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Managing Value Added Tax Issues in Indonesian Business Entities post-IFRS 15 Adoption

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Abstract. This study analyzes challenges related to value-added tax (VAT) transactions in Indonesia following the convergence of International Financial Reporting Standards 15 (IFRS 15) into Statements of Financial Accounting Standards 72 (SFAS or "PSAK" 72). This study took a qualitative method, combining document abstraction from the literature and in-depth interviews with key informants selected purposively. This study provides an overview of the characteristics of transfer of control under PSAK 72 and the time of supply under the VAT Law. It is unavoidable that the two approaches go different paths. This study suggests that businesses in Indonesia revise the contract terms with customers to contain explicit clauses regarding the time of supply in order to alleviate incompatibilities between the two approaches. It also encourages that new contracts with customers incorporate and ensure the inclusion of each party's VAT obligations. Due to the lack of a uniform standard for commercial interests and tax administration, business entities should undertake the initiative to ensure legal certainty through contractual arrangements by containing adequate information for tax purposes. The significance of this work lies in its attempt to reconcile the accounting and taxation distinctions using an Indonesian context as a lens. Although the implementation of tax law varies according to jurisdiction, the notion of time of supply is applied universally, making this study important as a precedent for situations in other countries.

Keywords: Contracts, IFRS 15, PSAK 72, Value-added Tax

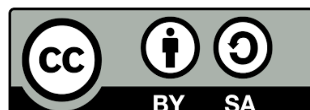
INTRODUCTION

During the convergence of IFRS with national accounting standards, the issue of state intervention and other issues such as lack of modification when IFRS was adopted commonly emerged (Guerreiro et al., 2020). Bolivia and Guatemala are two countries that may have lacked convergence with IFRS (Carneiro et al., 2017). Accounting standards in these two countries, which employ instrumental logic regarding taxation, require business entities to adhere to accounting standards determined by tax legislation. The issue is that taxpayers will find it prohibitively expensive to operate two systems (accounting and tax) concurrently (Uzma, 2016). To some extent, when these countries' governments consistently enforce their laws, the greater flexibility that firms now have in reporting earnings and taxes for management and taxation purposes will be reduced (Damayanti, 2019).

Several emerging economies have adjusted their IFRS to handle domestic challenges such as financial regulation, taxation, and economics. China and India were two of these countries (Uzma, 2016). These actions are necessary because the accounting paradigm's application in IFRS cannot be separated from the inherent difficulties and problems. According to a study conducted in South Korea, IFRS adopters achieve higher earnings quality and lower debt costs than non-IFRS adopters (Lee et al., 2015). Other research proves that the tendency to accept IFRS adoption is high in countries with high economic growth rates, democratic political systems, common law systems, high economic openness, and high levels of education (Roekhudin, 2020).

In response to the global adoption of IFRS, including IFRS 15, the Indonesian Institute of Accountants ("IAI"), on July 26, 2017, enacted PSAK 72, which had been taken effect since January 1, 2020. PSAK 72 replaces some PSAKs and ISAKs (Interpretation of Financial Accounting Standards). PSAK 23 on Revenue; PSAK 34 on Construction Contracts; ISAK 10 on Customer Loyalty Program; ISAK 21 on Real Estate Construction Agreements; ISAK 27 on Customer Asset Transfer; and PSAK 44 on Accounting for Real Estate Development Activities were amended and replaced (IAI, 2017).

It is critical to remember that taxes collected on behalf of the tax authority, such as VAT, excise duty, or sales tax, are excluded from the revenue recognition under IFRS 15 (Kalavacherla et al., 2019). The entity evaluates whether it is primarily responsible for paying taxes or collecting the amount from the



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customer on behalf of the tax authorities to determine how to account for VAT. This conclusion is determined after examining the applicable regulatory requirements on a country jurisdiction level. Accounting for VAT varies according to the varied tax regimes in different jurisdictions. This could result in firms within a multinational group accounting differently for other VAT levies. Depending on the application of legal or regulatory criteria, determining whether the entity is principally accountable for the tax may involve considerable judgment. However, since VAT is mostly collected on a destination principle, it enables a jurisdiction to collect VAT on goods or services consumed locally (Rini & Murwendah, 2020).

