

**FINANCIAL PERFORMANCE ASSESSMENT AND TAXPAYER COMPLIANCE
TEST IN USING TOTAL BENCHMARKING
AT PHARMACEUTICAL COMPANIES**

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Abstract; This study aims to:1) to determine whether there is a difference between the ratio of pharmaceutical companies from 2011-2015 with the total benchmarking ratio established by the Directorate General of Taxes; 2) to know the total use of benchmarking ratio in testing taxpayer compliance. The sample used is the annual report of 7 pharmaceutical companies listed in Indonesia Stock Exchange (BEI) for the period of 2011 - 2015. Data analysis in this study was conducted by: 1) Calculated the average of 12 ratios, i.e GPM, OPM, PPM, CCTOR, NPM, DPR, salary, lease, depreciation, other input ratios, non-operating income ratio, and off-business cost ratio; 2) Identified the difference of each ratio with benchmarking ratio by using Independent Test Sample T-test; 3) Analyzed the ratios below and above the total benchmarking ratio; 4) Used the Total Benchmarking Ratio to detect Tax Evasion. The results show the ratio of GPM, OPM, PPM, NPM, salary, rent, and other inputs, different not significant. While the ratio of CCTOR, DPR, depreciation, non-business income and non-business costs, is significantly different from the total benchmarking ratio. The use of benchmarking ratios to test taxpayer compliance resulted in recommendations to focus further analysis on accounts relating to material purchases and use, as well as non-business income and expenses.

Introduction

Based on the Law No. 28 Year 2007 on Third Amendment to Law No. 6 Year 1983 concerning General Provisions and Tax Procedures stipulates that the applicable tax collection in Indonesia is *Self Assessment System*. Resmi, (2016) states that in this system, initiatives and tax calculation and collection are entirely in the hand of Taxpayer. Taxpayers are considered capable to calculate, understand the current tax law, and have scrupulous honesty, and aware of the importance of paying taxes. Damayanti (2004) states that *self assessment system* application will be effective if the public voluntary compliance have been established. In line with those statements, Santoso (2008) suggests that the change of tax system from *official assessment* to be *self assessment* makes the Taxpayer voluntary compliance as the key to a successful tax collection.

The facts indicate that the compliance level of the Taxpayer in Indonesia remains low. One of the indicators is the low *tax ratio*. *Tax ratio* as the measurement of tax performance describes the role of tax in encouraging national economy. *Tax ratio* is the comparison of the amount of tax revenue with *Product Domestic Bruto* (PDB). *The tax ratio* in Indonesia is regarded as lower compared to other countries. The Minister of Finance, Bambang P.S. Brodjonegoro states that the current tax revenue ratio in Indonesia is about 11% which is still below the standard of ASEAN and Organization on Economic Cooperation and Development (OECD).

To support the implementation of *self assessment* system and improving Taxpayer compliance, Directorate General of Taxes (DGT) should have tools to detect the possibility of non-compliance or irregularities performed by the Taxpayer. In order to improve the guidance and supervision of the Taxpayer by the Tax Office, the Head Office of Directorate General of Taxes has prepared the ratio of *total benchmarking*.

Several researches report the discrepancy between the *benchmarking* ratio on companies listed on the Indonesian Stock Exchange and the results of research by Damayanti and Adiritonga (2011) indicate the difference of each ratio, the biggest difference is in the Dividend Payout Ratio (DPR) which is in average of 31.50% far below the *benchmark*. While the smallest difference is in the Rent (s) ratio in average of 0.13% below the *benchmark*. The research result of Sarjono (2014) showed that for Business Classification of Foreign Exchange Bank and Business Classification of Insurance, the biggest ratio difference was on interest expenses, and the biggest ratio difference of Business Classification of Consumer Finance was in other business costs. While other *benchmarking* ratio showed fairly similar values from the calculation result. Based on the fact above, this research was conducted to identify whether the total *benchmarking* ratios issued by Directorate General of Taxes is different or similar to the ratios of Indonesian Taxpayer. In this study, the companies under study were

pharmaceutical companies listed on the Indonesia Stock Exchange from 2011 to 2015.

