statutory requirements and, where relevant, administrative approval.
Generally uses accrual accounting and accounting estimates.	Uses tax-recognition rules and statutory requirements for deductible items.
May recognize accounting provisions and impairment according to standards.	Recognition of provisions and reserves is limited to items specifically permitted by tax law.
Historical cost and fair-value concepts are applied according to accounting standards.	Tax basis may depend on acquisition cost, statutory market value, or other values prescribed by tax rules.
Substance over form guides recognition and presentation.	Substance is relevant, but formal documentary requirements can determine tax recognition.
A broad range of depreciation methods may be used when appropriate and consistently applied.	Depreciation methods and asset groups are constrained by tax provisions.
Violations primarily affect financial reporting quality and audit opinion.	Violations may result in administrative or criminal tax sanctions.

Source: adapted from Poernomo in Lestari (2011) and Waluyo (2011).

Fiscal Reconciliation and Book-Tax Differences

Fiscal reconciliation is the process of aligning commercial financial statements with fiscal provisions by identifying transactions that receive different accounting and tax treatments (Markus & Yujana, 2004).

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Agoes and Trisnawati (2007) define fiscal correction as the adjustment of commercial profit to produce net income or profit in accordance with tax provisions. Differences between commercial and fiscal income statements arise mainly from differences in the recognition of income and expenses. These differences are commonly grouped into permanent differences and temporary or timing differences.

Permanent differences occur when a transaction is recognized as income or expense in commercial accounting but is treated differently under tax law (Muljono, 2006). A permanent difference changes the relationship between accounting profit and taxable profit without reversing in a subsequent period. Typical examples include income subject to final tax, non-taxable income, and expenses that do not meet the statutory requirements for deduction.

Permanent differences may therefore result in positive or negative fiscal corrections depending on whether the tax rules exclude accounting income or disallow accounting expenses. Temporary differences arise from differences in the timing or measurement of recognition between commercial accounting and fiscal accounting. Muljono (2006) explains that timing differences can occur, for example, when the useful life used for depreciation or amortization differs between accounting and tax rules. Setiawan and Musri (2006) similarly emphasize that the underlying cost may be the same, while the period in which it is allocated differs.

Such differences are closely related to the matching principle and commonly arise from accrual and realization rules, depreciation and amortization, inventory valuation, and fiscal loss compensation (Zain, 2005). Because commercial and fiscal rules serve different objectives, book-tax differences are a normal consequence of a single bookkeeping system that is subsequently reconciled for tax purposes. Commercial profit measures performance under accounting standards, while fiscal profit is calculated under tax regulations as the basis for income tax (Suandy, 2006).

Table 2. Selected Differences in Depreciation, Inventory, and Bad-Debt Treatment

Item	Commercial Accounting	Fiscal Accounting
Depreciation	Straight-line, declining-balance, or other methods permitted by accounting standards.	Methods and useful lives are constrained by tax provisions.
Inventory	FIFO and average, with accounting treatment following applicable standards.	FIFO and average based on acquisition cost under tax rules.
Bad debts	May use impairment or aging analysis when recognition criteria are met.	Deduction requires stronger statutory evidence and compliance with tax requirements.

Source: summarized from the study's theoretical review, IAI (2007), and applicable tax provisions.

Permanent and Temporary Differences in Practice

Permanent differences do not reverse in later periods. They arise when tax law permanently excludes an item from taxable income or permanently disallows an expense that is recognized in the commercial accounts. Examples discussed in the study include income subject to final income tax, income that is not a tax object, and expenses that are not sufficiently connected with activities to obtain, collect, and maintain income. Donations, benefits in kind, certain entertainment costs, and expenses that exceed reasonable business limits can therefore create a permanent gap between accounting profit and taxable profit.

Temporary differences, in contrast, are associated with the timing or measurement of recognition. The same economic cost may ultimately be recognized under both accounting and tax systems, but the period or amount recognized in a particular year differs. Depreciation and amortization are typical examples because accounting standards may determine useful life and residual value on an economic basis, whereas tax rules

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classify assets into statutory groups and prescribe permitted methods or rates. Inventory valuation, foreign-exchange gains and losses, long-term project recognition, and certain receivable losses can also create timing differences.

