

Expense Recognition Dispute: A Case of Coal Mining Companies in Indonesia

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ABSTRACT

This study aims to identify the main causes of disputes in the expense recognition for Indonesia coal mining companies and provide recommendation on how to avoid the disputes in the future. We focus on coal mining companies which had Coal Contract of Work (CCOW/ PKP2B) with the government of Indonesia. CCOW is the only way for a company to get coal mining permits in Indonesia. CCOW companies have been involved in disputes with the Directorate General of Taxation (DGT) for years. This study uses The Theory of Legal Interpretation and The Law Interpretation Concept in analysing the problems and offering solutions. This study used qualitative approach and thematic analysis in answering research questions. Based on interviews and analysis of legal documents, our result shows that the main cause of the expenses dispute problem is a different interpretation of Income Tax Law and tax clause in CCOW. Referring to the law interpretation concept, to clearly understand the rules and prevent disputes, coal mining companies and DGT need to see the tax law and CCOW systematically and historically. This study also recommends that coal mining companies can avoid expense recognition disputes by complying with the tax administration guidance and, if necessary, ask for a private ruling if there are questionable clauses.

Keywords: CCOW, Corporate Income Tax, Interpretation, Tax Dispute

1. INTRODUCTION

Tax disputes have been a serious problem in Indonesia. Most disputes are caused by a different interpretation of tax law between taxpayers and tax officers [1]. Khoiry & Rahayu [2] suggested that tax disputes carry a risk of uncertainty and increase compliance costs for the disputing companies. Statistically, Tax Court Secretariat [3] notes that the number of tax disputes files is increasing from 2013 to 2020. In 2020 only, 14.660 files had applied to the court, and mostly were disputes from DGT.

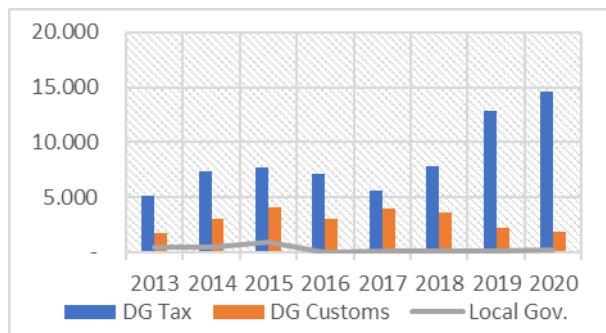


Figure 1. Tax Court's Disputes File Statistics

One of the most frequent issues in tax disputes is the disputes of corporate income tax (CIT) of coal mining companies. The tax court secretariate [3] states that a number of disputes of CIT of CCOW (PKP2B) appear in court every year. Besides, the CIT of coal mining companies' disputes usually involve over a million dollars value.

CCOW companies plays a central and important role in Indonesia's economy. Data shows that the enhancement of production of coal remains steady and give royalty income to the government [4]. Coal dominates about 35% of the energy mix in Indonesia. As oil production continues declining, coal has a more significant role than oil as the main source of our energy needs at least until 2035 [5]. In addition, coal mining companies pay a magnificent amount of tax to the government. In December 2020 only, the government realized revenue of more than 21 trillion rupiah from the mining sector, mostly by the effect of the positive trend of coal price [6].

The tax dispute problem negatively affects both taxpayers and tax authorities. Disputes resolution in Indonesia is a time-consuming system [2]. The

taxpayers do not have certainty about the cash flow for years until the dispute find its final decision. Khoiry & Rahayu [2] mentioned that tax disputes disrupt the certainty in doing business. The tax disputes postpone revenue from CIT to the government during the dispute resolution process as well [1].

Tax disputes is an ongoing problem. Even after a large number of final court decision exists, verdicts of a similar case can result in different decision, as Indonesia adheres to the civil law system [7]. Besides, Harsono [8] stated that disputes on CIT of CCOW can occur due to the change of contract regime or mining agreement, which is caused by the differences in the application of the regulation by taxpayers and tax officers. Awaliyah [9] stated that Mineral and Coal Law require a mining permit extension request for CCOW can only be granted in form of mining permit (IUP).

CCOW has three regimes and each regime has a specific tax clause including different tax rates. This complexity implied uncertainty in the calculation of companies' total tax expenses. The changes in regulation and inconsistency of court verdict in the coal mining sector increase the law uncertainty level to the industry [10]. Companies with high business risks such as coal mining need tax certainty in making investment decisions.