Benchmarking can also be used by the Directorate General of Taxes (DGT) as a mean to assess the Taxpayers compliance in implementing their tax obligations as well as identifying and minimizing *tax evasion* (Andrias dan Tjondro, 2013). Rusydi and Kusumawati (2010) states that one of the new innovations introduced by the Directorate General of Taxes to detect taxpayer fraud is by issuing Circular Letter Number 96/PJ/2009 October 5, 2009 on *Total Benchmarking Ratio and Utilization Instructions*. Directorate General of Taxes develops a more moderate pattern in detecting Taxpayer compliance that is by applying the *benchmark*. This pattern is a practical indicator tester, it is facilitating the tax officer to detect and analyze the fairness of taxpayer fulfillment. It resembles a *lie detector* function for Taxpayers. Based on the background and several previous studies, then the research problems in this research are formulated as follows (a) is there any difference between the pharmaceutical companies' calculation ratio and the benchmarking ratio established by the Directorate General of Taxes? (b) How can *benchmarking* ratio detect *tax evasion* of pharmaceutical companies?

Research Methods

Types of Research

This was a descriptive research with quantitative approach. Descriptive research in this research was intended to obtain the description of the differences of the company calculation ratio from 2011-2015 with the benchmarking ratio established by the Directorate General of Taxes, as well as to determine how the benchmarking ratio could identify *tax evasion* performed by a company.

Research Sample and Population

The population of this research were Pharmaceutical Companies listed on the Indonesian Stock Exchange. Sample selection method used in this research was *purposive sampling* method. The criteria used in determining the research a sample were:

- a. the sample was pharmaceutical company listed on the Indonesian Stock Exchange from 2011 until 2015
- b. the sample was pharmaceutical company that did not experience losses from 2011 until 2015

Sample selection process based on predetermined criteria resulted in a total of 35 data with observation period for 5 years (2011-2015). Below is the following sample selection procedure.

Table 1. Sample Selection Process

The population of pharmaceutical companies	10
Less pharmaceutical companies newly listed in 2013	(1)
Less pharmaceutical companies that were experiencing losses in 2011-2015	(2)
Total of selected samples	7

Data Collection

The data collection was conducted by performing documentation technique. The data in this research was secondary data obtained from the Capital Market Reference Center (PRPM) of Indonesia Stock Exchange, especially for financial statement and *annual report* data of banking companies in 2011, 2012, 2013, 2014 and 2015, as well as *the Website* of Indonesia Stock Exchange (www.idx.co.id).

Data Analysis Techniques

In this research, the data were analyzed by:

1. Conducting ratio calculation covering 12 ratios of *total benchmarking*:
 - a. Gross Profit Margin (GPM) is the ratio between gross profit to sales;
 - b. Operating Profit Margin (OPM) is the ratio between net profit from operating to sales;
 - c. Pretax Profit Margin (PPM) is the ratio between net profit before being subject to income tax to sales;
 - d. Corporate Tax to Turn Over Ratio (CTTOR) is the ratio between income tax payable to sales;
 - e. Net Profit Margin (NPM) is the ratio between net profit after income tax to sales;
 - f. Dividend Payout Ratio (DPR) is the ratio of the amount of paid cash dividends to net income after tax;
 - g. Ratio of salary to sales (g);
 - h. Ratio of rental cost to sales (s);
 - i. Ratio of depreciation cost to sales (py);
 - j. Other input ratio to sales (x);
 - k. Ratio of external income to sales (pl); and
 - l. Ratio of external cost to sales (bl)
2. Identifying the difference of each ratio with the *benchmarking ratio* by applying *one sample t test*.
3. Analyzing which ratios below and above *the benchmarking ratio*.
4. Applying Total *Benchmarking Ratio* to Detect the *Tax Evasion*.
In this research, the tested aspects by *benchmarking* are:
 - a. Operating Cost
 - b. Fiscal Correction
 - c. External Income and Cost
 - d. Object of Withholding Income Taxes

Definitions of Operational and Variables Measurement

In this research, there are three groups of ratio that will be calculated and compared, they are operational performance ratio, input ratio and external activities ratio. The definition and measurement of each ratio are as follows.

a. Operational Performance Ratio

1. Gross Profit Margin (GPM)

Gross Profit Margin (GPM) is comparison between gross profit to Sales. GPM is calculated as follows:

$$\text{GPM} = \frac{\text{Gross profit}}{\text{Sales}} \times 100\%$$

Sales

$$\text{or } \frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Sales}} \times 100\%$$

Sales

2. Operating Profit Margin (OPM)

Operating Profit Margin (OPM) is comparison between net profit from operation to Sales. OPM is calculated as follows:

$$\text{OPM} = \frac{\text{Net profit from operation}}{\text{Sales}} \times 100\%$$

