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VALUE CHAINS AND ILLICIT FINANCIAL FLOWS FROM TRADE MISINVOICING: INDONESIA-SINGAPORE

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Abstract: This study aimed to analyze the potential for illicit financial flows with the practice of misinvoicing the impact of differences in recording the value of exports and imports of Indonesia and Singapore, as well as calculating the potential loss of state revenue from the tax sector of the trade balance disparity in Indonesia and Singapore. This research is a type of quantitative research. The data source is secondary data collected from the Indonesia-Singapore trade balance in 2016-2020 with a sample of 20 leading Indonesian export commodities to Singapore. Data analysis focuses on estimating the size of illicit financial flows and the potential loss of state revenue. The trade misinvoicing scenario is under-invoicing exports and over-invoicing exports. Meanwhile, the focus is on under-invoicing exports for calculating the potential lost state revenue. This study has found that from the 20 commodities traded between Indonesia and Singapore, there was a difference between over-invoicing and under-invoicing of US$.830 million, which means that illicit financial flows from Indonesia to Singapore have reached US$830 million from trade misinvoicing practices from Indonesia—2016 to 2020. Meanwhile, the potential loss of state revenue from the tax sector due to under-invoicing exports in the 5 (year) 2016-2020 period is around US$563 million. This potential loss results from Income Shifting by exporting companies to Singapore. So that the study of these problems can have an impact on strengthening export and import policies that reduce illicit financial flows to increase state revenues in the taxation sector. This research also recommends improvements in the stricter supervision of export and import activities for several commodities indicated as under-invoicing exports.

Keywords: Misinvoicing, Illicit Financial Flows, Trade Balance

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INTRODUCTION

Illicit financial flows (IFF) connected with corruption, crime, and tax avoidance are an issue of increasing concern in developing countries because domestic tax evasion, criminal acts and corruption are significant and have an impact on the ability of countries to raise the finances needed for investment in sustainable development (Chowla and Tatiana, 2016). A target to reduce illicit financial flows is included in the Sustainable Development Goals (SDGs). IFF includes many activities, such as trade misinvoicing, smuggling, tax evasion, et. Misinvoicingis reflected in the differences in the value, volume and types of commodities in the trade balance between countries. Misinvoicing is a method for moving money illicitly across borders, which involves the deliberate falsification of the value, volume, and type of commodity in an international commercial transaction of the goods or the services by at least one party to the transaction (Global Financial Integrity, 2019). Transfer pricing and trade misinvoicing overlap areas where major multinational companies engage in illicit financial flows (Forstater, 2018). The practice of the misinvoicing is an illegal practice that hides behind legitimate trade with the aim of tax avoidance and has an impact on the Indonesian economy. The state is harmed by the flight of funds abroad that should be used to stimulate the domestic economy and the potential for these funds to be misused for other activities that violate the law. In general, the phenomenon of illicit financial flows, are illegal movements of money or capital from one country to another, is defined as sum of money obtained, transferred or used illegally (Baker, 2017). Baker (2005) also stated that most illicit financial flows from a country are mostly related to cleptocracy, corruption, tax embezzlement, and tax evasion. Its last report in 2020, Global Financial Integrity (GFI), stated that illicit financial flows also result in a massive loss of desperately needed financial resources to fund public initiatives or critical investments in developing countries. It has contributed to weak economic growth, legal trade, and the loss of potential government resources that could be invested in society, such as health, education and infrastructure. Between 2006 and 2015, illicit financial flows ranged from 20.8 percent to 27.1 percent of total trade in developing countries. Global Financial Integrity finds that trade misinvoicing is the most frequently utilized mechanism facilitating measurable illicit financial flows. Misstating import and export values on invoices submitted to customs authorities has become normalized in commercial trade.

While there are many channels for IFF in the global economy, this report is focused exclusively on the IFFs that flowthrough the international trading system of regular imports and exports in Indonesia, the impact of misinvoicing in trade between countries reached $150.859 million (Global Financial Integrity, 2019), up from previous data which stated that during the period 2004 to 2013 illicit financial flows out of Indonesia were on average US$18,071 million or around IDR200 trillion, and almost 93% due to mispricing, both over-invoicing and under-invoicing (Prakarsa, 2016). It is in line with the statement from the Director of the Center for Indonesian Taxation, Yustinus Prastowo, that the practice of transfer pricing has the potential to harm Indonesia's tax revenues of up to IDR 100 trillion per year, and more multinational companies are doing it in minimizing tax payments to the state (medco.com; downloaded March 25, 2020).

