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GOVERNMENT ACCOUNTING POLICY OF OIL AND GAS REVENUE AFTER IMPLEMENTATION GROSS SPLIT CONTRACT: QUO VADIS?

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Abstract
Production Sharing Contract (PSC) is a popular scheme for managing interests between oil and gas companies as contractors and the central government as a principal. PSC has been becoming attractive for contractors because the contract provides an incentive, and cost-recovery scheme, whereas all production costs during exploration and exploitation stages would be recovered by the government. However, this long-standing contract creates serious problems regarding efficiency and government revenue aspects. To address these issues, in early 2017, the Ministry of Energy and Mineral Resources stipulate a new regulation to propose a new scheme contract namely gross-split. This policy aims to promote more investment in the oil and gas exploration sector so that lifting can be increased, and also, as an effort to eliminate the debate over cost recovery. In contrast to the cost recovery PSC, in a gross split PSC, there is no longer an assume and discharge facility for indirect taxes and other levies given to contractors. This study aims to determine the implications of the PSC gross split on the oil and gas revenue accounting policy. The author conducted interviews with several informants and analyzed the data using the interactive model of Miles and Huberman. As a result, the gross split implies the recognition of Oil and Gas revenue using gross principle.
***Keywords**: Gross split, Non-tax revenue, Oil and gas revenue, Production sharing contract*

Abstrak
Kontrak Bagi Hasil (PSC) merupakan skema yang populer untuk kepentingan antara perusahaan minyak dan gas sebagai kontraktor dan pemerintah pusat sebagai prinsipal. PSC selama ini menjadi menarik bagi kontraktor karena kontrak tersebut memberikan insentif, dan skema pengembalian biaya, sedangkan semua biaya produksi pada tahap eksplorasi dan eksploitasi akan ditanggung oleh pemerintah. Namun kontrak yang sudah berlangsung lama ini menimbulkan permasalahan serius pada aspek efisiensi dan penerimaan negara. Untuk mengatasi permasalahan tersebut, pada awal tahun 2017, Kementerian ESDM menetapkan peraturan baru. Peraturan ini mengusulkan skema kontrak baru yaitu gross split. Kebijakan ini bertujuan untuk mendorong lebih banyak investasi di sektor eksplorasi migas sehingga *Lifting* dapat ditingkatkan, dan juga sebagai upaya untuk menghilangkan perdebatan mengenai *cost recovery*. Pada PSC *gross split*, tidak ada lagi fasilitas asumsi dan pelepasan pajak tidak langsung dan pungutan lain yang diberikan kepada kontraktor.Penelitian ini bertujuan untuk mengetahui implikasi PSC *gross split* terhadap kebijakan akuntansi pendapatan migas. Penulis melakukan wawancara dengan beberapa informan dan menganalisis data dengan menggunakan model interaktif Miles dan Huberman, sehingga *gross split* berarti pengakuan pendapatan Migas dengan menggunakan prinsip bruto.
Kata Kunci: *Gross split*, Kontrak bagi hasil, Penerimaan migas, PNBP

INTRODUCTION

Indonesia is one of the countries that adhere to a production sharing contract (PSC) system in managing its oil and gas resources. The adopted contract system is by the understanding of ownership and control of oil and gas by the state as stated in Article 33 of the 1945 Constitution (Pudyantoro, 2019, 5). In this scheme, the government provides a work area that can be managed by the contractors. The responsibility of the contractors is to bear all costs required in exploration and exploitation. If the contractor succeeds in finding an oil and gas reserve that has economic value, the contractor will receive reimbursement for the costs incurred (cost recovery). On the other hand, if the contractor fails to find it, the contractor will not receive compensation and the risk is entirely on the contractor's side.

Oil and gas production sharing between the government and contractors in the PSC scheme is influenced by oil prices, lifting, and cost recovery. Cost recovery is charged to oil and gas lifting which is calculated based on volume and price (Wibowo, 2019). Payment of cost recovery is not through settlement in cash but in kind or in-kind. The government may not get revenue even though the contractors are successful in producing large volumes of oil and gas. If cost recovery increases while oil prices and lifting remain the same, the amount that can be shared between the government and contractors will be smaller. Tambunan & Togatorop (2021) also stated that the increase in cost recovery is inversely proportional to PNBP from oil and gas revenue sharing.