The tax implications of PSAK 72 can be examined from two perspectives, namely income tax and VAT (Saptono & Khozen, 2021b). Technically, revenue recognition refers to the point in time at which revenue is recognized, while the quantity of revenue recognized is related to the valuation basis. The Indonesian Income Tax Law, in general, does not prescribe the time of revenue recognition in detail. Thus, following Article 28 of the Law on General Provisions and Tax Procedures (UU KUP), accounting rules apply. In this scenario, the existence of PSAK 72 should have little effect on how income tax is treated concerning the "time" of revenue recognition. PSAK 72, on the other hand, is bound to complicate VAT matters, as the VAT Law is predicated on the concept of supply (delivery). In contrast, PSAK 72 emphasizes the transfer of control over goods or services to customers. The problem is that the time of supply does not necessarily coincide with the date of the transfer of control.

The transfer of control from the entity to the customer is one of the new revenue recognition approaches under PSAK 72. However, utilizing the time of control as the foundation for revenue recognition is frequently challenged. Article 13 paragraph (1a) of the VAT Law employs the phrase delivery, with a wide range of interpretations. Although advanced technical arrangements have been made according to Article 17 of Government Regulation (GR) No. 1/2012 and its implementing regulations, the details of "on delivery" under these provisions continue to be a source of contention due to divergent perspectives between taxpayers/tax consultants and tax officers.

Since PSAK 72 almost fully adopts IFRS 15, examining IFRS 15 is necessary to comprehend PSAK 72. IFRS 15 was developed in collaboration between the FASB and the IASB. The IASB publishes International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), while the FASB publishes US GAAP. In comparison to IAS 8 as the previous revenue recognition standard, IFRS 15 provides guidance that is more prescriptive in nature (Levanti, 2020). The new measures could major impact how companies implement their revenue recognition procedures. IFRS 15 establishes an entirely new revenue recognition model based on a single principle applicable to all contracts (Berchowitz & Whitehead, 2014).

Numerous studies have also been conducted concerning the implementation of IFRS 15. Boujelben and Kobbi-Fakhfakh (2020) investigated the compliance of 22 firms on the European Union peninsula with IFRS 15 disclosure requirements in the telecoms and construction industries in their 2018 annual reports. The analysis discovered that not all firms comply with IFRS 15's mandatory disclosure requirements. According to Van Wyk and Coetsee (2020), uncertainty in estimation and judgment are critical areas that must be disclosed. Regulators are urged to offer sufficient advice on applying the new standard (Boujelben & Kobbi-Fakhfakh, 2020). Concerning the telecommunications sector's influence, a study by Ferreira (2020) indicates that contract costs and depreciation have the most significant impact, indicating a reduction in net profit that varies in the opposite direction of the overall sample. The telecoms business is one of the industries that will be heavily impacted by IFRS 15 (Tutino et al., 2019).

Trabelsi's (2018) analysis on the Real Estate sector, using a sample from Dubai, demonstrates that the application of IFRS 15 boosted earnings and shareholder equity as financial indicators. The revenue recognition and measurement gap created by IRFS 15 is relatively minor (Napier & Stadler, 2020). The single concept of revenue recognition eliminates the management gap in developing revenue recognition accounting regulations, ensuring that each business employs the same technique of revenue recognition. Regulators and management must conduct thorough analyses and monitor the new principles' application and implications (Tutino et al., 2019). Essentially, the literature has shown more value of IFRS 15 than the previous standard.

However, the literature debate over the implementation of IFRS 15 and tax aspects is relatively scarce, possibly because tax and accounting systems in different countries are not identical. Fortunately, they are still detectable, particularly in the context of Indonesia. Herliana et al. (2019) conducted a tax analysis of PSAK 72, focusing on the telecommunications industry and its income tax implications. Prior studies expanded the scope of the analysis by incorporating income tax and VAT (Saptono & Khozen, 2021b). As is the case with the study's introductory paragraphs, it offers only a brief analytical description of each subject. Thus, the current study broadens the scope of the inquiry by focusing on the VAT analysis that originated following the implementation of PSAK 72 in Indonesia. The study's limitation is that, although PSAK comprises multiple configurations, it is limited to PSAK 72.