Several studies have found that China's reported exports to the United States have long been smaller than the U.S.-reported imports from China (Ferrantino and Wang, 2008). Another research found that misinvoicing was carried out in the context of tax evasion, transfer pricing or control of foreign companies (Fisman and Wei, 2004; Ferrantino and Wang, 2008; (Fung et al., 2011); Ferrantino et al., 2012; and (Liu et al., 2016). Patunru and Yubwini (2018) stated that exports from Singapore to Indonesia are under-reported to Indonesian Customs, and the evasion increases with duty rates. Interestingly, evasion appears to have more to do with the value-added tax on almost all imported goods. The presence of non-tariff barriers designed to protect national industries may also motivate smuggling. Desi and Aditya (2021) found that customs tariff, financial penalty, and trade agreement affect import misinvoicing. Furthermore, customs tariff and financial penalty affect export misinvoicing. Meanwhile, trade openness does not affect trade misinvoicing, both from the import and export side.Recent research argues that aggregate across products to construct a dataset of annual aggregate bilateral trade, separately for the importer and exporter reports, and the reporting differences also vary systematically with country characteristics aside from tariffs: incomes, auditing standards, corruption, and trade agreements (Kellenberg and Levinson, 2019).

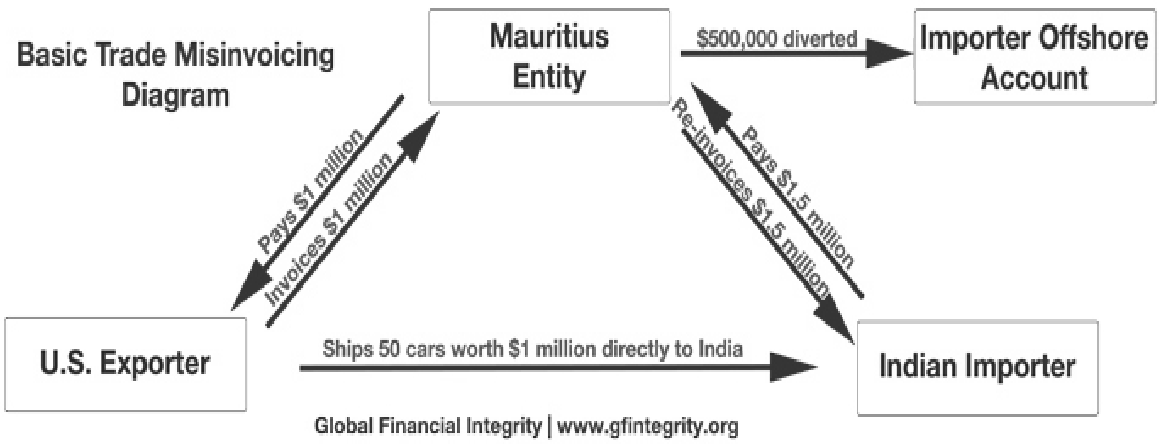
This study adds to the literature on illicit financial flows by misinvoicing. Shed some light on misinvoicing strategies for moving money illicitly across borders which involve the deliberate falsification of the value, volume, and type of commodity in an international commercial transaction of goods or services by at least one party to the transaction. This research has special implications for the importance of anti-money laundering policies and more specific country-by-country reporting to reduce state losses due to misinvoicing practices included in illicit financial flows.

This research is critical to do in order to increase Indonesia's accountability as a developing country because developing countries are disproportionately likely to be punished by international institutions for failing to deter illicit flows. IFF is one of the main problems that has hindered economic growth over the last few decades, especially in Indonesia, a developing country. Likewise, this research is important to do in order to provide an overview of export commodities that have the potential to cause illicit financial flows to reformulate policies ranging from supervision to prevention to be more effective, especially at customs institutions. This research aims to analyze the potential for illicit financial flows by misinvoicing the impact of differences in recording the value of exports and imports of Indonesia and Singapore and calculating the potential loss of state revenue from the trade tax sector balance disparity in Indonesia and Singapore.