The treatment of depreciation illustrates why reconciliation is necessary even when the company uses a technically acceptable accounting method. Commercial accounting may use straight-line, declining-balance, production-unit, or other methods when justified by the pattern of economic benefits. Fiscal accounting, however, restricts the methods and useful lives according to tax classification. Thus, the book value of an asset and the fiscal value used to determine deductible depreciation can diverge over time, even though both calculations originate from the same acquisition cost.

Inventory valuation has a similar effect on cost of goods sold. Under the theoretical review used in this study, commercial accounting historically recognized several valuation approaches, whereas Indonesian tax treatment limits the methods that may be used for fiscal purposes. A change in inventory valuation affects the timing of expense recognition through cost of goods sold and consequently changes both commercial profit and fiscal profit. This is why the consistency of inventory methods and the documentation of acquisition cost are central to both financial reporting and tax compliance.

Bad-debt recognition also demonstrates the different evidentiary thresholds of accounting and taxation. Commercial accounting may recognize impairment when available information indicates that receivables are unlikely to be fully collected. Fiscal deduction, by comparison, generally requires compliance with specific statutory conditions and stronger evidence that the receivable is genuinely uncollectible. The difference is not merely technical; it reflects the tax system's concern that estimated losses should not reduce taxable income without sufficient substantiation.

Despite these differences, commercial and fiscal accounting share several basic principles. Expenditures that provide benefits for more than one period are generally capitalized rather than fully expensed in the year of acquisition, depreciable assets are recognized over their useful lives, and intangible assets may be amortized. The major difference lies in how the useful life, method, residual value, and deductibility are determined. Fiscal reconciliation therefore operates as a translation mechanism between two systems that share the same transactions but apply different normative rules.

Table 3. Common Sources of Permanent and Temporary Differences

Difference Type	Typical Source	Fiscal Consequence
Permanent	Income subject to final income tax	Excluded from ordinary taxable-profit reconciliation
Permanent	Income that is not a tax object	Commercial income may be removed from fiscal income
Permanent	Entertainment or representation without required support	Expense added back to commercial profit
Permanent	Donations or non-business expenditures	Expense may be non-deductible
Temporary	Depreciation and amortization	Timing or amount of deductible cost differs
Temporary	Inventory valuation	Cost of goods sold may be recognized differently by period
Temporary	Foreign-exchange gains and losses	Recognition timing may differ
Temporary	Receivable losses / bad debts	Fiscal deduction may occur later after conditions are met

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Difference Type	Typical Source	Fiscal Consequence
Temporary	Long-term prepaid expenses	Allocation period may differ
Temporary	Long-term project revenue and expenses	Recognition period may differ

Source: summarized from Muljono (2006), Setiawan and Musri (2006), Zain (2005), and the theoretical review in the study.

Asset Measurement under Commercial and Fiscal Rules

Differences in asset measurement can generate book-tax differences even before the annual depreciation expense is calculated. Commercial accounting determines useful life by considering the period over which the asset is expected to generate economic benefits and normally reviews that estimate when conditions change. Fiscal accounting, in contrast, groups assets according to statutory classifications and uses the useful lives and rates associated with those groups. The commercial estimate is therefore economic in orientation, while the fiscal estimate is legal and standardized.

Acquisition cost can also be treated differently in particular transactions. Commercial accounting generally records purchased assets at the actual acquisition cost and uses the applicable accounting standard for exchanges, donations, and other non-routine acquisitions. Tax rules may require market value or another statutory basis when transactions occur between related parties, through exchanges, or in the context of restructuring. These differences affect the fiscal tax base of the asset and subsequently the amount of depreciation that can be deducted.