There are many subjects disputed in the corporate income tax of CCOW. Tax court's verdict various areas of corporate income tax such as sales, cost of goods sold, benefit in kind, royalty, mining expense, sponsorship expense, interest expense, and CSR [3]. However, the majority of the disputed subject were disputes of expenses.

Research has been conducted to study the CCOW companies' taxation. Dipayana et al [11] observed coal companies' CIT and found that expenses were most likely used to reduce tax. Meanwhile, Sari [12] evaluated mine reclamation expense and obtained that reclamation cost could be used as a deductible expense in calculating CIT because it accordance with the concept of deductible expenses. In addition, Septihani [13] focused on the effect of Mineral and Coal Law on CIT application. Nevertheless, no research focused on disputes of expenses in calculating CCOW companies' CIT. The used of a qualitative case study with in-depth interview in this research will gain a complete understanding to determine the best solution to solve the subject's problem.

With the importance of dispute resolution, the gap in previous research, and the negative effects of disputes for companies, it is very important to finish this research to reduce the disputes number. This research aims to find the root cause of disputes problem and deliver the solution to CCOW companies to avoid disputes in the future.

2. LITERATURE REVIEW

To answer the problem, this research reviewed literature related to research topic including tax disputes, coal mining companies, and The Theory of Legal Interpretation.

2.1. Tax Disputes

Dispute is a logical consequence of the self-assessment system. The self-assessment system is a system where taxpayers have the right and authority to calculate and report their taxes on their tax return [14]. In this system, the tax authority roles as a supervisor in the implementation of the system by performing tax audits. The audit scheme created a chance of taxpayers getting detected and caught for their un-complied tax returns [14].

A tax dispute appears whenever there is a different opinion between tax officers and taxpayers. Taxpayers frequently interpreting tax regulation to avoid the main goals of the policies [15]. Smith & Stalans [16] obtained that assessment letter is the final stage of disputes transformation after the disputed parties have failed to agree in the negotiation stage.

Research found that there was various reason cause a tax dispute. Pratiwi [17] concluded that tax disputes appeared because unspecialized tax auditor who were incapable in understanding taxpayer's entire business process. Septihani [13] obtained that policy problems and complexity of regulation were the reason for tax disputes. Furthermore, Wahyudi et al [18] found that tax disputes problems are caused by different approaches of tax accounting and commercial reports as well as different interpretations of tax regulation.

When taxpayers face a tax dispute, they have a right to file objections to DGT. Taxpayers can file an objection for decision letter a tax audit [1]. Asmorowati [19] stated that tax objection is considered as quasi-judicial because the adjudicating party is concurrently the disputing party (DGT). If taxpayers disagree with the objection letter, they can file an appeal to the tax court. The tax court is a judicial institution under The Supreme Court that provides judicial power to taxpayers seeking justice related to tax disputes [19]. An appeal is the latest legal remedy taxpayers can take regarding tax disputes.

2.2. CCOW's Corporate Income Tax

Coal companies are subject to various income taxes in their operational activities. PWC [20] explained that the investigation, exploration, exploitation, feasibility study, and reclamation stage contain the object of income tax article 23/26 related to geological research services, exploration, and feasibility studies. Final income tax article 4 paragraph (2) also can be imposed

on companies related to construction or infrastructure development based on the results of studies and observations. In addition, companies are also required to implement a mechanism for withholding income tax article 21 for employees and non-employees.

The implementation of corporate income tax (CIT) for coal companies has to comply with the domestic income tax law and regulations. The companies calculate CIT by taxable income multiply CIT rate [13]. Ohn [21] stated that taxable income is defined as book pre-tax income minus business-related expense. In particular, there is a special CIT provision for CCOW companies which is enforced following business agreement as stated in the contract document and its amendments [22]. The special rules about expenses in CIT calculation stated in CCOW document particularly in Annex F.

As mentioned earlier, there are regimes of agreements for coal mining companies that are Coal Contract of Work (CCOW) generation I, II, and III, and Mining Permits (IUP) [9]. The differences CIT rules for coal companies in contract mechanisms and business permit are found in the CIT rate, compensation for losses, expenses, and tax instalments [20]. These factors have a significant role in taxpayers' consideration in deciding their initial investment. Lately, Attasanov & Liu [23] obtained that lower tax costs strongly impact a firm's innovation.