RESEARCH METHOD

This study analyzes the disparity between the time of supply approach under Indonesian VAT Law and the transfer of control under PSAK 72. It employs a qualitative methodology in conjunction with a descriptive approach. The authors' observations are the initial

step in conducting this study. This is accomplished by collecting data on issues concerning relevant subjects that arise in the field. Because the research is primarily qualitative descriptive, this study will probably lean toward content analysis. However, it will not quantify the data coding, even though this is permissible in this approach (Vaismoradi et al., 2013). We do content analysis on the items collected, mainly consisting of documents and interview transcripts. The documents referenced in this study are from literature relevant to the topic we are examining, mostly from scientific articles and books. We thoroughly searched the literature using the following keywords: IFRS/PSAK, IFRS 15, and VAT. Based on available information, we conclude that the VAT issue following IFRS 15 has not been considered coherently. We advance our contribution by presenting an accounting and taxation perspective; in this case, the concept of transfer of control and time of supply, which we derived from the literature and in-depth interviews.

We purposively conducted the interviews with five informants representing a range of stakeholders and hold a Chartered Accountant qualification. They were a policymaker from the Directorate General of Taxes (DGT) (A01), an IAI former standard-setter (B01), an academician (C01), a practitioner of a go-public company having adopted PSAK 72 early (D01), and a tax consultant (E01). We interviewed standard-setters to ensure that the IFRS 15 adaptation to PSAK 72 adheres to certain standards. As a result of his role in enforcing financial reporting regulations, an informant representing policymaker was an obvious choice. We also spoke to an academic to acquire a deeper grasp of the subject matter. In addition to his position in the company, the tax manager was chosen because his company implemented PSAK 71 early.

The data analysis in this study follows Miles et al. (2014), who divide into three distinct activity flows: (1) data condensing, (2) data display, and (3) conclusion verification. Figure 1 shows the content analysis method we utilized based on Erlingsson and Brysiewicz (2017). The starting point is to read through the entire interview transcripts from beginning to end. Splitting the text into smaller parts or units of meaning was the second step in the process. Afterwards, we condense them further while maintaining their essential qualities. The next stage is to code and then categorize the condensed meaning units. A higher level of abstraction and theme building

Figure 1. Data analysis examples from lower to higher levels of abstraction

Higher levels of abstraction ↑ Lower levels of abstraction		
Overarching theme	Sales declared in VAT return may be higher than sales in trial balance/P&L. For instance, the performance obligation is not fully met, whereas the cash payment is received.	The compliance costs remain high since accounting and tax principles have not yet reached a point of convergence.
Theme	Differences in revenue recognition between accounting and taxes	Toward convergence of accounting and taxes
Category	Performance obligation and revenue recognition	Separate principles and the cost of compliance
Code	Revenue recognition	Accounting and tax principles
Condensed meaning unit	Because of the performance obligation, revenue recognition will be smaller than recognition for tax purposes	Brought accounting and tax principles closer to reduce reconciliation or compliance cost
Meaning unit	"Regarding the performance obligation, it seems that the revenue recognition will be smaller, while the tax recognition remains large since there is no adoption of IFRS itself."	"If accounting and tax principles can be brought closer, the reconciliation will no longer be significant. Imagine how much compliance costs can be reduced."

can begin after this. Due to this technique, we are not always required to directly quote informants.

RESULT AND DISCUSSION

Based on data analysis, we would like to begin by highlighting the differences between PSAK 72 and the VAT Law, which we have discovered through data analysis: transfer of control and time of supply. Most of these results are generated through document analysis and practical observations, though we also include some findings derived from interview abstractions. In the next section, we provide extensive abstractions for discussing the strategies that business entities are required to employ, possibly with changes on the part of policymakers, to address the discrepancy between VAT Law and PSAK 72.

Transfer of control under PSAK 72

Revenue recognition has experienced the most profound change since IAS 11 was introduced, shifting from revenue-cost matching to transfer of control (Van Wyk & Coetsee, 2020). When it comes to each contract with customers, revenue is recognized when the customer gains ownership of the promised goods or services, not when transferring risks and rewards (Berchowitz & Whitehead, 2014). According to PSAK 72, revenue recognition occurs at the fifth stage, namely, when control of the assets subject to the transaction has been transferred (Saptono & Khozen, 2021b).