Sales

3. Pretax Profit Margin (PPM)

Pretax Profit Margin (PPM) is comparison between net profit before taxes to Sales. PPM is calculated as follows:

$$\text{PPM} = \frac{\text{Net profit before tax}}{\text{Sales}} \times 100\%$$

Sales

4. Corporate Tax to Turn Over Ratio (CTTOR)

Corporate Tax to Turn Over Ratio (CTTOR) is the ratio of Income Tax payable to Sales. CTTOR is calculated as follows:

$$\text{CTTOR} = \frac{\text{Income tax payable}}{\text{Sales}} \times 100$$

5. Net Profit Margin (NPM)

NPM is calculated as follows:

$$\text{NPM} = \frac{\text{Net profit after tax}}{\text{Sales}} \times 100\%$$

6. Dividend Payout Ratio (DPR)

Dividend Payout Ratio (DPR) is the ratio of dividend payout value to net profit. DPR is calculated as follows:

$$\text{DPR} = \frac{\text{Cash Dividend Payment}}{\text{Net profit after tax}} \times 100\%$$

b. Input Ratio

7. Salary/Sales Ratio (g)

Salary/Sales Ratio (g) is ratio between the total of salary, wage and benefits and the like that is expensed in a year to Sales. Salary/Sales is calculated as follows:

$$g = \frac{\text{Total of Salary}}{\text{Sales}} \times 100\%$$

8. Rent/Sales Ratio (s)

Rent/Sales Ratio is ratio between total rental cost and royalties to Sales. Rent/Sales Ratio is calculated as follows:

$$s = \frac{\text{Total Rental Cost}}{\text{Sales}} \times 100\%$$

9. Depreciation/Sales Ratio (py)

Depreciation/Sales Ratio is ratio between total depreciation cost and amortization to Sales. Depreciation/Sales Ratio is calculated as follows:

$$py = \frac{\text{Total Depreciation Cost}}{\text{Sales}} \times 100\%$$

10. Other Input Ratio (x)

Other Input Ratio is ratio between the total of costs expensed in a book year other than salary/wage, rental, interest, depreciation, and external cost of business to Sales. Other Input Ratio/Sales is calculated s follows:

$$x = \frac{\text{Total other expenses}}{\text{Sales}} \times 100\%$$

c. External activities of business ratio

11. External Activity of Business/Sales Ratio (pl). External Activity of Business/Sales Ratio is ratio between total income from outside of business to Sales. External Activity of Business/Sales Ratio is calculated as follows:

$$pl = \frac{\text{Income from outside of business}}{\text{Sales}} \times 100\%$$

12. External Cost of Business/Sales (bl)

External Cost of Business/Sales Ratio is ratio between total of External Cost of Business to Sales. External Cost of Business/Sales is calculated as follows:

$$bl = \frac{\text{External Expense of Business}}{\text{Sales}} \times 100\%$$

Hypothesis Testing

Criteria of the testing are: H0 is accepted if $t_{table} < t_{count}$ and H0 is rejected if $t_{count} < t_{table}$ or $t_{count} > t_{table}$. The testing used two-sided test with the significant level $\alpha = 5\%$. In this case, the significant level means taking the incorrect risks in making decision to reject the correct hypothesis by as much as 5%.

Analysis and Discussion

The Result of Hypothesis Testing

In this section, the results of the test of the average value on each ratio with the total ratio of *benchmarking* set will be described. This test applied *one sample t test*. Table 3 is the summary of the test:

Table 3. Test Result of the Distinction Based on the Ratio

Variable	Bench marking Ratio	N	Average	Difference	t	P
GPM	0.5396	35	0.5002	-0.0394	1.990	0.055
OPM	0.1799	35	0.1679	-0.1200	0.581	0,565
PPM	0.2152	35	0.1709	-0.0443	2.002	0,053
CTTOR	0.0579	35	0.0423	-0.0156	2.835	0.008
NPM	0.1555	35	0.1297	-0.0258	1.535	0.134
DPR	0.1882	35	0.4032	0.2150	3.860	0.000
G	0.1288	35	0.1366	0.0078	0.845	0.404
S	0.0153	35	0.0164	0.0011	0.563	0.577
py	0.0274	35	0.0234	-0.0040	2.351	0.025
X	0.2875	35	0.2498	-0.0377	1.752	0.089
Pl	0.0562	35	0.0093	-0.0470	28.042	0.000
bl	0.0210	35	0.0049	-0.0161	13.410	0.000