Table 1. CIT Rules Differences

Aspect	Contract System (CCOW/PKP2B)	Mining Permit (IUP)
CIT Rate	Depends on agreement's generation (25% -45%)	Prevailing to Domestic Income Tax Law
Compensation of loss	4-8 years, or infinite	5 years
Depreciation expense	Variative rate based on domestic law	Calculated based on assets classification
Benefit in kind for in-site worker	Deductible	Deductible (With approval from DGT)
Reserve cost for reclamation	Deductible	Deductible (including excess from the reserve)
Donation	Deductible (according to special provision in the contract)	Proportionally deductible

There are prevailing law principle and the nailed-down principle in both contract and permit schemes.

The nailed-down principle means implementation of taxation based on the applicable regulation when the contract is signed. This principle is used in CCOW generation I and III. On the other hand, Famulia [24] stated that the prevailing law principle implies implementation of the agreement regarded to applicable regulation and need to be adjusted to the regulation's amendment.

2.3. The Theory of Legal Interpretation

The theory of legal interpretation acknowledges that regulation has to be clearly defined in sentences. Holmes [25] explained that the basis of this theory is that to be interpreted correctly, regulation has to be understood as a whole. On the other hand, policymakers should formulate rules in clear and easy-to-understand words. Thus Holmes [25] conclude that the readers of the rules can understand and will obey the rules.

Research of this theory has developed to the practical area. Brink [26] explained the relationship between Holmes' theory of legal interpretation and legal theory used in the decision making of the supreme court. He saw that most of the court decisions contain solutions with complicated legal theories. Brink then concluded that in dispute resolution, the theory of legal interpretation was better used for it could combine the semantic nature of the law and the purpose of the law being made. For Indonesian taxation context, Silalahi [27] implemented the theory of legal interpretation in the income tax rate dispute of permanent establishment (PE). He found that the dispute has happened because both PE and tax authority used different types of interpretations to a regulation. He concluded that the best action to resolved the dispute was to revise part of the regulation so there will be no room for different interpretations.

Law Interpretation Concept

In Indonesia, there is a various concept in interpreting laws or regulations based on expert opinion. Metrokusumo [28] described methods to interpret law as grammatical interpretation, authentic interpretation, systematic interpretation, and historical interpretation. Interpretation methods used in this study are grammatical, systematic interpretation, and historical interpretation.

2.4. Previous Research

There are some previous studies of coal mining companies' taxation. Septihani [13] studied about the implementation of income tax policy for coal mining companies after mineral and coal law. This research used a qualitative approach with the interview as data collection method. She concluded that the mineral and coal law gave positive impact on the company in its

business certainty. Aurora [22] investigated the tax management of a CCOW company after contract amendment. She performed a qualitative approach and collected data with an interview. The result obtained that the amendment has raised the tax cost of the company, so appropriate tax planning needs to be performed to reduce any additional tax cost.

The used of theory of legal interpretation is the main characteristic of this study compare to the previous research. As mentioned before, different interpretation is a common reason of many tax disputes [18]. Therefore, the suggestion provided by this research will be impactful to the CCOW companies as it obtained from an appropriate theoretical approach.

3. METHODOLOGY

This study conducted a qualitative approach to get a comprehensive understanding about disputes in expenses recognition in the calculation of coal companies' CIT. This approach allows researchers to explore and understand the problems [29]. Another advantage of qualitative study is because the taxation of coal mining industry has a unique characteristic as the income tax law mandated a government regulation to rule its taxation in particular.

This research utilised data collected from interviews and document analysis. A semi-structured interview with an open-ended question was conducted as authors had prepared a list of questions to maintain focus in the interviews while it gave an opportunity to other questions based on participant's responses [30]. Due to the Covid-19 safety protocol, some of the interviews were conducted with video call applications while the others performed face to face.

We interviewed 8 people from 3 groups of participants as shown in Table 2. From the coal company side, we conducted interview with tax manager from 2 different CCOW companies. From the tax authority side, the interviewed were conducted with an objection reviewer and 2 tax auditors from DGT. To complete the data, we also collected interview data with policymakers both from DGT and Fiscal Policy Agency.