Assets can be transferred in any form, including tangible products, fixed assets, inventories, or even temporary assets (services). The salient element of PSAK 72 paragraph 31 is the emergence of the transfer of control approach. The supplier and the buyer exchange control, and the terms "entity" and "customer" are used interchangeably in this standard. Because physical products are more easily identifiable, determining their transfer of control is more straightforward than with services. To account for these distinctions, PSAK 72 offers two distinct modes of transfer of control: over time and at a point in time (IASB, 2014).

Revenue is recognized over time if the entity meets one of the three conditions specified in paragraph 35 PSAK 72. To begin, the customer receives and consumes the benefits offered by the entity concurrently, as long as the entity meets its performance obligations. Services such as freight transportation and cleaning are examples of the first criterion (routine or recurring). Second, the entity's performance obligation generates or increases assets controlled by the customer, for example, construction services based on the percentage of completion method (PoCM). This method has been renamed the "result method" in the new convergent IASB standard (Shkulipa, 2021). Third, the entity's performance obligation does not result in an asset with an alternative use for the entity. It is entitled to enforceable compensation for work accomplished to date, such as consultancy services.

Thus, it appears as though an over time transfer of control is appropriate for assets in the form of services.

As indicated previously, the three conditions for recognizing revenue over time are not cumulative; therefore, although only one criterion is met, revenue should be already recognized over time. If the entity does not meet the revenue recognition requirements based on performance obligations over time, revenue is recognized at a point in time (Gee, 2016). Previously, revenue recognition occurred when a down payment was made and certain requirements were met; currently, entities that do not meet the over time criteria might recognize revenue only after all of their obligations have been met (Napier & Stadler, 2020). Revenue recognition at a point in time is frequently used to facilitate the transfer of control over tangible goods (Rampulla, 2019).

Controlling an asset precludes other entities from guiding its usage and gaining advantages. As an illustration, the entity that transfers its assets grants the customer the right to use the transferred goods or services. In this scenario, the transfer of control determines the decisive point when the recognition can occur (Haggenmüller, 2019). After the transfer of control is completed, the customer can immediately begin to benefit from the asset. Paragraph 38 of PSAK 72 specifies five transfer of control signs listed below but are not exhaustive.

1)The entity is entitled to payment for the asset in the present;2)The entity has transferred physical ownership of the asset;3)The customer legally owns the assets;4)The customer is exposed to significant risks and rewards associated with asset ownership;5) The customer has received the asset.

These indicators serve as a guideline, or at the very least a point of reference for making decisions. Thus, the indicators mentioned above do not have to be met concurrently. The entity's and the tax officers' judgments may differ. The first two indicators pertain to entities supplying services or goods, and the remaining indicators are for consumers. The second indicator, ownership of assets, denotes the disposition of asset ownership. Whether PPJB (Sales and Purchase Binding Agreement) or AJB (Deed of Sale and Purchase), property transactions may encounter complications. Tax officers may consider adhering to the rules outlined in Government Regulation (GR) No. 34/2016, specifically those based on PPJB.

The third indicator is when control has been transferred from the entities to the customers. Rights to legal title indicate which party to the contract has the authority to use and reap the majority of the remaining advantages from an asset. It also suggests the right to deny those benefits to others who are not entitled to them. As a result, the transfer of legal title to an asset may indicate that the asset has been transferred to the customer.

The fourth is when it continues to enter the risk and reward calculations required by PSAK before IFRS 15, specifically PSAK 23. This fourth indicator will cause many problems for international trading. For instance, Entity A, whose headquarters are in Jakarta, has a customer in Singapore. However, due to a shortage of inventory, Entity A was driven to place an order in Entity B (Japan resident). At least three separate countries were involved in this transaction. Suppose that the contract requires Entity B to transfer it directly to Singapore instead of Jakarta to save on transportation costs. The following questions arise concerning that type of business action: "Where is the place of supply?" or "Who bears the risk and reward?". If not handled properly, those issues can lead to a dispute. In this regard, an informant stated his concerns and expectations through the following statement:

"In Indonesia, accounting has its own records, as well as taxes which have their own rules, whether the tax is accepted or the accounting is accepted. That is, the accounting treatment is accepted by the tax authorities as well. That's it. That's what we should use. For example, later on, for the performance obligation that has been fulfilled, the tax authorities accept the recognition of the smaller revenue because Article 28 is generally accepted. Maybe it is better to adopt it so that the fiscal adjustment will no longer exist and be reduced and there is no dispute in the field." (D01)

