TAX DISPUTE

Tax Audit Defence Report

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Executive assessment

Defend the audit issue through a controlled reconciliation of the authority's proposal and the taxpayer's evidence. In the sample, 600 million of a 1,800 million proposed adjustment is explained by timing; the remaining 1,200 million requires a substantive position and corroboration.

The fictional audit team proposes a cost adjustment of IDR 1,800 million. The cost ledger and receiving register identify a 600 million cut-off item, while 1,200 million relates to outsourced technical services. A supplier invoice exists, but the full record of acceptance and use has not been assembled.

Priority	Matter requiring a decision	Current evidence position
Medium	Timing explanation needs period proof	Open for professional review
High	Service population remains disputed	Open for professional review
Medium	Oral explanations are not controlled	Open for professional review

This is a worked sample, not an issued client opinion. All companies, transactions, evidence records and calculations are fictional. The recommended actions demonstrate professional delivery; they do not establish a tax liability, filing eligibility, benchmark or regulatory approval.

Scope and analytical method

Purpose and intended use

The purpose is to help the fictional management team understand the evidence, the decision still required and the work needed to complete a defensible deliverable. The report is intended for internal discussion with the responsible Falcon professional. It is not a filing, an audit opinion or a guarantee of an authority outcome.

Work performed in the illustrative case

- Audit request and proposed adjustment register
- Cost and cut-off reconciliation
- Evidence-supported defence and counteranalysis
- Meeting and submission control

Reperform the proposal bridge, trace each item to original evidence and identify the authority's actual reason for adjustment. Test the strongest opposing explanation. Distinguish an accounting timing difference from a legal question about recognition or deductibility. Maintain a controlled response log and record what was supplied.

Evidence population

Ref	Illustrative record	Role in the analysis
E01	Authority proposal and request log	Starting population and primary bridge
E02	Goods receipt and accrual bridge	Classification and factual support
E03	Technical service acceptance evidence	Exception or corroboration testing
E04	Audit meeting and attachment register	Decision history and completion support

The references are report-local training identifiers. They are not verified originals, app record IDs or hashes. No real client files were inspected. A live engagement must preserve the actual originals, their versions and the reviewer's assessment of each material claim. The descriptions above define the evidence that the case assumes or explicitly identifies as missing.

Coverage and limitations

Only the stated sample scope is covered. The report does not infer completeness of other entities, years, transactions or tax types. Where the record is incomplete, the analysis identifies the limitation rather than treating management's explanation as verified evidence. Any estimate remains subject to factual validation, current legal applicability and independent review.

Detailed findings and professional response

Priority is a qualitative judgement about the importance of resolving an issue before delivery. High means that the matter could change a material conclusion or prevent completion. Medium means that a control or corroboration improvement is required. These labels are not a probability of assessment or a calculated tax exposure.

Finding 1 Timing explanation needs period proof

Medium priority. E02 matches 600 million to a receiving event, but the recording and acceptance dates require confirmation.

Professional implication. A plausible timing narrative does not establish the correct tax period.

Recommended response. Obtain dated acceptance, accrual and subsequent posting records and reconcile the relevant periods.

Finding 2 Service population remains disputed

High priority. E03 contains an invoice for 1,200 million without complete technical acceptance records.

Professional implication. A contractual liability and tax recognition are separate questions.

Recommended response. Obtain work orders, outputs, approval records and the applicable legal analysis before finalising the defence.

Finding 3 Oral explanations are not controlled

Medium priority. E04 records meetings but does not link each explanation to its submitted attachments.

Professional implication. The taxpayer cannot readily demonstrate the exact evidence considered or avoid inconsistent statements.

Recommended response. Maintain a response register with issue, version, author, attachment and acknowledgement fields.

Counteranalysis and judgement

An incomplete record is not proof that the taxpayer's position is wrong. Equally, an invoice, signed agreement or plausible narrative does not establish every factual or legal element. The reviewer should test alternative explanations and record what evidence would change the assessment. Preserve both supportive and adverse material so that the final conclusion remains balanced.