LITERATURE REVIEW

Illicit financial flows (IFF) are illegal movements of money or capital from one country to another.GFI classifies illicit flows as funds illegally earned, transferred, and utilized across an international border. The primary sources of illicit flows include grand corruption, commercial tax evasion, and transnational crime (Global Financial Integrity, 2020). IFF has become a global phenomenon of international interest. Some research defines the concept of Illicit Financial Flows as "capital obtained, transferred, or used illegally and includes all unrecorded private financial outflows that encourage the accumulation of foreign assets by conflicting residents with the capital controls and the applicable regulatory framework" (Kar and Curcio, 2011). Illicit Financial Flow emerged in the 1990s and was originally associated with capital flight. There are three main areas (World Bank, 2017). That area is The act itself is illegal (e.g., corruption, tax evasion), the misinvoicing; or The funds are the result of unlawful acts (e.g. smuggling and trafficking of minerals, wildlife, drugs, and humans); or The funds are used for illegal purposes (e.g., financing of organized crime). One of the areas of Illicit Financial Flow is trade misinvoicing. GFI famously estimates that trade misinvoicing is the largest portion of illicit financial flows. Trade misinvoicing or trade leakage is a method to illegally move economic resources across national borders by manipulating the value, volume, and types of commodities in international trade transactions (http://theglobal-review.com). One of the characteristics of international trade that is of concern is the error in calculating the potential asymmetry in the trade statistics of partner countries (Nitsch, 2012). Generally, every international trade transaction has two statistical records: those recorded by the importing country (importer) and the exporting country (exporter). The difference between the trade value recorded by the exporting country and that recorded by the importing country can then lead to what is known as trade discrepancy. Trade discrepancy at the aggregate level can indicate the magnitude of a trade leak (World Customs Organization, 2018).

The significance of trade misinvoicing has gained increasing interest in recent years. It is likely to provide further insights into the scale of illicit financial flows (hereafter IFFs) and its implications in terms of lost revenues within the scope of the current global agenda on financing for development and domestic resource mobilization (Carton and Slim, 2018). Generally, four types of leakage can be recorded statistically in trade (Tandon and Rao, 2017). The forms of trade leakage are under-invoicing and over-invoicing, both on the export and import sides. Both approaches show leakage from the export side in the form of under-invoicing exports and over-invoicing exports.



Source: gfintegity.org

Figure 1. Illicit Financial Flows Diagram with Misinvoicing

Furthermore, leakage from the import side can take the form of under-invoicing imports and over-invoicing imports. Under-invoicing states a price on an invoice lower than the price paid, while over-invoicing is the opposite. These two actions will gradually have implications for a country's current account and economic growth.

Figure 1 above illustrates illicit the financial flows in trade in the United States (USA) using the misinvoicing. Figure 1 explains an overpayment of import invoices, where the Indian importer illegally transferred $500,000 from India. The company in the India bought 50 cars worth $1 million from a US exporter, and he used a Mauritius broker to charge up to $1,500,000. US exporters paid $1 million. The remaining $500,000 is then transferred to an offshore bank account held by the Indian importer.

Carton and Slim (2018) stated that misinvoicing trade between OECD countries and their trading partners reaches US $ 12 trillion, and developed and developing countries enjoy illicit financial flows in trade transactions between their countries. Other studies suggest that the current account deficit, foreign debt burden, trade openness, and a high corruption index increase incentives for illicit financial flows abroad, while high-interest rates, high customs duties, and other duties reduce illicit financial outflows flows through exports under-invoicing and imports over-invoicing (Saxena and Gupta, 2020).

Four methods for calculating misinvoicing, according to Matthew (2020), are Balance-of-Payments (balance of payments statistics) Methods, Trade Gap Analysis is a method, Trade Price Deviation Analysis is a method, Transfer Price Analysis is a method, and Deviations from Traditional Gravity Models of Financial Flows is a method. Balance-of-Payments (balance of payments statistics) Methods use macroeconomic data, especially balance of payments statistics, to determine when capital is shifting overseas. The amount of net change in debt, FDI, transaction surplus running, and changes in reserves are then used as an empirical estimate of capital flight. Trade Gap Analysis is a method of calculating the shipping and insurance costs. The declared export price and quantity from one country must match the announced price and quantity when the shipment reaches its destination and is recorded as an import. The overview of the over/underreported exports/imports includes over-invoicing imports, over-reporting exports, under-invoicing imports, and under-invoicing exports. Over-invoicing imports consist of holding money abroad, avoiding capital controls (obtaining excess foreign exchange), and reducing taxable profit. Under-invoicing imports consist of avoiding import duties. Over-reporting exports consist of taking advantage of export credits. Under-invoicing exports include avoiding export tariffs, holding money abroad, and avoiding capital controls (obtaining excess foreign exchange). Trade Price Deviation Analysis estimates illegal capital flight based on the deviation of exports/imports from several reasonable price ranges rather than using mirror trading statistics.