The range of depreciation methods available is another important distinction. Commercial accounting allows management to choose a method that reflects the pattern in which the asset's economic benefits are consumed, provided that the method is appropriate and applied consistently. The theoretical review in the source document lists straight-line, declining-balance, production-based, and other methods used in accounting practice. Fiscal depreciation is more restricted: buildings generally use the straight-line method, while non-building fixed assets follow the methods permitted for their tax groups. The purpose of the restriction is to standardize the timing of deductions for tax calculation.

The point at which depreciation begins may likewise differ. Commercial accounting typically begins depreciation when an asset is acquired or available for use, depending on the applicable accounting policy. The fiscal treatment described in the study begins from acquisition and, in specified circumstances, may recognize a different starting point associated with completion or commencement of production. A difference of only several months can create a temporary book-tax difference in the first year of an asset's life and reverse in subsequent periods.

These distinctions are directly relevant to PT. X because the largest correction in the 2016 reconciliation relates to a vehicle. The asset itself is properly recognized in the commercial fixed-asset register, but the fiscal deduction is constrained by the tax treatment applied to vehicles provided to certain employees. The case therefore shows that effective tax control requires more than checking arithmetic. Management must also identify the legal category of the asset, the beneficiary of its use, and the proportion of cost that is fiscally deductible.

Table 4. Comparison of Selected Fixed-Asset Treatments

Aspect	Commercial Accounting	Fiscal Accounting
Useful life	Based on estimated economic and technical life and reviewed when appropriate.	Based on statutory asset groups and tax provisions.

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Aspect	Commercial Accounting	Fiscal Accounting
Residual value	May be considered under the applicable accounting policy.	Generally not used in the same manner for statutory depreciation.
Acquisition cost	Normally based on actual cost, with accounting rules for exchanges and other transactions.	May use actual price, market price, or another prescribed basis depending on the transaction.
Depreciation method	Method selected to reflect consumption of economic benefits and applied consistently.	Method limited to those permitted for the relevant tax asset group.
Beginning of depreciation	Linked to acquisition/availability for use under accounting policy.	Linked to acquisition or another starting point allowed by tax provisions.

Source: summarized from Suandy (2006) and the comparative table in the source manuscript.

2. Method

This study uses a descriptive-comparative case-study approach to examine the difference between commercial profit and fiscal profit at PT. X in Surabaya. The analysis is limited to the company's financial statements for the period 1 January to 31 December 2016, with particular attention to cost items that require fiscal reconciliation.

The primary documentary data consist of the 2016 income statement, supporting account details, fixed-asset information, and records relevant to the classification of deductible and non-deductible expenses. The study does not construct a second set of books; instead, it reconciles the commercial statements with fiscal provisions, consistent with the principle that tax adjustments are made on the basis of the company's accounting records.

The analytical procedure comprises four stages: collecting the financial-statement data; grouping expense items according to tax treatment; identifying permanent and temporary differences, including depreciation method and useful life; and calculating the resulting fiscal profit and income tax payable. The final stage compares the tax burden before and after fiscal correction. This procedure follows the logic of fiscal reconciliation described in the taxation literature (Sugiyono, 2013; Waluyo, 2011).

The unit of analysis is the expense account rather than the individual transaction in isolation. Each account is first assessed at the aggregate level and then traced to ledger detail when the tax treatment depends on the purpose or beneficiary of the expenditure. This procedure is particularly important for travel and entertainment, where only part of an account may fail the fiscal test. For depreciation, the unit of analysis shifts to the individual fixed asset because the tax group, method, rate, and deductible proportion must be determined for that asset.

The study calculates the fiscal effect using positive corrections only because the identified 2016 differences all increase taxable profit. No negative correction is reported in the source data. After the corrections are classified, the amounts are added to commercial profit before tax to obtain taxable profit. The tax payable is then recalculated and compared with the tax amount shown before reconciliation. This comparison provides a direct measure of the financial consequence of the identified book-tax differences.

