

Digitalization of Financial Reporting as a Means to Fulfill Tax Obligations

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ABSTRACT

Financial statements are an accounting product that remains a major challenge in the financial performance of Micro, Small, and Medium Enterprises (MSMEs). It is still common to find MSMEs, even those with substantial turnover, lacking financial statements. However, every MSME operator, whether online or offline, is required to report their taxable income. The amount of tax owed can be determined if business owners have an income statement. CV Sinama, a skincare business, is one example that lacks financial statements and has not reported taxes. Based on this issue, the objective of the community service was to train in digital financial reporting (using spreadsheets) and online tax reporting. The results of the community service show that partners have been able to prepare and calculate profit and loss statements. The profit figures are used as the basis for calculating the amount of tax owed. CV Sinama is now able to prepare financial statements and determine the amount of corporate tax owed.

Keywords: *Financial statements, digitalization, profit and loss, taxation*

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a type of business that a country always hopes to not only grow but also develop. MSMEs are often recognized as businesses that can stand independently, whether established individually or as a business entity (**Nuvasari et al., 2019**). The presence of MSMEs (Micro, Small, and Medium Enterprises) has proven to absorb up to 97% of the workforce (**Fathah & Widyaningtyas, 2020**). However, MSMEs face a recurring issue, namely their inability to independently manage bookkeeping and financial reporting (**Nina, 2018**). Additionally, the perception that record-keeping is unimportant is a primary reason cited by business owners. Another common problem is that business owners do not separate personal finances from business finances. As a result of not preparing financial statements, MSMEs cannot accurately determine their turnover. Without clear financial information, MSMEs will struggle to manage their finances, causing some business operators to feel a shortage of funds without realizing it. This not only impacts financial management, but if the revenue figures are unknown, business operators will also find it difficult to identify sales trends, hindering their ability to respond quickly to market changes. If this situation is allowed to persist, it will undoubtedly have dire consequences for the sustainability of MSMEs, threatening the continuity of their operations and their growth potential in the future.

Both offline and online MSMEs are consistently the focus of government attention. This is because MSMEs are actually major tax contributors, though this is not explicitly visible. For this reason, the government continually strives to integrate MSMEs into the digital economy by 2024. The tax amnesty program is a government strategy to provide tax forgiveness, which is essentially an effort to attract funds from businesses that have never reported taxes (**Pranandika & Jaeni, 2023**). Each policy undoubtedly has an impact, one of which is increasing the government's database of MSMEs, thereby automatically influencing the sustainability of MSMEs as compliant taxpayers.

Compliance for taxpayers includes timely reporting, and every taxpayer report requires proper financial documentation. This is why tax matters are closely linked to accounting. Through the preparation of financial statements in accordance with SAK-ETAP, MSMEs should be able to determine their tax value (**Saputra & Meivira, 2020**). However, the situation in MSMEs is not as smooth. MSME owners are often found to be unaware of their tax **obligations** (**Zulma, 2020**). They lack awareness of having standardized financial statements, which leads to problems when tax bills are issued. There are also many MSMEs with substantial revenue and annual turnover exceeding IDR 300,000,000, yet they still struggle with financial reporting (**Wibawa et al., 2019**). Many micro, small, and medium enterprise (MSME) owners are aware of their obligation to pay taxes but are still reluctant to comply with tax regulations (**Putri et al., 2023**).

The phenomenon of minimal financial record-keeping is also experienced by CV Sinama, a business engaged in selling merchandise, particularly skincare products. This business, established through a marketplace platform, generates a turnover of hundreds of millions. Unfortunately, the high turnover is not matched with disciplined record-keeping. This situation causes confusion for the business owner when tax authorities begin to take notice. The lack of record-keeping and the absence of bookkeeping have led the business owner to realize that record-keeping needs to become a mandatory habit that must be implemented immediately.