Table 1. The motivation for Trade Misinvoicing

illicit financial outflows	Import Over Invoicing	To shift money abroad
		To avoid anti-dumping duties
		Overstating the cost of imported inputs to reduce income tax liability
	Export Under Invoicing	To shift money abroad
		To evade income taxes
		To evade export taxes
illicit financial inflows	Import Over Invoicing	To evade customs duties or value-added taxes
		To avoid regulatory requirements for import over a certain value
	Export Under Invoicing	To exploit subsidies for export
		To exploit drawbacks (rebates) on exports

Source: GFI Report 2020

This approach combines two types of transfers: trade mis-invoicing (over-/under-invoicing) and transfers mis-pricing. Transfer Price Analysis is a method that compares the fair-ness of the transfer price (the arms-length principle) for the same commodity or by comparing the profit margin of transactions with other similar industries. This analysis requires micro-data about the firm's transfer pricing. This analysis requires micro-level data on corporate transfer pricing decisions, such as multinational companies operating costs, revenues, and profits. Deviations from Traditional Gravity Models of Financial Flows is a method of estimating illicit flows based on empirical models that predict cross-border flows and estimate an "illicit premium", the additional amount reported to a particular jurisdiction. Table 1 showed several motivations for illicit financial outflows: imports over-invoicing and exports the under-invoicing. In contrast, illicit financial inflows are caused by imports under-invoicing or exports over-invoicing.

METHOD

This research is a type of quantitative research because it will analyze the potential for illicit financial flows by misinvoicing the impact of differences in the recording of the value of exports and imports of Indonesia and Singapore, as well as calculating the potential loss of state revenue from the trade tax sector balance disparity in Indonesia and Singapore. The data source is secondary data collected from the Indonesia-Singapore trade balance in 2016-2020 with a sample of 20 leading Indonesian export commodities to Singapore. This study uses data on Indonesia's trade balance with Singapore. Singapore is the largest partner country in Southeast Asia, indicated by a trade balance difference that is quite detrimental to Indonesia (GFI, 2019). The research sample uses commodities exported to Singapore in 2016-2020 with the Harmonized System (HS) classification standard of up to 4-digits. This study estimates the impact of financial losses due to illicit financial flows using the trade misinvoicing method. This calculation model, as stated by Matthew (2020). The trade misinvoicing method will record under-invoicing imports or over-invoicing exports when the imports recorded by the importers are less than those recorded by the exporters. Otherwise, this trade misinvoicing method will record as under-invoicing exports or over-invoicing imports if imports exceed exports.

The measurement of trade misinvoicing for each commodity uses the difference in the value of exports recorded in Indonesia to Singapore and the value of imports from Indonesia claimed by Singapore. In the import value recorded by Singapore, several values are usually included as part of the acquisition price, such as customs fees or related costs, insurance and freight (CIF) values. For this reason, an adjustment is needed so that match between the value of Indonesian exports and imports from Indonesia can be compared. The adjustment factor is the adjustment value to consider the factors of customs duties, CIF, and other duties. Tandon and Rao's research (2017) assumed a value of 1.1 to make the import value data based on CIF more or less the same as the standard FOB calculation by referring to the IMF justification. This study uses the model Rahayu et al. (2019) used by comparing the value of exports in Indonesia and imports from Indonesia. The trade misinvoicing calculation model in this study is as follows.

Where, $EM\ t$isthe gap in trade misinvoicing records of the product I in period t. $IMji$, is the value of imports from Indonesia claimed by Singapore, $EXij$, is the value of Indonesian exports to Singapore. If it is positive, an under-invoicing export causes illicit financial outflows. On the other hand, if it is negative, there will be over-invoicing exports which will cause the illicit financial inflows. The sum of value of illicit financial flows in and outflows yields the value of gross illicit financial flows. (Rahayu et al., 2019). This study also calculates the impact of trade misinvoicing on the potential loss to the state due to non-receipt of tax revenues, which comprise Indonesia's largest share of income. This method of calculating potential tax losses due to the practice of trade misinvoicing uses the method used by (Qureshi and Mahmood, 2016). This method calculates the potential lost tax revenue due to gross illicit financial flows by multiplying the value of the exports under in-voicing with the applicable corporate tax rate in the Indonesia. The calculation model is as follows:

$Tt = EUt \times CITt$

Where Tt isPotential lost tax revenue, EUt is Value of under-invoicing exports and $CITt$ are Corporate income tax rates in Indonesia.

RESULTS

The research sample uses Indonesia's trade balance data with Singapore, the use of Singapore's counterparty because it is the largest partner country in Southeast Asia which is suspected to be a trade balance difference that is quite detrimental to Indonesia (GFI, 2019). This research used 20 commodities from Indonesia's exports to Singapore. The research sample covers each sector: extractives, manufacturing and agriculture. The data is taken from the UN Comtrade report, which contains a repository of international trade statistics that uses commodities with the Harmonized System (HS) classification standard of up to 4 digits.