3. Results and Discussion

Commercial Profit and Loss

The 2016 commercial income statement of PT. X shows sales and revenue of Rp 20,018,991,901.00, cost of goods sold of Rp 17,442,257,259.10, and gross profit of Rp 2,576,734,641.90. After operating, administrative, and general expenses of Rp 1,871,734,687.08, the company reports operating profit before tax of Rp 704,999,954.82. The commercial statement records income tax of Rp 155,120,054.00 and net business profit of Rp 549,879,900.82. These figures become the starting point for fiscal reconciliation.

Table 5. Summary of PT. X Commercial Income Statement, 2016

Description	Amount (Rp)
Sales/Revenue 2016	19,940,991,901.00
Advance revenue / initial sales	78,000,000.00
Total sales and revenue	20,018,991,901.00
Beginning inventory 2016	8,669,354,684.11
Purchases 2016	17,044,753,795.56
Purchase cost	227,176,407.83
Goods available for sale	25,941,284,887.50
Ending inventory	(8,499,027,628.40)
Cost of goods sold	17,442,257,259.10
Gross profit	2,576,734,641.90
Operating costs	452,738,101.33
Administration and general expenses	1,418,996,585.75
Total operating, administrative, and general expenses	1,871,734,687.08
Operating profit before tax	704,999,954.82
Income tax - commercial statement	155,120,054.00
Net business profit	549,879,900.82

Source: processed from PT. X 2016 profit and loss report.

The cost-of-goods-sold calculation is material because PT. X operates as a distributor. Beginning inventory of Rp 8.67 billion, purchases of Rp 17.04 billion, and purchase costs of Rp 227.18 million produce goods available for sale of Rp 25.94 billion. After deducting ending inventory of Rp 8.50 billion, the company reports cost of goods sold of Rp 17.44 billion. The size of these inventory flows confirms why consistency in inventory valuation is important: even a relatively small methodological difference can affect gross profit and, through the fiscal reconciliation, the taxable-profit base.

Operating profit before tax of Rp 704.99 million represents the commercial figure before fiscal adjustments. It already incorporates expenses that were recorded according to the company’s accounting records, but not every recorded expense automatically qualifies as a deduction under tax law. The fiscal analysis therefore does not recalculate the business from the beginning; it starts from this commercial profit and examines the tax status of the individual expense accounts that generated it.

Initial Identification of Fiscal Adjustment Accounts

A review of the 2016 income statement and supporting ledger shows that the fiscal issue is concentrated in operating, administrative, and general expenses rather than in sales recognition. The commercial records include several expenditures that are legitimate from an accounting perspective but require additional tax tests before they can be deducted from gross income. The reconciliation therefore begins by tracing each relevant expense to its supporting documentation and determining whether the business-purpose and statutory requirements are satisfied.

The analysis distinguishes two questions. First, whether the expense is deductible at all for the 2016 tax calculation. Second, if it is deductible, whether the amount recognized commercially is the same amount that may be recognized fiscally in the same period. The first question gives rise mainly to permanent corrections; the second often produces temporary differences. This distinction is important because it prevents all adjustments from being treated as if they had the same tax character.

The source data indicate that PT. X had not fully reflected these tax distinctions in the commercial income statement. Consequently, the initial tax burden derived from the commercial accounts understates the amount payable after fiscal correction. The adjustment does not change the underlying cash expenditure recorded by the company; it changes only the portion of that expenditure that is permitted to reduce taxable income.

Permanent-Difference Fiscal Corrections

The reconciliation identifies four expense categories that require positive correction as permanent differences: entertainment, telephone, fuel/toll/parking, and travel expenses. A positive correction increases fiscal profit because all or part of an expense recognized commercially is not deductible for tax purposes.

Table 6. Summary of Fiscal Corrections

Expense Item	Commercial (Rp)	Fiscal (Rp)	Positive Correction (Rp)
Entertainment	14,600,000	0	14,600,000
Telephone	5,123,977	3,998,977	1,125,000
Fuel/toll/parking	79,117,160	57,817,160	21,300,000
Travel	9,451,670	4,251,670	5,200,000
Fixed-asset depreciation	102,547,963	51,273,982	51,273,981
Total			93,498,981

Source: processed by the authors from PT. X accounting records.