Table 2. List of Participants

Number	Interviewee	Position	Media
P1	Coal Companies	Tax Manager PT.X	Zoom Application
P2		Tax Manager PT.Y	Zoom Application
P3	DGT	Objection Reviewer	Zoom Application
P4		Tax Auditor	Face-to-face
P5		Tax Auditor	Face-to-face
P6	Policymakers	Directorate Tax Regulation	Zoom Application
P7		Directorate Tax Regulation	Zoom Application
P8		Fiscal Policy Agency	Zoom Application

Questions used in the interview refers to the theory of legal interpretation and law interpretation concept as described in the earlier section. Tax managers of coal companies, tax auditors, and objections reviewers from DGT as parties who have been involved in tax disputes were the participants of the interview to collect information about root problems that caused the disputes. The interview also involved the tax policymaker from Directorate of Tax Regulation II DGT and a senior analyst expert in the extractive industry from Fiscal Policy Agency (FPA). The participants' view of expenses recognition in CIT disputes is essential to gain a deep understanding in formulating a conclusion.

Other than that, document analysis is also used to complete data from interviews as the availability of the documents tend to be easy to obtain. The CCOW contract document and tax court verdict from 2012 to 2019 provided another view to complement the findings from the interviews. The documents used were obtained from the tax court's official website. Analysing contract document, especially annex F which regulates taxation aspects in particular will provide an overview of how the contract regulates the recognition of expenses in calculating CIT of coal mining companies. Analysis of court decision documents can provide a reference on how was the judge's view in deciding a conclusion to a dispute.

This study used thematic analysis. The thematic analysis focused on identifying, analysing, and reporting themes from the data [32]. The thematic analysis technique has an advantage in flexibility [32]. Data collected from interviews were digitally recorded, translated, and organized to find the dominant themes. Subsequently, analysis of the themes was carried out to understand the types of expenses dispute, to find the root problem causing the dispute, and to propose strategies in dealing with cost disputes in the calculation of CIT.

4. RESULT AND DISCUSSION

The thematic analysis had applied to the data and obtained that there are several dominant themes of expenses that have been the subject of the disputes, causes of the disputes, and strategy to avoid disputes in the future.

4.1. Type of Expenses Subjected to The Dispute

The thematic analysis had applied to the data and obtained that there are several dominant themes of expenses that have been the subject of the disputes. Based on CCOW contract annex F, those expenses are divided into 2 major types of expenses: operation expenses and general and administrative expenses as shown in table 3.

Table 3. Types of Disputed Expenses

No.	Type	Expenses
1.	Operation Expenses	Reserve for Reclamation Cost
2.		Deferred Operation Expenditure
3.	General and Administrative Expenses	Benefits in Kind
4.		Donation

4.1.1. Operation Expenses

4.1.1.1. Reserve for Reclamation Cost

The first dominant theme in operating expense is reserve for reclamation expense. Different recognition bases of the reserve for reclamation cost in CIT calculation arises because this reserve has occurred when the company places deposits and bank guarantee in the bank. According to company's tax manager participant, the obligation to place the deposits is a precondition for production permits:

'The production permit doesn't require an accounting reserve yet it require a fund reserve. Accounting reserve must be followed by bank guarantee deposits as required by Ministry of Energy and Mineral Resources. It has to be deductible as it was a precondition that must be fulfilled.'

The CCOW contract stated that the cost of reclamation, which will be carried out after the mining period is completed, can be imposed proportionally in advance during the production period. In contrast, participant policymaker from DGT explained that the recognized reclamation expense was the amount that calculated in accordance with ministerial regulation:

'PMK 81 said that the provisions are follow the regulation from Ministry of Mineral Resource. The disputed term is which amount was provided in the taxpayer's financial statements.'

4.1.1.2. Deferred Operation Expenditure

The other dominant theme of dispute in operating expense is deferred operation expenditure. The dispute related to this kind of expense appeared due to differences in the concept of recognizing what types of costs can be capitalized into pre-production assets. The tax law stated that expenditures with a useful life of up to one year must be imposed directly in the year it occurs. On the other hand, according to Companies' Tax Manager, CCOW contracts stated that all pre-production costs could be capitalized.

'In terms of accounting, deferred exploration expenditure may be imposed as long as it was a direct

cost. While doing exploration on the site, the cost can be deferred. It will be amortized at the period of production. So, the time frame is critical. The cut-off is the time when the production period started.'

The deferred operating expenditure arrangements have similarities both in accounting and taxation rules. Any costs with a useful life of less than one year cannot be deferred. Yet expenses associated with an income may be imposed along with the period of that income. Therefore, the core of the deferral of operating expenditure is the concept of matching cost against revenue. The truth and existence of deferred pre-production expenditure in the company's financial statement will be tested by the DGT through a tax audit.