The Indonesia-Singapore export trade conditions from 2016-2020 experienced a fluctuating trend. The increase in the percentage of exports occurred in 2016-2017 by 13%, an increase of 2% in 2018. The slowdown in export growth continued until 2019, which only increased by 1%. This situation worsened when the world economic shock caused by COVID-19 caused the export value in 2020 to experience a significant decline of 17%. The following is data on the proportion of Indonesia-Singapore export value in 2016-2020.

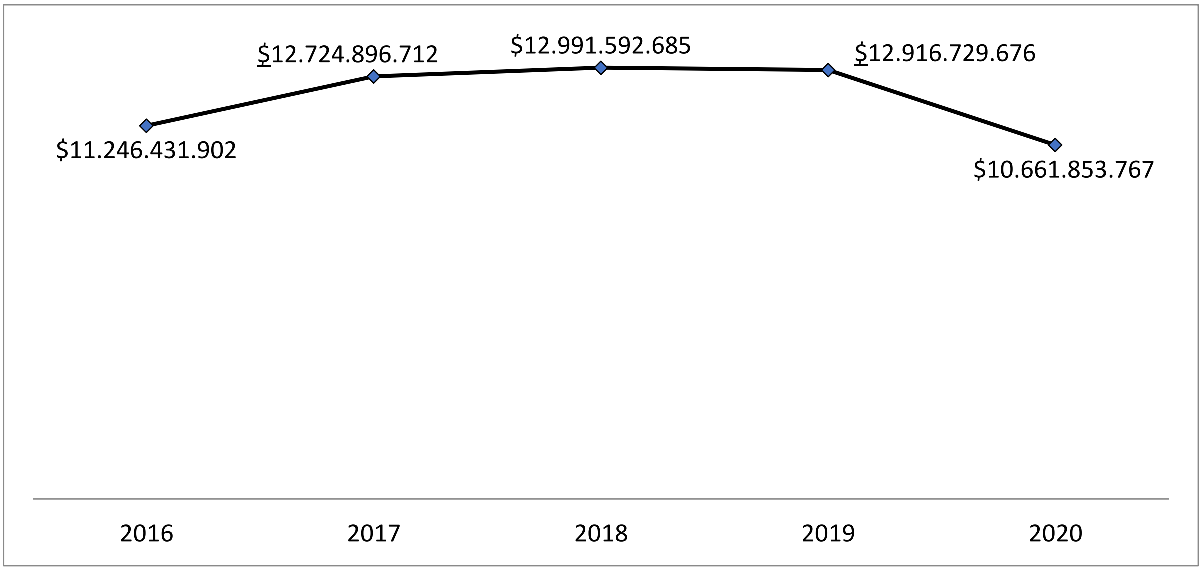


Figure 2. Export Value Proportion 2016-2020

DISCUSSION

Based on Indonesia's trade balance from 2016 to 2020, Machinery and Mechanical Equipment products ranked first in Indonesia's total exports to Singapore, occupied by Electronic commodities, which reached US$ 1.3 billion. As for the percentage of exports to Singapore compared to Indonesia's total exports to the rest of the world, Tin commodity ranks first with a percentage of 98 %, followed by Electrical commodities at 78% and Natural Oil commodities in third place at 24%.

Figure 4.1 illustrates the value of Indonesia's gross illicit financial flows on the trade balance with Singapore from 2016-2020 of US$. 241 million. In 2016, under-invoicing occurred, resulting in illicit financial outflows of US$.205 million and in 2017 of US$177 million. Furthermore, since 2018 there has been over-invoicing, which has resulted in illicit the financial inflows of US$. 207 million. In the 2019 there was also over-invoicing, which resulted in illicit financial inflows of US$ 204 million and 2020, amounting to US$. 212 million.

Based on Figure 4.1 in the 2016-2017 period, it can be generally estimated that Indonesia's exports were over-invoicing, where Indonesia recorded higher exports than the Singapore's imports from Indonesia. The practice of export over-invoicing occurs when there is a fiscal incentive for the recorded export value to be higher than the number of goods exported, as well as a motive for income shifting to a country with a lower tax rate than Indonesia. Based on the taxation policy, Singapore has a tax rate lower than Indonesia by 17% compared to Indonesia, with a higher tax rate of 25% in 2016-2017.