Entertainment expenses. A positive correction of Rp 14,600,000 is made because the company did not prepare the nominative list required to substantiate entertainment, representation, banquet, or similar expenses. The supporting list should allow the company to identify the date, type and amount of entertainment, the party receiving it, and the relationship of that party to the business. Without this documentation, the study treats the full amount as non-deductible and adds it back to commercial profit. The issue is therefore evidentiary: the expenditure may have been paid and recorded, but the tax deduction depends on whether the company can demonstrate its connection with activities to obtain, collect, and maintain income.

Telephone expenses. A positive correction of Rp 1,125,000 is made to telephone costs. Based on the tax treatment applied in the study, only 50% of subscription, top-up, and repair costs for mobile phones provided to certain employees because of their position or work are deductible, resulting in the fiscal amount of Rp 3,998,977. The commercial account records the full expenditure because it reflects the company's actual cost, while the fiscal calculation restricts the deductible portion. The difference therefore emerges from a specific statutory limitation rather than from an error in the accounting entry.

Fuel, toll, and parking expenses. A positive correction of Rp 21,300,000 is made to fuel, toll, and parking costs. The study applies the rule that only 50% of qualifying vehicle-related expenses associated with vehicles provided to particular employees can be charged as deductible company costs. Commercial expenditure of Rp 79,117,160 is therefore reduced to a fiscal amount of Rp 57,817,160. The adjustment shows that vehicle-related accounts should be separated according to the vehicle's use and beneficiary; otherwise, a mixed account can contain both fully deductible business transport costs and costs subject to limitation.

Travel expenses. A positive correction of Rp 5,200,000 is made to travel expenses after review of the general ledger identified transactions that were not related to the performance of company work. The remaining Rp 4,251,670 is treated as fiscally deductible because it is connected with business travel. This adjustment differs from the telephone and vehicle corrections because it is based on the purpose of the individual transaction rather than a fixed percentage limitation. It therefore depends heavily on accurate descriptions, travel orders, receipts, and evidence that the trip was undertaken for the company's business.

Temporary-Difference Fiscal Correction

The temporary difference arises from depreciation of a vehicle classified in asset group II. The commercial calculation records 2016 depreciation of Rp 102,547,963 using the straight-line method at 12.5%. Under the tax treatment applied in the study, only 50% of the acquisition or major-repair cost of a sedan or similar vehicle provided to certain employees because of their position or work may be charged through depreciation. Accordingly, fiscal depreciation is Rp 51,273,982 and a positive correction of Rp 51,273,981 is required. Unlike the permanent corrections above, the difference is associated with timing and tax measurement of asset cost recovery.

Table 6A. Vehicle Depreciation Data Used in the Fiscal Correction

Item	Amount / Treatment
Vehicle acquisition price	Rp 972,863,545
Accumulated depreciation through 2015	Rp 83,883,585
Asset group	Group II
Commercial depreciation method	Straight-line
Annual rate	12.5%
Commercial depreciation 2016	Rp 102,547,963
Fiscal depreciation recognized	Rp 51,273,982
Positive fiscal correction	Rp 51,273,981
Accumulated depreciation 2016	Rp 186,431,549
2016 book value	Rp 786,431,995

Source: processed by the authors from PT. X fixed-asset records.

The depreciation correction is the largest adjustment in the study and accounts for more than half of the total positive fiscal correction. This result demonstrates how the tax treatment of a single high-value asset can materially change taxable profit even when the commercial depreciation method itself is consistently applied. The adjustment is therefore not evidence that depreciation should be omitted from the commercial accounts; it indicates that the amount deductible for tax purposes differs from the accounting expense recognized for financial reporting.

The asset record also illustrates the importance of maintaining parallel commercial and fiscal information within the fixed-asset register. Acquisition date, asset classification, method, rate, accumulated depreciation, and tax-deductible proportion should be traceable for each material asset. Without that detail, year-end reconciliation becomes dependent on manual reconstruction and is more vulnerable to classification error.