Similarly, when the tax officer employs the fifth indicator and the entity uses the second, the two parties' interpretations diverge. In this case, the tax officer's assessment may be based on the asset's receipt, even if no transfer has happened because the asset remains in the entity's warehouse. If the contract specifies that it will be rejected later due to damage, the entity must replace it, indicating that no risk transfer has happened. Given that the debate between two parties is almost certain, preparations must be prepared. In this scenario, entities must exercise greater caution when drafting contracts to ensure that tax authorities have the same perspective when they read the contract afterwards. When the dispute about the purpose of VAT, its tax base, and the place of supplies where it may be handled is concluded, the issue will shift to the time of supplies. The keyword "when" in the time of supply field will decide when the tax invoice will be issued.

The Time of Supply Concept under VAT Law

The time of supply serves as the reference point for issuing tax invoices, in the sense that it is when the VAT payable is determined. Concerning the time of supply, it is critical to recall that VAT is liable at the applicable rate for a specified time period (Tait, 1988). The rules for calculating VAT based on the time of supply differ according to the system. The invoicing method is one of the most widely utilized systems. A chargeable event happens when goods are delivered or services are rendered, i.e., when the supply is actually made, and VAT is liable at that time (Annacondia & Alonso, 2017). In general, the most exact approach to explaining the suggestions on this subject is the earlier of (Schenk et al., 2015):

1)The issuance of invoice. This is the best and

most apparent evidence of dated documentation.2) When the customer receives the goods or services. 3)The made of payment.

The time of supply notion discussed above is also indicated in Article 13 paragraph 1a of Law No. 42/2009 and Article 17 of GR No. 1/2012. The idea of "time of supply" as a "basic tax point" establishes the date on which (1) commodities are purchased or sold for VAT purposes, or (2) services are rendered or received for VAT reasons. This date is critical because it establishes the date on which the Tax Invoice is issued, and the VAT reporting period is utilized to account for output and input taxes. In more detail, the VAT provisions in Indonesia that regulate the time of supply are as follows: Article 13 paragraph (1) and (1a) of Law No. 42/2009; Article 17 of GR No. 1/2012; Minister of Finance Regulation No. 151/PMK.03/2013; and Director-General of Taxes Circular Letter Number SE-50/PJ/2011. These settings are summarized in Appendix 1.

As guidelines, the appendix illustrates the implementation of the time of supply concept in the VAT laws. It serves as confirmation at the time of supply, establishing the due date, and generating a tax invoice. In essence, the time of supply occurs at the time of delivery. The ambiguous statement on the time of supply in the transaction will generate debate among the parties involved and tax officers, eventually resulting in a dispute. Moreover, experience indicates that dispute resolution can drag on to the Supreme Court, where the tax office is occasionally reluctant to implement Tax Court and Supreme Court decisions (Gunadi et al., 2011). As a result, legal certainty is critical for avoiding future conflicts.

Another point to consider is that the criterion outlined in GR No. 1/2012, which accommodates the accounting concept of revenue recognition, may result in a discrepancy between income tax and VAT. The fundamental explanation for this understanding is that the Income Tax Law's notion is substantive (Rosen, 1970), but the VAT Law's concept is more juridical in nature (William, 1996). The sales declared in VAT return may be higher than those in trial balance/P&L. For instance, the reason is that the performance obligations have not been fully met, whereas the cash payment is received (D01). In this regard, the informant stated:

"Regarding the performance obligation, it seems that the revenue recognition will be smaller, while the tax recognition remains large since there is no adoption of IFRS itself." (D01).

The timing and amount of revenue may change due to IFRS 15 (Peters, 2016). The dispute could also arise due to sales that occurred but were not delivered (bill and hold sales). The transfer of control under the accounting approach probably occurred, but the actual delivery was not completed. In this situation, the VAT based on GR No. 1/2012 is recognized concurrently with the income tax, as GR No. 1/2012 likewise recognizes when income is recognized in accounting as the time taxes are payable (VAT). However, the physical delivery that occurs after this accounting recognition is not accounted for. In response to this issue, an informant stated that "it is because accounting is based on the control in any form, whereas tax is based on ownership" (E01).