Source: Processed Data

Discussion

Operational Performance Ratio

Comparison of operational performance ratio covers comparison of ratio of GPM, OPM, PPM, CTTOR, NPM and ratio of DPR with ratio of total *benchmarking*. The discussion of operational performance ratio of pharmaceutical companies during 2011-2015 are as follows:

a. GPM Ratio

The GPM ratio shows the amount of proportion of companies remaining after it is used to cover the costs to produce or obtain sold products (HPP). The value of GPM ratio of companies is assessed as good if it is at least equal or above the ratio value of GPM *benchmarking*. The research result shows that the average of GPM ratio is 50.02%, below *benchmarking* ratio of 53.96% with the difference of 3.94%. T test value of 1.990 ($p > 0.05$) describes that GPM ratio is slightly different from *benchmarking* ratio. This test result provides information that the companies have not been efficient in utilizing the costs related to the production cost.

b. OPM Ratio

The OPM ratio shows the amount of the proportion of company sales remaining after it is used to cover all company operating costs. The higher value of OPM indicates that the company is more efficient in utilizing the costs incurred to generate sales. The test result shows that the average OPM is 16.79% below the *benchmarking* ratio of 17.99% with the difference of 12.00%. T test value of 0.581 ($p > 0.05$) describes that OPM ratio is slightly different from *benchmarking* ratio. This test result provides information that OPM ratio of

pharmaceutical companies have not been efficient in utilizing the operating costs.

c. PPM Ratio

The PPM ratio shows the amount of net profit of the companies to sales. In this case, net profit is the net profit before taxes which is the additional value of Net Profit from Operation and External Income of Business, less the External Cost of Business. The test result shows the average PPM of 17.09%, above the *benchmarking* limit 21.52% with the difference of 4.44%. T test value of 2.002 ($p > 0.05$) describes that the OPM ratio is slightly different from *benchmarking* ratio. This test provides information that the level of net profit generated by pharmaceutical companies is low whether from their operating activities or other activities.

d. CTTOR Ratio

The CTTOR ratio shows the amount of income tax payable in one year to sales made by the companies. The higher CTTOR value shows the bigger amount of sales result proportion of the companies that is utilized for paying the income tax. The test result shows the average CTTOR of 4.23%, below the *benchmarking* ratio of 5.79% with the difference of 1.56%. T test value of 2.835 ($p < 0.05$) describes that CCTOR ratio is different significantly from *benchmarking* ratio. This test result provides information that the sales result proportion of companies that is utilized to pay income taxes is lacking.

d. NPM Ratio

The NPM ratio shows that the after-tax Net profit calculated by subtracting income tax payable in accordance with the applicable laws and regulations to net profit of the companies. The higher NPM value shows the greater companies' ability in generating profit for the owner (shareholders). The test result shows that the average NPM is 12.97%, below the *benchmarking* ratio of 15.55% with the difference of 2.58%. T test value of 1.535 ($p > 0.05$) describes that NPM ratio is different not significantly from the *benchmarking* ratio. This test result provides information that the ability of the companies in generating profit for the owner (shareholder) is lacking.

e. DPR Ratio

DPR ratio shows the amount of net profit proportion distributed to the shareholder in form of cash dividend. The value of DPR ratio of companies is considered good if it is above the value of DPR *benchmarking* ratio. The test result shows that the average DPR ratio is 40.32%, above the limit of *benchmarking* ratio of 18.82% with the difference of 21.5%. T test value of 3.860 ($p < 0.05$) describes that the DPR ratio is different significantly from *benchmarking* ratio. This test result provides information that net profit

proportion distributed to the shareholder in form of cash dividend is great in number.