To encourage more investment to be made in the oil and gas exploration sector so that it can increase lifting again, and as an effort to eliminate the debate over cost recovery, the government through the Ministry of Energy and Mineral Resources issued a new contract scheme called gross split through Minister of Energy and Mineral Resources No. 8 of 2017 as last amended by Permen of ESDM No. 20 of 2019.

PSC gross split is a production-sharing contract without any cost recovery mechanism. The principle of profit sharing in this scheme is based on gross production, there is no cost recovery mechanism as in the traditional PSC scheme. With no refund of these costs, it is hoped that contractors will have more flexibility regarding how they will carry out activities so that they will find ways to reduce their operating costs (Roach & Dunstan, 2018).

In the previous PSC scheme, namely the cost recovery scheme, the government provided fiscal facilities to contractors in the form of exemptions and guarantees for indirect taxes and other levies (assume and discharge). Cooperation Contract Contractors (KKKS) are considered to have completed tax obligations and other levies if they have deposited their share of the proceeds from oil and gas sales to the state (Wibowo, 2019). This means the government must set aside a portion of the proceeds from the sale of its lifting to pay and/or replace the tax obligations and other levies. The tax obligations and other levies borne by the government are reimbursement for Value Added Tax and Sales Tax on Luxury Goods (PPN/PPnBM), Land and Building Tax (PBB), local taxes in the form of street lighting tax, groundwater tax and surface water tax, contractor underlifting expenses, and fees for upstream oil and gas business activities (Wibowo, 2018).

The issue of oil and gas accounting, which has a certain uniqueness compared to government accounting in general, ultimately comes to BPK's attention. As quoted from the budget.kemenkeu.go.id page, on the 2015 Central Government Financial Report (LKPP), BPK recommended that the Minister of Finance establish an accrual accounting policy for transactions related to the management of upstream oil and gas business activities. For this reason, in 2016, Minister of Finance Regulation (PMK) No. 124/PMK.02/2016 concerning Technical Instructions for Oil and Gas PNBP Accounting as revoked and declared invalid through PMK No. 61/PMK.02/2020.

So far, income from upstream oil and gas business activities, particularly LRA income, is recorded using the net basis, while LO income (accrual revenue) is recorded using the gross basis. The Statement of Government Accounting Standards (PSAP) requires the recording of income using the gross principle, namely by recording receipts that are not compensated for by expenses, and not recording the net amount. The principle of assume and discharge in the cost recovery PSC scheme makes it possible to exclude the gross principle in recording LRA income (cash revenue). The gross principle can be waived if the amount of deduction from income is variable and cannot be budgeted in advance because the process has not been completed.

The presence of the gross split scheme will potentially make the recording of LRA income no longer on a net basis, but on a gross basis. Wibowo (2019) said that the gross split scheme implies that the state's share of lifting is the full right of the state. Therefore, the proceeds from the sale of the state's share of oil and gas can be directly deposited into the State General Treasury Account (RKUN) instead of going through the oil and gas account first. Furthermore, the funds received by the RKUN are recognized as LRA income.

Several studies regarding the gross split PSC scheme have been carried out by researchers. William, Kartoatmodjo, and Prima (2017) conducted an economic feasibility study on the development of the GX, GY, and GZ fields with a cost recovery and gross split PSC system. The results are the same as research conducted by Hernandoko and Najib (2018) which examines the implications of changing the PSC to a gross split scheme for oil and gas investment in Indonesia. According to these two studies, the gross split scheme is more attractive than the PSC cost recovery scheme as seen from the higher net present value (NPV) and internal rate of return (IRR) using the gross split scheme. However, research by Rulandari, et al. (2018) stated that for contractors, the gross split scheme is not superior to the cost recovery scheme, because the risk sharing is direct at the start.

Research on gross splits was also conducted by Roach and Dunstan (2018) who explored the history of PSC cost recovery and analyzed the salient features of the gross split PSC model and the uncertainties faced by oil and gas companies. The study states that time will prove whether the gross PSC split is a panacea for curing the disease of declining oil and gas production. Contractors will invest if the return on investment is above their IRR threshold, but they emphasize that contractors also need the convenience of operating to be able to invest.