4.1.2. General and Administrative Expenses

4.1.2.1. Benefit-in-kind

The first dominant theme of general and administrative expenses is benefits-in-kind. The CCOW contract states that the benefits-in-kind is an obligation that has to be fulfilled by the company in the form of benefits (in-kind). According to interview with the Tax Manager, the obligation of this expense occurred because the mine is located in a remote area where there are no available facilities to provide basic needs for the workers.

'You have to provide camps, health facilities, food, basically everything that has to be there. There's no stall there, you know, there's no lodging either because it's far in the forest.'

The tax rules regarding benefit-in-kind that existed at the CCOW contract were not prepared in detail and resulted in different interpretations. Minister of Finance's Regulation stipulates that the granting such benefit-in-kind must be completed with the stipulation of certain areas by the DGT. The Tax Auditor respondent said that DGT could also carry out a supervisory function to verify whether the taxpayer incurred expenses.

'In the 1994 Law, the costs of in kind were regulated, but not in detailed.'

'So, in term of benefits in-kind, it actually refers to the conception of article 33 Income Tax Law. If it stated in the contract, then it can be charged. We respect the contract. But later, there must be a supervision from the tax office to determine whether the taxpayer really paid these costs.'

In addition, disputes also occur in in-kind travel facilities for employees. The high cost of chartering ships and planes and so many employees created significant value for this expense. The provision of this facility is part of the company's efforts to maintain employees' productivity levels by providing transportation for employees who are on leave.

'So, they work five weeks on site, two weeks off. It costs 7 to 8 million for one-way departure per person. So, naturally, no one wants the job, right? However, there must be a proper leave, for the sake of company's productivity.'

However, the income tax rules regulate the in-kind travel for the employees only for the first time and when they leave after the work contract is completed. Therefore, it means that annual leave travel costs cannot be deductible in the CIT calculation. In addition, in-kind transportation charges must comply with the provisions of PMK 167.

'As far as I know, it is only for the first time and the last return. Well, if the contract stated different from the regulation, then we respect the contract. But in general, this in-kind has to comply the regulation in PMK 167.'

The difference in the application of in-kind expenses creates a probability of dispute. A tax court verdict in 2019 contained the dispute with the subject matter of the dispute over in-kind expense. The judges saw that the company's evidence was insufficient to support the recognition of the aeroplane charter as deductible expenses of CIT according to the CCOW's annex. Therefore, in the decision, the judge won the DGT. This data shows that the in-kind rule in the contract is weak because it is difficult to fulfil the evidence to prove the relevance of the expense.

4.1.2.2. Donation

The last dominant theme is donation expense for community development. In operation, coal companies spend money to develop communities living around mining sites in the context of social responsibility. This donation is given for improving living standards and empowering communities. However, participant Tax Objection Reviewer stated that donation for community development is listed as an un-deductible expense:

'This community development dispute has appeared several times. This is typical. It doesn't meet the requirements because donation listed in article 9, it's crystal clear. Taxpayer think that community development has similarities in the contract arrangement and it's not on the negative list so it's allowed. But it's clear that donations are not allowed except those that meet the requirement of the government regulation no 93.'

In order to avoid disputes related to donation expense, the company first reserves the cost of donations that are not allowed to be deducted from the taxable income. This action was taken because the company believed that the provisions for donations in the CCOW contract were not strong enough.

'Because the provisions in the contract are not quiet supportive, so we follow the prevailing law. So, at that time we already corrected it.'

In a tax court verdict in 2019, judges won the taxpayer for the dispute over donation expense. The opinion of the judges is that the community development expense is related to the company's efforts to obtain, collect, and maintain income. So that, it follows Article 6 of the Income Tax Law and Annex F number 7 of the CCOW contract as well. In contrast, another verdict in 2019 concluded a different decision. The judges taught that the donation fee is not regulated in detail in the contract, then the provision of Income Tax Law had to be applied. In order to avoid disputes, the company is better to treat community development contributions as a kind of expense that cannot be deducted from taxable income in calculating CIT.

4.2. Causes of The Disputes

The data analysis using thematic analysis shows four main themes about the root cause of expense disputes in the CIT calculation of coal companies, as shown in Table 3. Almost all of the themes are related to the theory of legal interpretation, while the others are related to the law interpretation concept.