Taxable Profit and Income Tax Payable

The total positive fiscal correction is Rp 93,498,981, comprising Rp 42,225,000 of permanent differences and Rp 51,273,981 of temporary differences. Adding these corrections to commercial profit before tax of Rp 704,999,954.82 produces taxable profit of Rp 798,498,935.82. The resulting income tax payable is Rp 175,692,491.82, compared with Rp 155,120,054.94 before correction. The fiscal reconciliation therefore increases the tax burden by Rp 20,572,436.88.

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Table 7. Calculation of Taxable Profit and Income Tax Payable

Calculation	Amount (Rp)
Commercial profit before tax	704,999,954.82
Permanent-difference positive corrections	42,225,000.00
Temporary-difference positive correction	51,273,981.00
Taxable profit	798,498,935.82
50% x 25% x 191,457,937.09	23,932,242.14
25% x 607,040,998.73	151,760,249.68
Income tax payable after correction	175,692,491.82
Income tax before correction	155,120,054.94
Increase in tax burden	20,572,436.88

Source: authors' calculation based on PT. X 2016 data.

The results demonstrate that the difference between commercial profit and fiscal profit is not merely a matter of presentation. Each non-deductible expense directly increases taxable profit and, consequently, income tax payable. In PT. X, the largest single correction arises from fixed-asset depreciation, followed by fuel/toll/parking and entertainment costs. This pattern indicates that the company's main compliance risk lies in expense substantiation and in the tax treatment of employee-related assets and operational costs.

The findings are consistent with the concept of book-tax differences described by Resmi (2011) and Suandy (2006): accounting profit is designed to measure economic performance, whereas fiscal profit is constructed under statutory rules for determining tax liability. Therefore, a higher fiscal profit does not necessarily imply that the commercial accounts are incorrect; rather, it indicates that tax law applies different recognition or deductibility criteria to particular transactions.

For PT. X, the practical implication is the need for a routine fiscal-reconciliation procedure at the end of each reporting period. Supporting documentation should be reviewed before year-end, especially nominative lists for entertainment, evidence of business purpose for travel and vehicle costs, and fixed-asset records used for depreciation. Such controls can reduce adjustment errors and make the calculation of corporate income tax more predictable.

The case also shows why a single accounting system should be maintained consistently and then reconciled for tax purposes rather than creating parallel books that contain inconsistent transaction records. A clear reconciliation trail improves transparency between commercial reporting and tax reporting and allows management, auditors, and tax authorities to trace the origin of every fiscal adjustment.

Reconciliation and the Quality of Reported Profit

The relationship between commercial profit and fiscal profit also has implications for the interpretation of profit quality. Commercial profit is designed to summarize the economic results of the period, while fiscal profit is a statutory construct used to calculate tax. A difference between the two figures is therefore not, by itself, evidence that either figure is unreliable. The analytical question is whether the difference can be explained by identifiable recognition rules and supported by documentation. When every adjustment has a traceable source, book-tax differences can be understood as a normal consequence of different reporting objectives rather than as unexplained variation in reported performance.

For users of PT. X's financial information, this distinction is important because the fiscal correction increases the tax burden without changing sales, gross profit, or the cash amount of the underlying operating expenditures. The company's commercial operating profit before tax remains Rp 704,999,954.82, but the taxable-profit base rises after non-deductible and limited-deduction items are added back. Management should therefore avoid using the tax return as a substitute for the commercial income statement when evaluating operating performance, just as it should avoid using commercial profit alone when estimating the final corporate tax obligation.

A well-documented reconciliation can also improve communication with auditors and tax authorities. Instead of presenting only a final taxable-profit number, the company can show a schedule that begins with commercial profit, identifies each permanent and temporary correction, states the supporting rule or business evidence, and arrives at the fiscal result. This approach reduces ambiguity about why the tax figure differs from the financial-statement figure and provides a basis for reviewing whether the same type of correction recurs in subsequent years. Repeated corrections in the same account may indicate that the issue should be addressed through changes in bookkeeping procedures rather than through year-end adjustment alone.