However, from the several studies above, no one has specifically discussed the implications of the gross split PSC from the accounting side of oil and gas PNBP revenue. Research on the impact of gross split production sharing contracts on oil and gas accounting conducted by Wibowo (2019), suggests that the gross split scheme will have the potential to make LRA-income recording no longer on a net basis, but using a gross basis. The implications of recognizing LRA-income need to be examined in the view of several practitioners who know the ins and outs of accounting for Oil and Gas PNBP. So that the test that the author did can fulfill the research conducted by Wibowo et al. (2022) which describes how to get out of the shackles of oil and gas revenue accounting.

Reflecting on the matters mentioned above, the author is interested in knowing what are the implications of the existence of a gross split PSC on the accounting policy of oil and gas non-tax revenues ("PNBP migas").

LITERATURE REVIEW

Presidential Regulation No. 79 of 2010 states that a production-sharing contract is a form of cooperation in upstream oil and gas activities based on the principle of sharing production results. Typically, parties involved in PSC contracts include the government or national oil companies as one of the government authorities, and international oil companies in the form of individual companies or joint ventures or consortia (Pongsiri, 2004). After the enactment of Law No. 22/2001, PSC contracts occurred between the Indonesian Government represented by the Ministry of Energy and Mineral Resources (ESDM), and the Contractors.

In the PSC scheme, the Contractors participate in hydrocarbon exploration and exploitation, including financing exploration and development activities. If oil reserves are not found or oil fields are not developed, the Contractors do not receive compensation from the government. However, if oil reserves are discovered and approved by the government for development, the Contractors will receive cost recovery.

Gross Split

The gross split PSC is a profit-sharing contract without a cost recovery mechanism. Based on the Ministry of Energy and Mineral Resources regulation regarding the gross split, the oil and gas profit-sharing principle is based on gross production, without a cost recovery mechanism as in the traditional PSC scheme. Profit-sharing is based on a base split that can be adjusted based on variable and progressive components. The comparison of the base split used between the state and the Contractor is 57:43 for crude oil and 52:48 for natural gas.

Pramadika and Satiyawira (2018) stated that the Gross Split PSC system aims to increase exploration and exploitation activities, improve investment efficiency, and encourage Contractors to manage their operations and investments more corporately.

According to the Ministry of Energy and Mineral Resources regulation, the variable component in the gross split profit-sharing consists of the working area status, field location, reservoir depth, availability of supporting infrastructure, reservoir type, carbon dioxide (CO_2) content, hydrogen sulfide (H_2S) content, specific gravity of crude oil, domestic component level during field development, and production stages. Meanwhile, the progressive component consists of crude oil prices, natural gas prices, and cumulative amounts of crude oil and natural gas production.

If the commercialization calculation for a field or several fields is below or exceeds a certain economic level, the Minister of Energy and Mineral Resources can adjust the split between the state and the Contractor. Adjustments of the split between the government and the Contractor can be made if there are differences in variable components and progressive components with the actual conditions in the field after commercial production. The progressive profit-sharing components in the form of crude oil and natural gas prices are adjusted monthly based on evaluations by SKK Migas, based on monthly Indonesian crude oil prices.

Government Accounting

According to Chan (2003), government accounting has three objectives: basic, intermediate, and advanced objectives. The basic purpose of government accounting is to safeguard the public treasury by preventing and detecting corruption. The intermediate goal of government accounting is to facilitate good financial management, including activities like collecting taxes and other revenues, paying bills, borrowing, and repaying debts. Meanwhile, the advanced goal of government accounting is to assist the government in providing public accountability. Chan elaborates on public accountability into three levels of the agent-principal relationship: the relationship between bureaucracy and the executive head, executive and legislative, and between the government and its people.

Hasanah & Fauzi (2017) stated that government accounting has different characteristics from business accounting, such as:

1. No profit reports.
2. The government records the budget when it is booked.
3. Government accounting can use more than one fund type.
4. Government accounting records capital expenditure in balance sheet estimates and operational results.
5. Government accounting is rigid as it heavily relies on legislation and regulations.
6. There are no estimates of capital and retained earnings in the balance sheet.

Another characteristic of government accounting according to Chan (2003) is the impossibility of applying the principle of matching costs against revenue. In accounting principles, both for the business and public sectors, it is possible to recognize revenue for goods or services provided. Once goods have been delivered or services rendered to customers, revenue can be recognized. However, on the other hand, the government continues to provide public goods for both taxpayers and non-taxpayers. This is what makes the matching principle impossible to apply to government accounting.