In the digital era, financial reporting can be done not only manually but also digitally. Creating simple records to comprehensive financial statements digitally is considered helpful for MSMEs in easily understanding their wealth, sources of wealth, and an overview of the company's financial performance (**Legowo et al., 2021**). From the perspective of accessibility, digital financial reports are easier to access anytime and anywhere. This provides convenience for business owners to monitor their financial performance in real-time. In addition to being more flexible, from a cost standpoint, digital financial reports offer long-term benefits by reducing administrative costs typically associated with managing financial reports manually. In this way, business owners can manage their resources more efficiently while enhancing the effectiveness of their decision-making based on accurate and up-to-date data. The current situation necessitates that business owners also comply with tax reporting. Tax reporting is now done both manually and digitally. These digital demands underscore the need for training in digital-based reporting as a means to fulfill tax obligations.

The objective of the Community Service Program conducted by the Accounting D3 Program Team at Universitas Merdeka Malang under the auspices of LPPM is to provide solutions through training in digital-based financial reporting (specifically using spreadsheets). This community service is carried out by providing training using the data already owned by the partners. It is hoped that after the training, the partners can implement it independently. The use of spreadsheets is chosen considering their ease of use for beginners and their ability to facilitate business owners in controlling the accounting department.

2. METHOD

Community Service Program was held on Saturday, March 2, 2024. The event was attended by 15 participants, consisting of 5 online business owners, 5 accounting staff, 2 lecturers from Universitas Merdeka Malang, and 3 students from Universitas Merdeka Malang. The methods used by the Universitas Merdeka Malang service team included training and evaluation, as follows:

a. Preparation

The implementing team began the activities with coordination to draft the schedule and activity stages according to the agreement of the working team. Each team member was tasked with identifying common problems faced by business owners. This activity was carried out through interviews with business owners to understand the obstacles and difficulties they encountered, which resulted in the lack of financial reports during the business operation.

b. Implementation

Based on the problems identified, a meeting was organized to provide knowledge about the importance of financial record-keeping for businesses. Accounting is an interconnected cycle, so simultaneously, business owners were trained on how to independently manage their finances to determine the amount of tax that needs to be reported as compliant taxpayers. The training began with teaching manual accounting before moving on to spreadsheets. After completing the transaction recording in the spreadsheet, the calculation results were adjusted for tax computation. The service team also introduced online tax reporting to facilitate business owners in fulfilling their tax obligations.

c. Evaluation

In this stage, business owners were asked to prepare simple financial records and financial statements. The goal was that upon completion of the financial statements, the company owners could perform record-keeping independently. During the evaluation stage, the service team provided assistance whenever business owners encountered difficulties.

3. RESULT AND DISCUSSION

a. Training on Financial Statement Preparation

The community service activities were conducted at the skincare business owner's home to facilitate the application of the provided materials. The purpose of this location choice was to ensure that the impact of the service could be directly experienced by the partner. Given that the partner's financial data was substantial, conducting the service at the business location made the application process easier. Figure 1 shows the condition of the owner's shop.



Figure 1. Condition of CV Sinama's Shop

The business transactions are conducted online, so the shop is used by the owner mainly for organizing products and live selling activities. The business has been running for more than five years, generating a turnover of hundreds of millions. The problem is that the partner does not have proper record-keeping or financial reports, making it difficult when tax officials inquire about tax amounts. Based on this issue, the service team began the activities by providing materials on the importance of disciplined record-keeping, as shown in Figure 2.



Figure 2. Explanation of the Material

The training began with an explanation of what record-keeping is, its functions, and the process. The service team explained that all types of record-keeping must start with transaction evidence. Transaction evidence plays a crucial role in record-keeping, as it facilitates the accounting process in preparing financial statements (**Broto Legowo et al., 2021**). Figure 3 shows the materials presented by the service team, explaining the importance of legitimate transaction evidence. This evidence is fundamental because, in taxation, all income and expenses can only be recognized if supported by legitimate transaction evidence.