Interpretation of the Fiscal Adjustment Structure

The composition of the correction is analytically important. Permanent differences account for Rp 42,225,000, or approximately 45% of the total positive correction, while the depreciation-related temporary difference accounts for Rp 51,273,981, or approximately 55%. The result means that the increase in taxable profit is not dominated by one type of tax adjustment. PT. X faces both documentation-based disallowances that do not reverse and asset-measurement differences that are associated with the timing or limitation of tax deductions.

Among the permanent differences, fuel/toll/parking is the largest adjustment, followed by entertainment, travel, and telephone expenses. This ordering suggests that employee-related operational expenditures deserve targeted internal control because they can combine legitimate business use with personal or limited-use elements. A general ledger account may therefore be correctly titled but still contain transactions with different fiscal outcomes. More granular coding can help management identify deductible and restricted portions before the year-end reconciliation.

The adjustment structure also supports the broader theoretical distinction between financial reporting and taxation. Commercial accounting seeks faithful representation of economic activity, so the full cost incurred by the company may be recognized when it satisfies accounting criteria. Tax accounting adds a second filter concerned with statutory eligibility for deduction. The fiscal correction does not erase the commercial expense; it changes the amount used to determine taxable income. This distinction is essential when communicating the result to non-tax users of the financial statements because a positive correction should not automatically be interpreted as evidence that the expenditure did not occur.

Implications for Bookkeeping and Tax Control

The reconciliation results indicate that documentation quality is as important as the accounting entry itself. An expense may be commercially recorded and genuinely paid, yet still be disallowed for tax purposes when the company cannot demonstrate the required business relationship or supporting evidence. Entertainment expenses illustrate this point: the absence of a nominative list converts an otherwise plausible business expenditure into a positive fiscal correction. Similar documentation concerns apply to travel and vehicle-related costs, where the ledger description alone is insufficient to establish deductibility.

From a control perspective, PT. X can reduce year-end corrections by integrating tax checks into routine bookkeeping. Accounts with recurring fiscal risk should be flagged when transactions are entered, supporting documents should be attached to the relevant voucher, and fixed-asset records should contain both commercial and fiscal depreciation information. This does not require a separate bookkeeping system; it requires a reconciliation layer that is maintained consistently throughout the year.

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The difference of Rp 20,572,436.88 between the tax burden before and after correction is material enough to demonstrate the financial consequence of weak reconciliation. If the company relies solely on the commercial income statement when estimating corporate income tax, cash-flow planning for tax payments may be inaccurate. Conversely, maintaining a current reconciliation schedule enables management to anticipate the fiscal impact of non-deductible expenditures before the annual tax return is prepared.

The study is limited to one company and one reporting period, so the numerical results should not be generalized to all private companies. The analytical logic, however, is transferable: commercial profit and fiscal profit should be compared by tracing the specific recognition rules that create each difference. Future studies can extend this approach by examining several reporting periods, testing whether the composition of permanent and temporary differences is stable, and evaluating whether stronger internal tax controls reduce the magnitude of year-end corrections.

4. Conclusion

The study concludes that PT. X's 2016 commercial income statement contains cost items that require fiscal correction. The reconciliation identifies total positive corrections of Rp 93,498,981, consisting of Rp 42,225,000 in permanent differences and Rp 51,273,981 in temporary differences. These adjustments increase taxable profit to Rp 798,498,935.82 and increase income tax payable to Rp 175,692,491.82, which is Rp 20,572,436.88 higher than the amount before fiscal correction.

The result confirms that the gap between commercial and fiscal profit is generated by differences in accounting and tax recognition rather than by the need to maintain separate bookkeeping systems. PT. X should therefore strengthen account classification, supporting documentation, and periodic review of tax regulations. In particular, entertainment expenses should be supported by the required nominative list, employee-related vehicle and communication costs should be reviewed under the applicable deductibility rules, and depreciation should be reconciled to tax provisions before the annual income tax return is prepared.

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