These circumstances may be akin to those found in the United Kingdom (UK), where the Sale of Goods Act 1893 establishes a series of default standards for determining the point in time when a sale can be deemed to have occurred (Napier & Stadler, 2020). The condition emphasizes the transfer of 'property' in the goods, which is generally established by the seller transferring title to the buyer. While the Sales of Goods Act has been amended throughout time, its fundamental legal concepts continue to apply in the UK. Although the Sale of Goods Act 1893 made it clear when a sale occurred and when revenue was recognized, a 1976 law case raised the issue of how to account for sales where the buyer received physical possession of goods but the seller retained the legal title until paid for and could reclaim control if the buyer failed to pay. Napier and Stadler (2020, p. 482) then narrate that in October 1976, the Institute of Chartered Accountants in England and Wales (ICAEW) released an Accounting Recommendation stating that"the business substance of the transaction should take precedence over its legal form".

Discussion

While accounting procedures have changed considerably over the years, tax regulations have stayed essentially stable (Saptono & Khozen, 2021a). The tax authorities have somehow responded to IFRS's convergence, but these responses are minor (E01). Thus, PSAK 72 prescribes a different mechanism than VAT Law, and this discrepancy is quite apparent. PSAK 72 is geared around the transfer of control, but the VAT requirements are oriented around the time of supply. Revenue from customers is recognized when the contract's terms and conditions are met, in the sense that the contract's agreed-upon contractual obligations are met (Alotibi, 2018). The approach to VAT can be quite different, which refers to the time of supply, which can be performed differently, even if it is tightly regulated. Legal certainty is a critical feature of the tax system.

Taxpayers' and tax officers' judgments may differ because tax law and accounting standards are open to subjective interpretation, for instance, on a delivery order made by the entity when it sells items. Tax authorities may believe that the issue of a delivery order constitutes evidence of handover. Meanwhile, the reality of the commercial agreement is that the entity sends the items first and that the entity shall complete any missing specifications or quantities. Digesting the thoughts of an informant (A01), while IFRS is also constantly changing, the tax authorities often have to be resolute in adhering to the rule-based principle to achieve the aspect of legal certainty.

When the entity has determined the quantity and quality of the items, it may bill them to its customers.

If the entity and customer agree, it signifies that the transfer of control has been arranged under the agreement, even though no written contract is available at the time. Numerous tax officers may easily infer that the time of supply is when there is a travel document, which needs the taxpayer explicitly to indicate it in the contract. Damayanti (2019) enhances this idea further by suggesting persistent law enforcement measures to minimize earnings management and tax benefits following the adoption of IFRS.

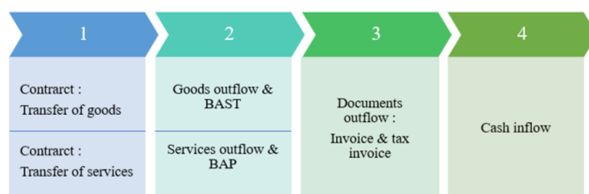
Tax invoices must be issued following the time of supply. Delivery orders may not always specify the time of supply since the delivery clause may be based on the minutes of goods ("BAST") or services ("BAP") delivery. Likewise, the transaction adversary may issue invoices and tax invoices within three months of the BAST or BAP. As a result, it is vital to identify the delivery date precisely in the contract to avoid disagreements between entities. Otherwise, it is fair for tax officers to use their discretion in determining the time of supplies.

The contract is attributed to a "king" to establish the amount of VAT payable (Walker & Place, 2020). It should specify the nature and term of the parties' rights and obligations and how they will be fulfilled (Saptono & Khozen, 2021b). The illustration of a simple business flow in which entities specify the time of supplies in their contracts could be considered (Figure 2).

As previously stated, the business practice may result in significantly different outcomes, such as BAST/BAP dates and tax invoices delivered by consumers. For instance, the tax invoice is received 1-2 months after BAST/BAP. These circumstances threw the flow of money, goods, and documentation out of sync. Tax administration may view the entity's operations as potentially harmful to state revenue. One mitigation measure that the entity might take is incorporating the contractual provisions into the customer agreement. A contract clause that might include the following: "If the customer is late in issuing the tax invoice, causing the entity to be late in paying taxes, the tax penalty will be borne by the customer." Since formal legal matters governed by contracts can serve as a differentiator for tax matters (B01), it is critical to pay adequate attention to this aspect.