Meanwhile, in the 2018-2020 period, Indonesia's trade balance occurred under-invoicing, which resulted in illicit financial outflows. Under-invoicing occurs when the recorded value of exports in Indonesia is smaller than the acknowledgement of recording by Singapore as an importing country. This decline in the value of exports could indicate manipulation of similar commodities, as indicated by the PT Toba Pulp Lestari's transaction with its two affiliated companies in China, DP Macao and Sateri Holdings Limited, in mainland China. The Indonesia Leaks Team discovered the suspicious transaction at the end of 2018. From 2006-2017, the company formerly named Indorayon manipulated export registration documents at customs at Indonesian ports with different export commodity codes from those received by consumers in China (Tempo, 2020).

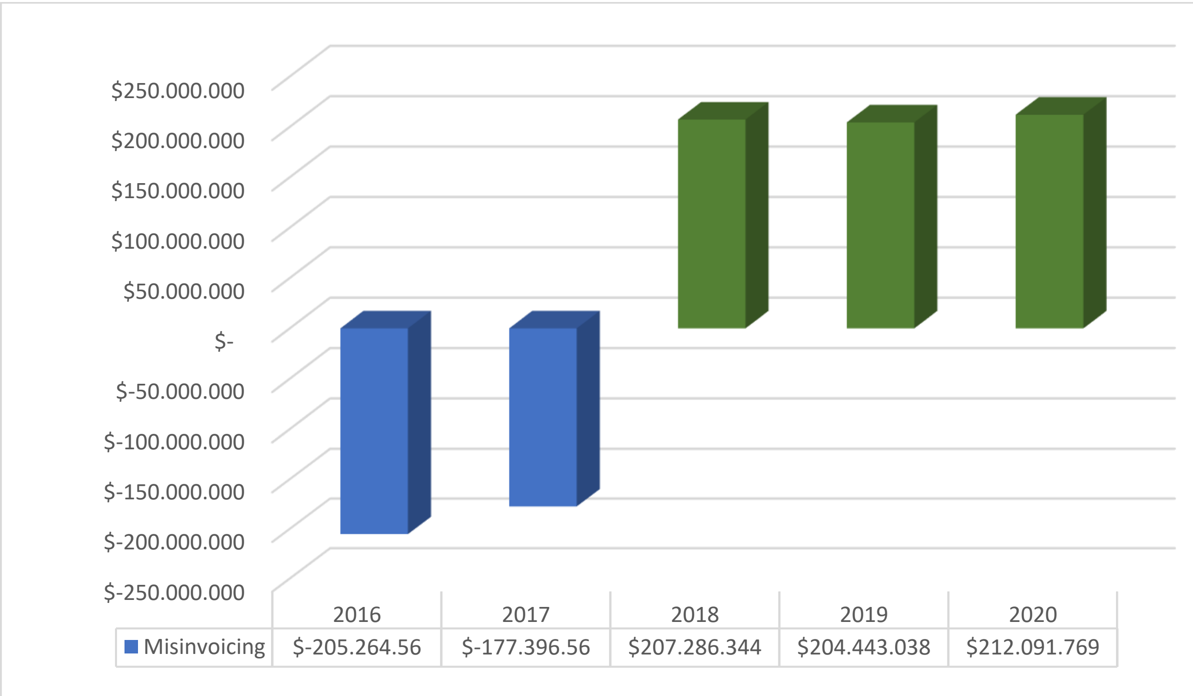


Figure 3. Trade Misinvoicing 2016-2020

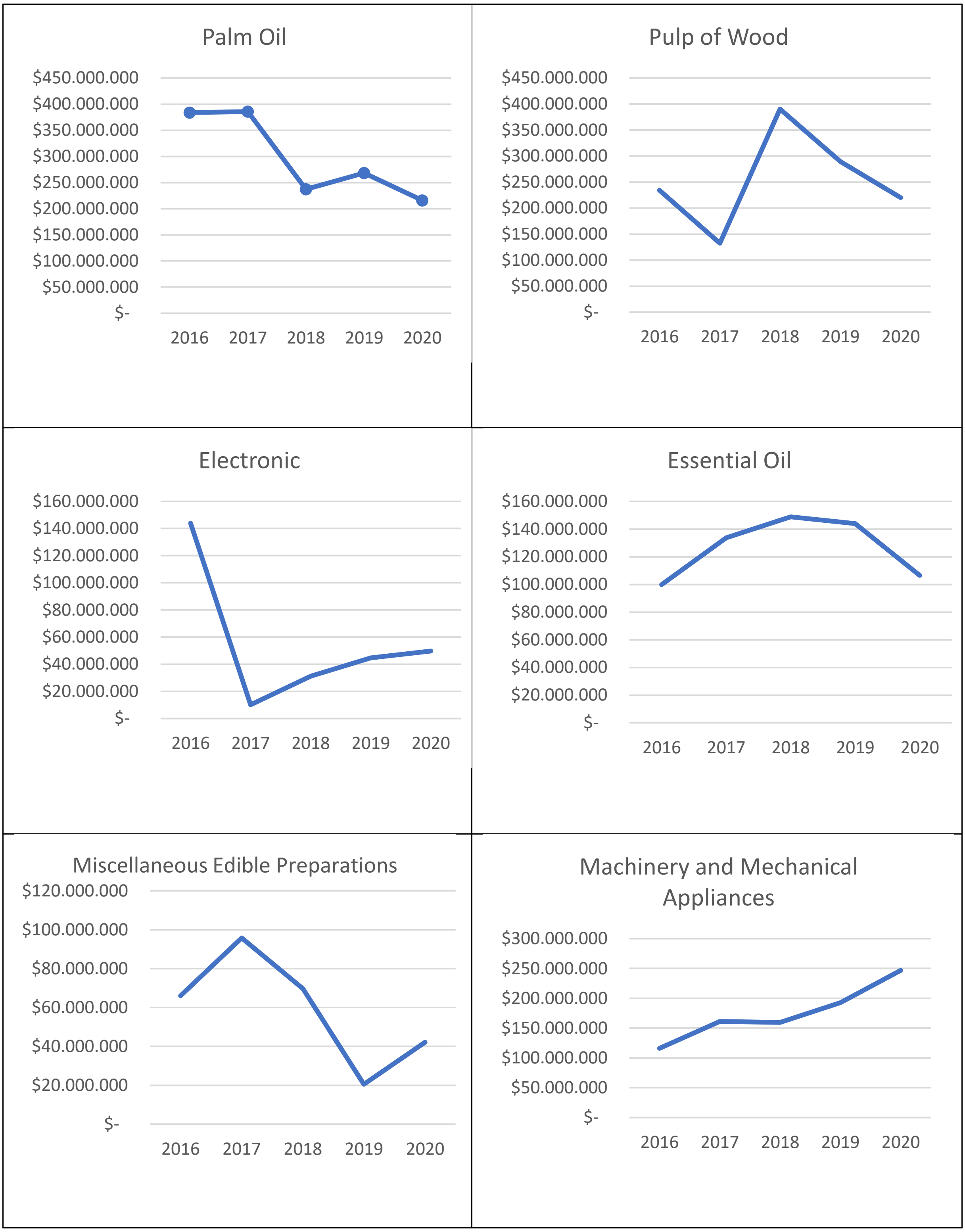


Figure 4. The Trend of Illicit Financial Flows In 2016-2020

The trend of illicit financial flows in the 2016-2020 period for the top six commodities is shown in Figure 4.2. Palm oil commodities tend to decline from 2016 to 2020. There is still a downward trend. It shows a decreasing gap between the recording of export values by Indonesia and the recording of import values by Singapore. The decline in the trend of illicit financial flows is expected to reduce the impact of state losses due to income shifting due to differences in recognition of export values in Indonesia. Furthermore, the pulp of wood commodities tended to fluctuate and experienced a high increase in 2018. However, since 2019 this pulp wood commodity began to decline in 2020. The decrease in the difference in the decline in the value of Indonesia's exports and the value of imports by Singapore is expected to impact state revenues, especially from taxation, positively.

Electronic commodities decreased in 2017 and began to increase in 2018. The increase in the gap in the recorded value of exports in Indonesia with the value of imports in Singapore certainly has an effect on increasing income shifting which has an impact on reducing state income, especially from the tax sector. Natural oil commodities trend to form a curve, which peaked in 2018. Processed food commodities have decreased since 2018-2019 and in 2020 began to experience an upward trend, and machinery and mechanical equipment commodities tend to have an increasing trend of differences in recorded value of exports in Indonesia with imports registered in Singapore from 2016-2020.

The impact of trade misinvoicing on the potential loss to the state due to non-receipt of tax revenue which is the largest part of revenue in Indonesia. This study focuses on 5 (five) commodities among the 20 commodities that are the sample of this study. Based on an estimate of 5 (five) commodities exported to Singapore, the potential loss of Indonesian tax revenue is around US$558 million in 2016-2020 (Table 4.1). Based on Table 4.1, wood pulp commodity dominates the value of potential state losses of up to US$316 million for five years. This commodity is one of Indonesia's primary exports to several Asian, American and European countries. The second commodity that has the potential to harm state revenue is machinery and mechanical equipment. Due to the practice of exports under-invoicing, the potential loss of state revenue reaches US$218 million.