Input Ratio

a. g ratio

The g ratio shows the amount of sales result proportion utilized to pay the employees such as salary, wage, benefit and/or others payment related to the use of workforce. The higher g value shows that a company needs a higher labor costs. The test result shows that the g ratio is 13.66%, above the *benchmarking* ratio of 12.88% with the difference of 0.78%. The t test value of 0.845 ($p > 0.05$) describes that the g ratio is slightly different from the *benchmarking* ratio. This test result provides information that the sales results utilized to pay the employees such as salary, wage, benefit and/or others payment related to the use of workforce is greater.

b. s ratio

The s ratio shows the rental cost comparison to sales which is the ratio between total rental cost and royalty to the sales. The higher s value shows that a company incurs greater rental cost and or royalty used. The test result shows the average s ratio of 1.64%, above the *benchmarking* ratio of 1.53% with the difference of 0.11%. The t test value of 0.563 ($p > 0.05$) describes that s ratio is slightly different from *the benchmarking* ratio. This test result provides information that the companies incur higher rental cost and or royalty used.

c. py ratio

The py ratio shows the comparison of depreciation to sales that is the ratio between total of depreciation cost and amortization to the sales. The higher py value shows that a company incurs greater depreciation cost and or amortization. The test result shows the average py ratio is 2.34%, below the *the benchmarking* ratio of 2.74% with the difference of 0.40%. The t test value of 2.351 ($p < 0.05$) describes that py ratio is different significantly from *the benchmarking* ratio. This result provides information that the companies incur low depreciation cost and or amortization. Pharmaceutical companies prefer to rent some of its fixed assets, resulting in lower depreciation cost. This result is in accordance with the test result of s ratio, that is the companies spend more on rental cost.

d. x ratio

The x ratio or other input ratio is the ratio between the total of cost expensed in a book year other than salary/wage, rental, interest, depreciation, and external cost of business to sales. The higher x value shows that a company incurs higher cost other than salary/wage, rent, interest, depreciation, and

external expense of business costs. The test result shows the average ox ratio of 24.98%, below the *benchmarking* ratio of 28.75% with the difference of 3.77%. The t test value of 1.752 ($p > 0.05$) describes that x ratio is slightly different from *benchmarking* ratio. This test result provides information that the companies incur a little General cost, Sale cost, and/or Administration cost.

External Activities of Business Ratio

a. pl ratio

The pl ratio is ratio between total income from outside business to sales. The pl ratio shows the amount of income proportion from the activity which is not directly related to company business. The higher pl value shows that a company pays higher external income of business. The test result shows that the average pl ratio is 0.93%, below the *benchmarking* ratio of 5.62% with the difference of 4.70%. The t test value of 28.042 ($p < 0.05$) describes that pl ratio is different significantly from *benchmarking* ratio. This test result provides information that the operating income which is not directly related to the company business is lower.

b. bl ratio

The bl ratio is ratio between total external costs of business to the sales. The higher bl value shows that a company incurs higher cost outside of the business. The test result shows the average of bl value of 0.49%, below the *benchmarking* ratio 2.1% with the difference of 1.61%. The t test value of 13.410 ($p < 0.05$) describes that bl ratio is different significantly from the benchmarking ratio. This test result provides information that the companies did not incur great amount of cost for outside of the business. This result is in accordance with the test result of pl ratio showing the low external income of business, then it is reasonable that the costs outside the business are also low.

The Use of Total *Benchmarking* Ratio to Detect *Tax Evasion*

In this research, the tested aspects by *benchmarking* includes:

- a. Business Costs
- b. Fiscal Correction
- c. Income and External Costs of Business
- d. Object of Withholding Income Tax

a. Business Costs

Business Cost covers Cost of Goods Sold and Other Business Costs. The following is a comparison of the average ratio of pharmaceutical companies' business costs with *benchmark* ratio for 2011 - 2015:

Table 5 the Comparison Business Cost Ratio

No	Description	<i>Benchmark</i>		
		Company	Ratio	Difference
1	Cost of Goods Sold (100% - GPM)	49,98%	46,04%	3,94%
2	Others Business Cost (GPM - OPM)	31,45%	33,23%	-1,78%
3	Total of Business Cost (1+2)	81,43%	79,27%	2,16%

Source: Processed Data

Based on the above comparison, it is known that the operational performance of companies is below the *benchmark* because the Business Cost of companies is 2.16% above the *benchmark*. The great amount of business cost is due to the Cost of Goods Sold (HPP) which is 3.94% above the *benchmark*. Therefore, the investigation should be focused more on the Cost of goods sold (HPP) components.