Table 4. Cause of The Disputes

No	Cause of The Disputes
1.	Unclear regulation
2.	Unpublished government regulation (PP)
3.	Different interpretation method
4.	Judge's jurisprudence

4.2.1. Unclear Regulation

Based on the Theory of Legal Interpretation, a regulation must be clearly stated in a sentence so that the reader can clearly understand its meaning. The CCOW contract as the basis of coal company operations contains complex and challenging provisions to understand.

'It's more about understanding the contract itself.'

'The person who made it and the person who read it are sometimes different. From the Taxpayer's point of view, its nailed-down. Even though it means prevailing law, or vice versa.'

Explanation in the law cannot be formulated in a format to avoid dispute. With the limited explanation, it raises questions for the parties who had sign the contract.

'The law is not detailed. It's not detailed in the sense that accounting clearly has recognition, measurement, and so on. If it's in taxes, we will definitely follow 3M. So, we are all wonder.'

4.2.2. Unpublished Government Regulation

Another dominant theme that causes expense disputes is that the government regulations (PP) mandated by the income tax law have not yet been issued. As a result, the legal basis of coal companies' CIT is not yet complete. Based on the theory of legal interpretation, rules that are not fully explained will be challenging to understand and eventually lead to disputes.

'As for coal, it's still a bit lacking because the government regulation has not released yet. We agreed in the income tax law that coal is different from businesses in general.'

The government regulation should contain explanations regarding the implementation of expense recognition. With the government regulation, we hope that the expense arrangements in CIT will be clarified and reduce potential disputes as well.

'Can it reduce disputes? We as the government say yes. But later we will see if there is a problem on the field or not.'

4.2.3. Different Interpretation Method

The difference in interpretation concept is also a cause of disputes. The companies use grammatical interpretation in reading the contracts. This interpretation is related to the company's policy to respect the contracts that have been made with the Indonesian government. Expense recognition in CIT also may use systematic interpretation. This method is carried out because contracts and laws are interrelated one to another. Based on the interview with Tax Auditor participant, the systematic point of view can be used when aspects are not explained in detail.

'We were strict. So, what was written there, we did it.'

'We have to look it from a comprehensive perspective. For example, if there is no further explanation in the contract, we can judge professionally if it is included in certain area of the act.'

In understanding the purpose of the regulation correctly, historical interpretation is required to understand the context of when the contract was signed. The provisions for the expenses of coal mining companies in the income tax law were not detailed because, at that time, the government still did have a complete understanding of business processes and accounting of the mining industry.

'In the 1984 and 1994 Income Tax Law, we did not really understand the mining business process. The accounting in mining also not yet perfect. It needs to specifically regulated, meaning that there are things that we don't understand but we already put it there.'

4.2.4. Judge's Jurisprudence

The tax court does not adhere the jurisprudence of judges because of the civil law system. It means that two exact same disputes may be ended with different decisions.

'As I said earlier, the truth belongs to the judge, not to the law. Because one judge and another judge can interpret in different ways. The interpretation of the law should be the same.'

4.3. Strategies in Avoiding Disputes

The thematic analysis obtained five dominant themes as suggestion for company to avoid disputes in the future as shown in Table 4.

Table 5. Strategies in Avoiding Disputes

No.	Strategies
1.	Apply a confirmation letter to DGT
2.	Actively communicate with ICMA about the tax rule
3.	Hire experts in taxation
4.	Comply with tax administration rules
5.	Perform full audit immediately

4.3.1. Apply A Confirmation Letter to DGT

With the problem of unclear rules, Policy Maker participants stated that a private ruling such as a confirmation letter could provide legal certainty in implementing tax obligations related to expenses in CIT calculation. Through this affirmation, companies can avoid tax disputes related to expenses in CIT.

'Regarding disputes, we received requests for confirmation. This means that in the implementation, there are many differences in interpretation of a regulation between taxpayers and tax authorities'

Confirmation request is a familiar step for extractive industries such as mining. However, taxpayers are not the only ones who ask for confirmation letters. The tax officers have also asked for confirmation regarding the contents of the CCOW contract or the tax rules.

'Confirmation mostly about the contract, and of the law and as well. It could be a case that has already happened. So sometimes the Tax Office also asks for confirmation.'

However, the confirmation letter is not a final solution to resolve the dispute. There is a possibility that the confirmation letter does not answer doubts about the

rules regarding expenses in the law or the CCOW contract.