Gross and Net Principles

Based on PSAP and Regulation No. 225/PMK.05/2019, both revenue-LRA and revenue-LO are implemented based on the gross principle, by recording receipts uncompensated by expenses, and not recording their net amounts. Therefore, any costs directly reducing the amount received do not reduce the recording but are recorded as expenses in the same budget year (Hasanah and Fauzi, 2017, 121). Yuwana, Djamhuri, and Andayani (2016) state that the gross principle is useful for maintaining accountability functions in financial reports.

Exceptions to the gross principle can be made if the amount subtracted from the revenue is variable and cannot be budgeted in advance because the process is incomplete. Technical Bulletin (Bultek) No. 23 states that recognizing revenue using the net principle will acknowledge revenue after considering government obligations, both taxable and non-taxable.

METHODS

This research employs a qualitative method because it focuses on a specific social issue. The research requires data in the form of text and images rather than numerical data. Additionally, direct discussions with informants are necessary to explore the meaning of a particular issue. The results of qualitative research cannot be generalized; they only apply to that specific social situation (Sugiyono, 2018).

According to Creswell (2009), qualitative methods rely on textual and visual data and involve unique steps in data analysis. Qualitative research places the researcher as a central figure because data collection, analysis, and drawing conclusions are done by the researcher.

In a qualitative research, careful exploration and clarification are necessary as text and image-based data can contain ambiguous meanings (Saunders et al., 2016). Therefore, qualitative research tends to involve direct communication with individuals to understand information from their perspectives.

This research utilizes a case study approach. Yin (2018) states that the case study approach is used to answer "how" and "why" questions about a phenomenon captured in the research question. To answer these questions, a researcher cannot rely solely on examining documents or conducting limited surveys. It requires a case study step or field experiments to obtain comprehensive information about a phenomenon. The case study is conducted within the Ministry of Finance environment.

The research method is exploratory because little information is known about the ongoing situation. Exploratory studies are conducted when there is limited known information but more data is required to formulate a strong theoretical framework (Sekaran and Bougie, 2017). The expected outcome of this research is to serve as a basis for further research on government accounting and Non-Tax Revenue (PNBP), specifically in the Oil and Gas Non-Tax Revenue (PNBP Migas) context.

This study adopts an interpretive paradigm, which is sensitive to context, requiring researchers to enter into the perspectives of others and prioritize achieving empathic understanding over legal testing (Neuman, 2014). This paradigm is used because the researcher explains phenomena based on informants' subjectivity regarding Oil and Gas Non-Tax Revenue accounting policies in the gross split contract scheme.

The types of data in this research are primary and secondary. Primary data originate from interviews with informants from the Ministry of Finance, the Supreme Audit Agency (BPK), and SKK Migas. Meanwhile, secondary data used in the research are obtained from literature research, including SKK Migas work guidelines related to the gross split contract scheme, national financial legislation regulations, and statements of national government accounting standards. The list of informants is presented in the following table.

Table 1. List of Informants

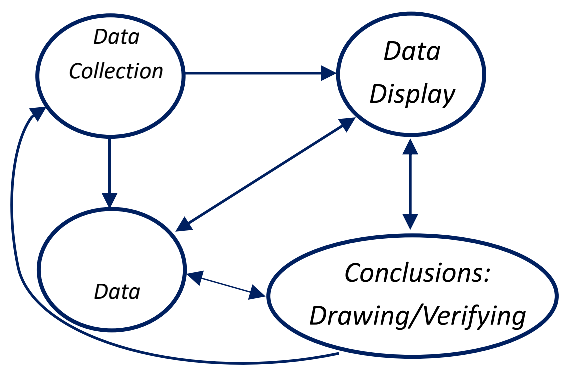
Informant Number	Informant Code
Informant 1	(kkp)
Informant 2	(kka)
Informant 3	(kkam)
Informant 5	(kki)

Informant 6	(bxxx)

Source*: data processed* (2020)

This research utilizes the data analysis model proposed by Miles and Huberman as outlined in Sugiyono (2018). Qualitative data analysis is carried out interactively and continues continuously until saturation is reached, signifying that the data is exhaustive. The interactive model in data analysis is divided into three components: data reduction, data display, and conclusion drawing. These three components in data analysis are interconnected and interact as depicted in the following diagram.