To learn more about which components in Cost of Goods Sold requires further research, the steps to take are as follows:

1. Comparing the ratio of Salary/Sales (g), Depreciation/Sales (py), Rent/Sales (s), and Other Input (x) of companies with the benchmarking ratio.
2. Calculating the ratio of Material Use (Merchandise)/Sales of the companies by using formula: $(1-OPM) - (g + py + s + b + x)$ and compare it with *benchmark* value.
3. Conducting Analysis on the calculation result and comparing step 1 and 2 to determine which cost components of the business costs requires in-depth research. Summary of step 1 and 2 are presented in table 6 below:

Table 6 Details of Business Cost Comparison

No	Explanation	Ratio		
		Companies	<i>Benchmark</i>	Difference
1	Cost of Goods Sold (100% - GPM)	49,98%	46,04%	3,94%
2	Other Business Cost (GPM - OPM)	31,45%	33,23%	-1,78%
3	Total of Business Cost (1+2)	81,43%	79,27%	2,16%
Details of Business Cost				
4	Salary (g)	13,66%	12,88%	0,78%
5	Rent (s)	1,64%	1,53%	0,11%
6	Depreciation (py)	2,34%	2,74%	-0,40%
7	Other Input (x)	24,98%	28,75%	-3,28%

8	Amount of (4 up to 7)	42,62%	45,90%	-3,92%
9	Material Use (3 - 8)	38,81%	33,37%	1,68%
10	Total (8 + 9)	81,43%	79,27%	2,16%

Source: Processed Data

The data on Table 6 provides information as follows:

- The g ratio of companies is higher than the *benchmark*, it may be due to the companies hiring more employees or paying higher salary.
- The py ratio of companies is lower than the *benchmark*, it may be because the companies did not invest in form of capital good in recent years.
- The s ratio of companies is higher than the *benchmark*, it may be due to the companies relying more on assets rent from other parties in the company's operations than buying the assets on their own.
- The ratio of material use to the Sales indicates 1.68% above the *benchmark*. It means that the Taxpayer is more inefficient in using the raw materials and/or components. Another possibility is due to the expensive material.

From the differences mentioned above, it seems like The Use of Materials/Sales to *benchmark* have highest level of risk incorrect acceptance. It is fathomed that *tax evasion* was performed by manipulating the purchase value of raw materials and/or components to raise the inventory value resulting in the increase of Cost of Goods Sold. Therefore, the investigation should be focused on the accounts related to the materials purchase and use.

b. Fiscal Correction

The income tax payable in a tax year shall be calculated by multiplying the applicable tax rate with the Taxable Income. Basically, the Taxable Income value is Commercial Profit of the Companies adjusted to the amount of fiscal correction whether it is Positive Fiscal Correction or Negative Fiscal Correction, as well as considering the amount of losses compensation of the previous year, if any. *Benchmarking* ratio can also be used to test if the value of total fiscal correction of a company considered as fair or not compared to the *benchmark* of the similar business type. The fairness can be assessed by comparing the Income Tax ratio payable/Net profit of companies with the *benchmark*. Those ratios can be calculated by dividing CTTOR to PPM. Here is the ratio comparison of CTTOR to PPM of companies with *benchmark*:

Table 7 Ratio Comparison of CTTOR to PPM

No	Description	Benchmark		Difference
		Companies	Ratio	
1	CCTOR	4,23%	5,79%	-1,56%

2	PPM	17,09%	21,52%	-4,43%
3	CCTOR/PPM	24,75%	26,90%	-2,15%

Source: Processed Data

CTTOR/PPM of companies is lower than the *benchmark*. It means that the fiscal correction performed by tax payer is above the *benchmark*. This comparison result must be analyzed carefully whether the corresponding companies performs losses compensation as well, before drawing a conclusion that there is a Positive/Negative Fiscal Correction indication performed which is lower than it should be.

c. Income and External Costs of Business

The testing of external income and cost of business is performed by comparing external income and cost of business to the *benchmark ratio*. Here is the comparison of external income and cost of business:

Table 8 Comparison of External income and External Cost of Business

No	Description	Benchmark		
		Companies	Ratio	Difference
1	External income of business (pl)	0,93%	5,62%	-4,69%
2	External cost of Business (bl)	0,49%	2,10%	-1.61
3	Net (pl-pb)	0,44%	3,52%	-3,08%

Source: Processed Data

The comparison result shows that the External Net Income of the companies is below *benchmark*, with both of pl and bl values are below the *benchmark*. Since the net of External Income of Business is below the *benchmark*, a further investigation of the external income of business should be the priority. The detection of *tax evasion* should be conducted by further investigating the income and external cost of business.

d. Object of Withholding Income Taxes

The testing is performed by comparing the ratios concerned with object of Withholding Income Taxes to the *benchmark*. In this research, the compared ratio covers Salary/Sales ratio (g) on object of Income Tax Article 21, and Rent/Sales ratio on object of Income Tax Article 23 and Article 4 paragraph (2).