Coal is the third largest commodity that can potentially harm the state revenue. This commodity can potentially harm state revenues of up to US$14 million. The fourth commodity that has the potential to harm tax revenues lost due to illicit financial outflows is crustaceans, which reached US$4.8 million in the 2016-2020 period. The fifth commodity is plastic, which can potentially harm state revenues from the tax sector by up to US$3.6 million. The potential for state losses due to under-invoicing exports illustrates exporters' lack of state supervision in the recording process in reporting the quantity, price, or overall value of the exported commodities.

Table 2. Potential Loss of Tax Revenue in Indonesia's Six Export Commodities

Commodities	Export	Export Under-Invoicing		Potential Loss of Tax Revenue	
		Total	Relative to Exports	Total	Relative to Exports
Pulp of Wood	$ 12.838.240	**$ 1.266.752.706**	9867%	**$ 316.688.177**	**2467%**
Machinery and Mechanical Appliances	$ 4.628.143.840	**$ 875.910.375**	19%	**$ 218.977.594**	**5%**
Coal	$ 115.406.873	**$ 57.185.574**	50%	**$ 14.296.394**	**12%**
Crustaceans	$ 79.132.272	**$ 19.252.621**	24%	**$ 4.813.155**	**6%**
Plastic	$ 585.163.975	**$ 14.478.025**	2%	**$ 3.619.506**	**1%**
Total	**$ 5.420.685.200**	**$ 2.233.579.302**	**41%**	**$ 558.394.825**	**10%**

The results showed the potential loss in tax revenues due to the under-invoicing of the six export commodities. The most significant loss occurring in Pulp Wood was $316 million. Tax losses reached 2467% of the total exports. Then, Coal occupies the second position with a potential loss of $14 million or 12% of its total exports. This study is supported by Signe (2020) that uses trade misinvoicing and balance of payments differentials to estimate illicit financial flows. It is found that real GDP is associated with higher illicit financial flows due to increased opportunities to channel illicit the resources abroad generated by higher economic activity, higher taxes, and inflation leading to higher illicit financial flows. International trade transactions raise taxation problems, one of which is misinvoicing. Misinvoicing aims to transfer money illegally across national borders by intentionally manipulating the value, volume, and/or types of commodities in international commercial transactions of goods or services by multinational companies. Misinvoicing is the largest component of illicit financial outflows as measured by Global Financial Integrity.

IMPLICATIONS

The study results indicate that illicit financial flows occur with trade misinvoicing, as indicated by the recording of export values by Indonesia and import values by Singapore. And the impact of trade misinvoicing on potential state losses in various sectors of tax revenue. So that the study of these problems can have an impact on strengthening export and import policies that reduce illicit financial flows to increase state revenues in the taxation sector. This research is vital for developing countries such as Indonesia, which has lost much of its state revenue due to misinvoicing practices. This research also recommends improvements in the stricter supervision of export and import activities for several commodities indicated as under-invoicing exports.

RECOMMENDATIONS

Based on the results of this study, there are several suggestions for further researchers who are expected to involve several export destination countries to increase the projected state losses in exporting under-invoicing. So it is hoped that the data will be presented following the actual conditions of the hope of increasing state revenues which can still be increased if the practice of the exporting under invoicing can be prevented or minimized. While the advice for policymakers, in this case, is for the Directorate of Customs and Excise to be able to synergize with the Directorate General of Taxes in accelerating the increasingly aggressive implementation of the BEPS (Base Erosion and Profit Shifting), these 15 steps have been finalized on October 5, 2015, which has become a mutual agreement OECD and ASEAN countries. One is reformulating policies ranging from supervision to prevention to be more effective, especially in the declaration of export or import values, concerning the type of commodity, volume and suitability of the export destinations. In addition, there is a need to harmonize customs, transfer pricing and cross-border transactions in export-import transactions carried out by multinational companies.

Based on the experience of researchers, there are some limitations experienced. Further researchers can refine the limitations of this study. The limited number of export destination countries observed is still insufficient to describe the actual situation. So it is necessary to add export destination countries to get more comprehensive results.

CONCLUSIONS

This study has found that of the 20 commodities traded between Indonesia and Singapore, there was a difference between over-invoicing and under-invoicing of US$.241 million, which means that Indonesia is estimated to lose potential tax revenues of US$241 million from the practice of trade misinvoicing in 20 commodities leading export from 2016 to 2020. Furthermore, the potential loss of state revenue from the tax sector due to under-invoicing exports in 5 (year) period of 2016-2020 is around US$563 million, while if you focus on 6 (six) commodities, the value reaches US$558 million.

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