Figure 3. Example of Transaction Evidence Material

The next material covered basic record-keeping, explained through spreadsheets to simplify direct implementation by the partner. The partner, conducting business online, is familiar with software like MS Excel. The service team elucidated that Google Sheets is currently available and functions similarly to MS Excel. In the context of the community service activities, the partners were provided with foundational knowledge regarding financial reporting in Excel, after which they proceeded to apply this knowledge in their work using Google Sheets. Based on the results of communication with the partners, it was identified that the desire to recruit an accountant prompted the service team to provide guidance on utilizing Google Sheets. The service team explained that Google offers multiple layers of security to protect user data, including access permission settings that allow users to control who can view or edit the documents. From the perspective of usability, Google Sheets features similar functions to MS

Excel, making it user-friendly for beginners. Additionally, the data entered is stored in the cloud, enabling access without the worry of data loss or damage. The training was carried out by presenting cases relevant to the partner's financial data, allowing for direct implementation, as shown in Figure 4.



Figure 4. Direct Implementation

In the next stage, the partner was given the opportunity to independently implement the calculations and record-keeping, with the service team providing assistance when needed. The final evaluation showed that the partner could prepare their income statement independently and compare annual turnovers. The results of the partner's calculations are shown in Figure 5.

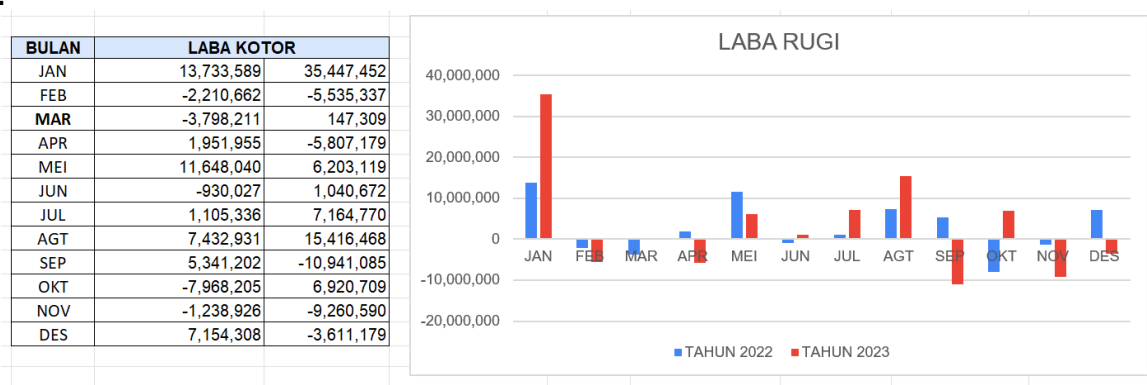


Figure 5. Income Statement

The income statement was chosen as the primary focus of the training, considering that profit or loss is the basis for calculating the amount of tax owed (Yessi & Rato, 2021).

b. Tax Reporting Training

Taxes are mandatory contributions for business operators who meet the requirements. The digital revolution has driven MSMEs to continue growing, especially those based on digital platforms. Tax obligations are the same for both offline and online business operators (Wicaksono, 2018). Therefore, it is important for business operators to have financial statements. Figure 6 shows the tax calculation training.



Figure 6. Tax Calculation Training

The training began with providing material on the gross amount of MSME taxpayers, noting that not all taxpayers are obligated to pay taxes. Figure 7 shows an example of the material on MSME taxes. During the training, the service team provided examples of tax calculations for MSMEs based on the income statements prepared by the partner.



Figure 7. Example of the Material on MSME Taxes

This aimed to give a concrete illustration of the simulation of the tax amount owed. Subsequently, the partner performed tax calculations independently, with the service team offering assistance to correct any mistakes.

After participating in the digital financial training, the partners' ability to prepare financial reports has improved significantly, making them more skilled and meticulous in creating accurate financial statements. Additionally, the partners are now capable of calculating taxes independently in accordance with applicable regulations, enabling them to fulfill their tax obligations more promptly and efficiently. The results of the community service activity were also evident during the evaluation, where the partners successfully prepared financial reports. The partners are now able to determine their revenue and understand the financial condition of their business. This is a clear outcome of the community service activity, demonstrating that the partners have effectively applied the materials provided by the service team. As we know, financial reports provide numerous benefits for a business. The partners found that having a financial report allows them to gain a clear understanding of their current financial status, which serves as a fundamental basis for making informed decisions in their business operations. This insight is crucial for evaluating the health and sustainability of the business.