Here the comparison table of ratios related to object of Withholding of Income Taxes to the *benchmark*.

Table 9 the Comparison of Ratio related to Object of Cuts and Collections of Income Tax

No	Description	Benchmark		
		Companies	Ratio	Difference
1	Salary (g)	13,66%	12,88%	0,78%
2	Rent (s)	1,64%	1,53%	-0,11%
3	Other Input (x)	28,75%	24,98%	3,77%

Source: Processed Data

Table 9 above suggests that the salary ratio (g) is above the *benchmark*. It indicates that the potential for Income Tax Deduction of article 21 has been performed optimally. Other input ratio (x) is also above the *benchmark*. It indicates that the potential of Income Tax Deduction of article 23 has been performed optimally. It also applicable for the rent ratio (s) that the potential for Income Tax Deduction of article 21 has been performed optimally.

Conclusion and Suggestions

Form the aspects of business cost, the analysis result shows that the operational performance of the companies remains below the *benchmark* since the business cost is above the *benchmark*. The great number of the business cost is in account for the Cost of Goods Sold that is above the *benchmark*. Therefore, the investigation needs to be focused on the Cost of Goods Sold components. The analysis result also shows the difference of the Material Use/Sales to *benchmark* is at the highest level of incorrect risk acceptance. Consequently, the investigation needs to be focused on the accounts related to the purchase and the use of materials.

From fiscal correction aspect, it shows that CTTOR/PPM of the companies is under the *benchmark*. It means that fiscal correction performed by tax payer is above the *benchmark*. From the external income and cost of business aspect, it shows that the Net of External Income of Business of companies is below the *benchmark*, with both of p1 and b1 values are below the *benchmark*. Since the net of External Income of Business above is below the *benchmark*, a further investigation of the external income of business is the priority. Detection of non-compliance should be performed through further investigation of external income and expenses of business. From the Object of Withholding of Income Taxes, the salary ratio (g), other input ratio (x), and rent ratio (s) aspects are above the *benchmark*. It indicates that the potential for Income Tax deduction of article 21, 23 has been performed optimally.

Based on the analysis result and discussion of this research, several suggestions can be put forward as follows:

- a. The Directorate General of Taxes should conduct a continuous research and adjustment to determinate the benchmarking ratio, so that the function of the benchmarking ratio as one of the tools in detecting non-compliance tax can be adjusted with the change and the development of taxpayers' business.
- b. For the companies/taxpayers, with the *benchmarking* ratio established by Directorate General of Tax, it can be used as a reference in assessing their financial performance.
- c. Future research on similar topics can be conducted using sample of companies from other business sector, as well as comparing all types of ratios set forth in the Total of Benchmarking ratio.

Limitations

The researcher is aware of some limitations in this research:

- a. The assessment of financial performance in the fulfillment of tax obligations can be performed by comparing the companies' financial ratios with the benchmarking ratio of Directorate General of Taxes. The financial ratios used as the basis for comparison comprising 14 ratios, they are: *Gross Profit Margin (GPM)*, *Operating Profit Margin (OPM)*, *Pretax Profit Margin (PPM)*, *Corporate Tax to Turn Over Ratio (CTTOR)*, *Net Profit Margin (NPM)*, *Dividend Payout Ratio (DPR)*, *Income Tax Ratio (pn)*, *Salary/Sales Ratio (g)*, *Interest/Sales Ratio (b)*, *Rent/Sales Ratio (s)*, *Depreciation/Sales Ratio (py)*, *External Income of Business/Sales Ratio (pl)*, *External Cost of Business/Sales Ratio (bl)*, and *Other Input Ratio (x)*. From the 14 (fourteen) ratios, the Income Tax ratio (pn) was not be tested since this research was limited on the Income Tax. Therefore, PPN ratio was not be used.
- b. In addition, Interest Cost/Sales (b) was also not be tested since there was no interest cost found in the income statement and notes to the financial statement of the sample. Meanwhile the definition of Interest Cost/Sales ratio (b) in Total of Benchmarking Ratio is the total interest cost to Sales, excluding the interest charged as non-business expenses (*other expenses*).

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