4.3.2. *Actively communicate with ICMA*

The second dominant theme is communicating with the association regarding tax regulations. ICMA, as an association for coal mining, has a function as a communication channel from industry to policymakers. On the other hand, the ICMA has a function to disseminate information regarding tax regulations. Thus, the company's tax management aspects can be fulfilled by increasing tax compliance and decreasing the company's compliance costs. Based on the interview with Policy Maker participant:

'Association is very important for us. It is part of the government's partner in listening to aspirations, socializing tax regulations. So, with the association involved, there is a mutual requesting and listening relationship. We expect that the level of compliance to increase and compliance costs to decrease.'

4.3.3. *Hire experts in taxation*

In reducing the potential tax disputes, companies are expected to have employees with specialization in taxation or use consulting services. Therefore, companies are able to arrange a proper CIT return. Regarding interview with Tax Manager, in case of dispute, the company already has relevant arguments and evidence prepared by the specialist.

'We hired experts. There are transfer pricing expert, VAT expert, and CIT expert, so it's kind of a small consultant office. We usually threw the problem directly at them, they elaborated it, and then gave us advice.'

With having tax experts, the company will be able to understand the rule on expenses in the calculation of CIT with a complete understanding. Therefore, the experts could solve the dispute problem due to different interpretations.

4.3.4. *Comply With Tax Administration Rules*

The other dominant theme of the strategy to avoid the dispute is to comply with the formal and material obligation in taxation. Companies can prevent expense disputes in the future by carrying out accounting reports accompanied by solid evidence in fulfilling tax obligations.

'Our culture is 'do the right thing'. We do everything properly. So, if there is a dispute, we have the basis. It has minimized the potential for dispute in the future'

This finding in line with findings from previous research. Aurora [22] also obtained that companies need to perform a full comply to tax rules to prevent a dispute or a penalty.

4.3.5. *Perform Full Audit*

The last dominant theme of the strategy to reduce tax disputes is to conduct an audit as soon as possible. The purpose is to ensure that financial statements are qualified, then the CIT returns are reported correctly according to the rules. In addition, an audit will improve the quality of the reports and CIT returns.

'Our strategy, we will try to have it audited annually. Whether it's taxes, environments, royalties. So that if it's done right away, we don't have to wait for too long. From the audit, there may be feedback to us for future improvement.'

The tax disputes will also quickly resolve if a tax audit is carried out immediately. In line with previous research [2], dispute resolution settlement in Indonesia is a time-consuming process. Avoiding disputes with early audits can prevent companies from this tiring process.

5. CONCLUSION

This study provides evidence in finding the main problem causing CIT disputes in expenses and the strategy to avoid it. Based on the analysis, operation expenses which occur disputes are reclamation reserve expense and deferred operation expenditure. In addition, there are disputing expenses from general and administrative expenses such as benefits in kind and donation expense.

Using the theory of legal interpretation and the law interpretation concept, this study found four problems as the main problem causing CIT dispute, particularly in expenses. Those problems are unclear rules, late issuance of government regulation, a different method of interpretation, and judge's jurisprudence.

To overcome the unclear rules such as the unpublished government regulation, the companies can propose a private ruling in confirmation letter form DGT. Confirmation letter is a familiar action taken by coal mining companies to prevent a dispute. Another strategy to take in minimize disputes' probability regarding unclear regulation is by actively communicate problems in implementing CIT law and CCOW contract in ICMA forum. This is an effective effort because ICMA is the government's partner in gathering aspirations from coal mining taxpayer's side.

The solution offered to interpretation method and judge's jurisprudence problem is to prepare an accountable tax return. Companies can either hire specialist in taxation or use a tax consultant service. It will reduce the chance of disputes because the return prepared with a strong basis and evidence and complied with the tax administration rules. Besides, in preparing a basis of interpretation, the companies must comply with the tax administration rules. Thus, in tax audit the

companies already had a strong and valid evidence to support the interpretation and avoid disputes. Another advance action could take place is to perform a full audit. The companies can perform a financial statement audit, environmental audit, and even request for immediate tax audit. An audit will provide an improvement in both financial statement and tax return. Immediate tax audit will minimize time-consuming of dispute mechanism process, improve the quality of the reports, and have an earlier legal certainty for the company as well.

AUTHORS' CONTRIBUTIONS

A was carried out data collection, performed data analysis, and draw the conclusion. Y contributed in sharpen research writing and analytical framework, and supervised data analysis process.

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