Additionally, entities must pay careful attention to contracts that include bundling goods and services. Since bundled contracts and long-term projects are likely candidates for accounting treatment changes, IFRS 15 will greatly impact industries that frequently

Figure 2. Illustration of the business flow for goods and services delivery by entities



deal with them (Kivioja, 2018). A contract may contain several performance obligations and, in some instances, probably multiple contracts. It is in contrast to construction services, which appear to remain distinct. There are sales of sand, stone, brick, and steel, to name a few. They are, nevertheless, all part of the same unit. A more comprehensive picture is provided by construction services, which encompass both commodities and services. Thus, the amount of sand and other materials can be separated, but a more authentic picture is the services delivery (construction) rather than goods.

Contracts, which coincidentally fall under the title of PSAK 72, are critical in resolving the divergence. As a result, parties to a commercial transaction should check all of their contracts. They should guarantee that all agreed-upon clauses are explicit and unambiguous to ensure that contracts comply with the legal certainty doctrine for business, accounting, and taxes purposes. It is critical to have a mechanism in place that assists in implementing numerous legal, structural, and organizational obligations and human and technological requirements (Rushchyshyn et al., 2021). An informant stressed the importance of human resources responsible for taxation upgrading their capabilities:

"Both parties must anticipate field practice. Compliance costs will be high for the corporation. Then there is the issue of the dispute between the tax authorities and the taxpayers. It is preferable, in my opinion, if it first strengthens its human resources to understand the distinctions between accounting and taxation better." (C01)

Regarding contracts involving a VAT component, four fundamental factors affect the contract conditions that must be considered (KPMG, 2017): (1) the nature of the supply (i.e., goods, services, tangible property, real property, or intellectual property); (2) the consideration paid (i.e., cash or in-kind payments); (3) the location of the supply (i.e., domestic or international transaction); and (4) the duration of the supply (i.e., when the VAT is payable). These key aspects should be included in the contract to avoid ambiguity (multi-interpretations) and lessen the chances of unidentified VAT payable. Contractual arrangements are addressed to eliminate ambiguity and contradiction and increase the certainty and consistency of the performance obligations.

Oncioiu and Tănase (2016) highlight several factors that the contracting entity must consider. These points are relevant in light of the numerous modifications we have made to ensure the legal certainty of VAT transactions. These are the following:

1)Main objects of the contract. Transaction objects that fall under the standard scope or tax law need to be reviewed carefully.2)Customer identification. When there are many parties involved in a transaction, it may be challenging to identify the customer. It is mainly related to the performance obligations for each customer, which may differ in detail. Therefore, identifying the right customers along with the respective

obligation is perhaps critical.3)Contract identification. Following paragraph 9 PSAK 72, to meet the standard, a contract must have the four aspects as follow: the customer's ability and willingness to pay will likely be taken into account when determining the consideration; transferable goods and services can be identified in terms of rights and payment; it has commercial substance; and it has been approved.4) Combining contracts identification. PSAK 72 paragraph 17 allows an entity to combine two or more contracts with the same customer at the same time or close together. If the criteria set out in that paragraph are met, the entity may account for the contract as a single contract.5)Contract modifications. It is a change in a contract's rights or obligations that the contracting parties approve. Depending on the situation, the change either creates new rights or obligations or modifies existing ones.6)Taxation aspects. The contract needs to detail every aspect of taxation regarding the business agreement between the entity and the customer. Tax diagnostic review is probably the best way to correct tax obligations in the contract. Current tax planning and methods may also need to be altered to account for IFRS 15's revenue impact (Peters, 2016).

CONCLUSION

IFRS 15, as the reference of PSAK 72, follows the single revenue recognition principle for all contracts with customers. Transfer of control that tends to be over time for contractual service arrangement and at a point in time for goods require adequate judgment and estimation from the entity to identify the contract's appropriate performance obligations. The presence of several indicators of transfer of control under PSAK 72, on the other hand, can be interpreted differently by each stakeholder, resulting in contradictory interpretations for subsequent purposes such as taxation. The time sign specified in PSAK 72 under transfer of control is a matter with implications for the contract's performance obligations and determination of the VAT payable.