In addition to that, regarding tax matters, the partners can now accurately determine the amount of tax payable, ensuring compliance with tax regulations and avoiding any potential penalties. The availability of a digital financial report has also greatly enhanced their flexibility, making it easier for them to prepare, access, and monitor their financial information anytime and anywhere. This digital approach not only streamlines the process of managing finances but also empowers the partners to maintain accurate, up-to-date records that support more strategic planning and effective financial management.

LABA RUGI CV CINEMA TAHUN 2022 & 2023								
BULAN	LABA KOTOR	PENGELUARAN	LABA BERSIH	BULAN	PENGELUARAN	LABA	LABA BERSIH	PEMBELIAN
JAN	13,733,589	9,272,003	4,461,586	JAN	24,017,000	35,447,452	11,430,452	299,927,759
FEB	11,522,927	12,535,433	-1,012,506	FEB	24,195,000	29,912,115	5,717,115	248,320,117
MAR	7,724,716	5,863,000	1,861,716	MAR	32,990,000	30,059,424	-2,930,576	334,590,990
APR	9,676,671	7,965,000	1,711,671	APR	27,635,000	24,252,245	-3,382,755	249,601,841
MEI	21,324,711	7,541,650	13,783,061	MEI	19,400,000	30,455,364	11,055,364	330,064,042
JUN	20,394,684	10,877,688	9,516,996	JUN	19,581,000	31,496,036	11,915,036	257,767,780
JUL	21,500,020	12,353,880	9,146,140	JUL	24,905,000	38,660,806	13,755,806	419,251,581
AGT	28,932,951	12,281,100	16,651,851	AGT	29,733,000	54,077,274	24,344,274	535,362,071
SEP	34,274,153	16,345,500	17,928,653	SEP	27,893,000	43,136,189	15,243,189	414,708,679
OKT	26,305,948	17,987,600	8,318,348	OKT	27,556,000	50,056,898	22,500,898	439,603,739
NOV	25,067,022	17,517,500	7,549,522	NOV	24,798,000	40,796,308	15,998,308	358,068,371
DES	32,221,330	26,064,000	6,157,330	DES	53,618,591	37,185,129	-16,433,462	225,576,949
	252,678,722	156,604,354	96,074,368					

Figure 8. The partner's Income Statement

Figure 8 illustrates the outcome of the partner's independently prepared income statement. This income statement serves a crucial purpose by detailing the financial performance of the company, clearly indicating the extent of profit or loss incurred during the reporting period. Moreover, the income statement is one of the key financial documents utilized to evaluate the overall financial health of the business. Tax authorities also rely on this report as a basis for determining the appropriate amount of taxes owed. Taxes are an unavoidable obligation for every business operator. Understanding their financial condition provides significant advantages, enabling partners to manage their taxes effectively and avoid mistakes that could result in penalties or fines. Furthermore, under certain circumstances, partners may also be able to apply for tax incentives that are available to MSMEs, which can help reduce their tax burden and enhance their business competitiveness. The partners' newfound ability to independently generate an income statement not only highlights their enhanced skills in digital financial reporting but also reflects a significant advancement in their overall financial management capabilities.

4. CONCLUSIONS

Financial statements are the final product of a business. Business operators are not only required to generate increasing turnover over time but also to report it in the form of financial statements. These financial statements are then used as the basis for tax reporting. The amount of tax payment for each MSME varies depending on the profit generated. The results of the community service show that partners have been able to prepare and calculate profit and loss statements. The profit figures are used as the basis for calculating the amount of tax owed. CV Sinama is now able to prepare financial statements and determine the amount of corporate tax owed.

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