Financial analysis and decision alternatives

The schedule below makes the numerical reasoning reproducible. All inputs are fictional. The calculation basis states whether a value comes from the assumed record, a formula or an explicit scenario parameter. Figures should not be copied into a live return or used as a benchmark.

Measure	Illustrative result	Calculation basis
Proposed cost adjustment	1,800	E01
Timing item under review	600	E02
Substantive service item	1,200	E03
Bridge control	1,800	600 plus 1,200

Amounts are IDR million. The bridge reconciles the proposed adjustment population only. It does not compute tax payable, interest or penalties. If the timing issue is resolved, the impact depends on the legally correct recognition period and any corresponding adjustment. The service item remains a separate evidential and legal question.

Alternatives for management discussion

Alternative	Practical rationale	Condition before adoption
Accept an evidenced correction	Resolves a demonstrable mistake	Requires verified period and tax impact
Defend supported items	Preserves the taxpayer position	Requires original evidence and counteranalysis
Prepare for a dispute stage	Maintains continuity if unresolved	Must separately verify procedural requirements

Management should compare the alternatives using verified facts, operational feasibility and the applicable legal analysis. A more favourable numerical scenario is not evidence that its assumptions are valid. The report therefore recommends completing the unresolved work before selecting a final tax position or an external action.

Recommendations and delivery plan

The following sequence is an illustrative internal work plan measured from engagement kick-off. It is not a statutory timetable. Any external response or filing date must be verified separately and may require faster escalation. The engagement partner remains responsible for the scope and resources agreed with the client.

Work step	Responsible role	Indicative timing	Completion evidence
Confirm scope and procedural facts	Engagement lead	Days 1 to 2	Approved scope and verified external date where relevant
Resolve finding 1	Client finance and Falcon adviser	Days 2 to 5	Original evidence and documented resolution or scope limitation
Resolve finding 2	Technical workstream lead	Days 3 to 7	Originals and approved technical treatment
Resolve finding 3	Client owner and Falcon adviser	Days 3 to 8	Reviewed action and completion evidence
Review analysis and computations	Independent Falcon partner	After evidence closure	Documented challenge and approved current version
Authorise delivery and preserve receipts	Engagement lead and client signatory	After professional approval	Final report version and any external acknowledgement

Escalation and change control

Escalate immediately if an actual external date is near, an original contradicts the working facts, the legal framework changes, or the proposed action exceeds the authorised scope. New evidence can change the recommendation. Update the affected calculations, issue analysis and report version, and obtain fresh independent review where the conclusion has changed.

Client communication

Tell the client what is established, what remains uncertain and what they must supply or decide. Explain how missing evidence limits the deliverable. Obtain approval of the final audience and language. Preserve the distinction between internal review, client delivery and authority acceptance.

Technical references and completion record

The official references below were located on 3 October 2026. They are starting points for a real technical review, not a representation that every operative article, amendment, treaty or transitional provision has been checked. No quoted legal passage or current statutory rate is relied on to decide this fictional case.

Tax examination framework

PMK 15 of 2025 - Check applicability, transition and actual audit documents. This is not a source for an assumed SP2DK deadline.

Open official reference

Indonesian tax administration

PMK 81 of 2024 and amendment history - The JDIH page lists amendment history including PMK 1 of 2026. Retrieve applicable originals and check all later amendments before use.

Open official reference

Required legal applicability record

For each material position, retain the original provision and exact article, authority and version, effective dates, relevant amendments and the reason it applies to the client's facts and period. Record competing interpretations and the specialist's conclusion. Official service pages and OECD guidance have different authority from domestic legislation and treaty text.

Independent completion checks

- The client identity, period and authorised scope match the actual engagement.
- Every material statement is traceable to the original record and preserves any contradiction.
- The calculations are independently reperformed and assumptions are distinguished from legal rules.
- The applicable law and source history support the conclusion for the actual period.
- A different qualified Falcon reviewer records the judgement and material limitations.
- The client authorises the intended delivery and any separate external submission is evidenced.

Sample status: not approved for client issue. No preparer, reviewer or client signature is simulated. Replace the fictional dataset and complete the real engagement review before using this document as a delivery model.