A long time before the introduction of PSAK 72, the VAT regulations incorporated the concept of time of provision in determining when certain types of transactions would be subject to VAT. Article 13 paragraphs (1) and (1a) of the VAT Law establish the statutory provisions and the implementation procedures in a hierarchy leading to an affirmation letter from the Director-General of Taxes. The entity's revenue recognition timeframe must be aligned with applicable tax regulations to concurrently implement accounting standards and tax law. This harmonization can be accomplished by assessing each contract for compliance with VAT regulations about delivery concerns. To the best of our knowledge, the contract can be a critical instrument in aligning the interests of corporate entities and tax authorities to achieve compliance with VAT obligations and PSAK 72.

This study's scientific contribution is to the business entities, specifically best practices in addressing VAT issues following IFRS 15 convergence. Its implication is to expect entities to review their contract and consider the detailed VAT aspect. However, the limitation of this study is that it is far from quantification, even though the approach used enables it. The shortage of informants prompts the authors' intention to do so. Additional research can solve these limits by increasing the number of informants to generate interpretations. Other qualitative studies can yet be investigated in greater detail, for example, the issues confronting the real estate sector due to the massive change from PSAK 44 to PSAK 72.

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APPENDICES

APPENDIX 1. Time of supply arrangement in Indonesia concerning VAT

No.	Categories	Definition of time of supply
1	Tangible taxable goods a. movable goods	1) Delivery of goods directly to the purchaser or the third party for and on behalf of the buyer; 2) For personal use, free-gift, and delivery from the head office to the branch or vice versa or delivery between branches, delivery occurs when the goods are delivered directly to the recipient; 3) The hand over of goods to the courier or transportation service entrepreneur; or 4) Price recognition for the transfer of goods as income or receivable, or when the sales invoice issuance by Taxpaying Entrepreneur, following generally accepted accounting principles applied consistently.
	b. immovable goods	Delivery occurs when delivering the right to control or use tangible taxable goods to the buyer, legally or in reality.
2.	Taxable intangible goods	1) Delivery occurred when price recognition for the delivery of intangible Taxable Goods as income or receivables, or at the time of the sales invoice issuance, following generally accepted accounting principles applied consistently; or 2) If the time in point 1) is unknown, delivery occurs when the parties sign the contract or agreement or when the facilities are available for actual use, partially or wholly.
3.	Taxable goods of assets where the original purpose are not to be sold and still remains during the dissolution of the company	at the time which occurs first between the times: 1) signing the deed of dissolution by the notary public; 2) the expiration of the period of establishment of the company as the arrangement under Articles of Association; 3) the date when the Court's order stating that the company was dissolved; or 4) when it is discovered that the company has clearly ceased business activities or dissolved, based on the examination results or existing data or documents.
4.	Transfer of Taxable Goods under merger, consolidation, splitting, cracking, and acquisition of businesses that do not meet the VAT Law Art. 1A par. (2) letter d, or business form changes	1) at the time of the general meeting of shareholders agree and determine the merger, consolidation, splitting, cracking, and acquisition of businesses, or business form changes; or 2) when the notary signs the deed regarding the merger, consolidation, splitting, cracking, acquisition of businesses, or business form changes.
5.	Import of Taxable Goods	when the Taxable Goods are imported into the Customs Area
6.	Delivery of taxable services	1) Delivery occurs at the time of price recognition for the delivery of Taxable Services as income or receivables, or when the issuance of a sales invoice by the Taxable Entrepreneur, following generally accepted accounting principles applied consistently; 2) If the time at point 1) is unknown, delivery occurs when the signing of the contract or agreement is signed; or 3) when the facilities are available for real use, partially or wholly.
7.	Utilization of Taxable Intangible Goods and/or Taxable Services from outside the Customs Area within the Customs Area	1) at the time which occurs first between the times: a. when the party using the Intangible Taxable Goods or Taxable Services recognizes the cost as a debt; b. when the party delivering the Intangible Taxable Goods or the consideration of the Taxable Services bill the selling price; or c. the party that utilizes the Intangible Taxable Goods or the Taxable Services pay the acquisition price, either partially or wholly. 2) If the time at point 1) is unknown, delivery occurs when the parties sign the contract or agreement.
8.	Export of tangible taxable goods	at the time of the Taxable Goods are released from the Customs Area
9.	Export of taxable intangible goods	at the time of recording or recognition as income or receivables of reimbursement of the exported Intangible Taxable Goods
10.	Export of taxable services	at the time of recording or recognition as income or receivables of reimbursement of the exported Taxable Services