Figure 1. Data Analysis Component



Source : Sugiyono (2018)

RESULTS AND DISCUSSION

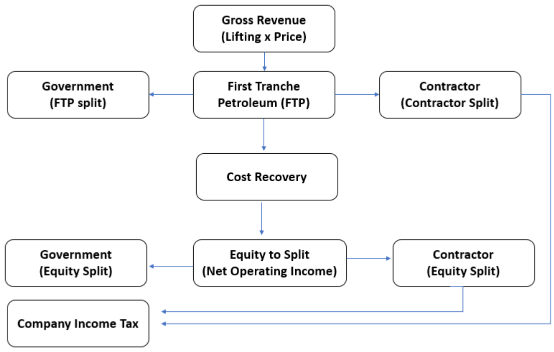
Non-Tax Revenue From Upstream Activities

Romney and Steinbart (2017) argue that an organization must determine ways to collect and process necessary data to generate information. Often, the collection and processing of this data are linked to the business processes within an organization. Understanding the existing oil and gas Non-Tax Revenue (PNBP Migas) business processes that employ the cost recovery contract scheme is expected to serve as a foundation in elucidating the implications of the gross split contract scheme on oil and gas Non-Tax Revenue accounting policies.

In the cost recovery scheme, contractors receive cost recovery if oil reserves are discovered and approved by the government for development. This cost recovery applies to exploration and exploitation activities. The proceeds from the sale of oil and gas from the field that can be developed are then shared between the government and the contractors based on agreed-upon proportions in the cooperation contract. To ensure a portion of the proceeds from the sale of oil and gas that can be shared, the government and contractors have the right to first take a certain percentage of the gross production before deducting the cost recovery. This mechanism is known as the first tranche petroleum (FTP). Figure 2 illustrates the oil and gas profit-sharing scheme after considering FTP and cost recovery.

Based on this figure, the equity to be split (ETS) owned by the government is accounted for as Oil and Gas Non-Tax Revenue (PNBP SDA Migas), which is part of the scope of Non-Tax Revenue from Upstream Oil and Gas Business Activities.

Figure 2. Production Sharing Scheme



Source : Lubiantara (2012)

Non-tax revenue (NTR) from upstream oil and gas operations, hereafter referred to as Oil and Gas NTR (NTR Migas), is the NTR managed by the State Treasurer General, which includes NTR from oil and gas natural resources or other oil and gas NTR. The scope of Oil and Gas NTR is outlined as follows.

1) NTR from Oil and Gas Natural Resource (OGNR)

OGNR (in Indonesia we recognize as PNBP SDA Migas) originates from the exploitation of oil and/or natural gas resources after accounting for the government's obligations in upstream oil and gas operations as per contracts and legislative provisions. OGNR consists of : (i) crude oil revenue and (ii) natural gas revenue.

In the cost recovery contract scheme, OGNR income represents the state's revenue where the earning process is not yet complete. To recognize it as revenue-LRA (Realization Report), a "cleaning" process is required for the proceeds from the sale of oil lifting or the state's portion of the ETS (Equity to be Split) through the reservation process.

The receipt of the government's share and the obligation reservation process occur in the Oil and Gas Account, specifically in the Receipt Account at Bank Indonesia, account number 600.000411980. The government's received share reduced by this reservation is then transferred to the State Treasury Single Account (RKUN) as Oil and Gas NTR Revenue. Governmental receipts included in this revenue that need to be cleared of governmental obligations comprise:

a) Revenue from crude oil sales:
   - Crude oil receipts from Pertamina refineries
   - Crude oil receipts from non-Pertamina refineries
b) Revenue from natural gas sales:
   - LNG receipts
   - Propane and Butane receipts
   - Natural Gas receipts
   - Coal Bed Methane (CBM) receipts
c) Receipts from a contractor over lifting of oil and gas, after being transferred, are recognized as Oil and Gas NTR under the same accounts as Crude Oil Revenue or Natural Gas Revenue. Overlifting refers to the excess extraction of oil and/or natural gas by contractors beyond their entitlement as specified in the Cooperation Contract for a certain period.

2) Other Oil and Gas NTR

Other Oil and Gas NTR comprises state-related receipts from upstream oil and gas operations or as per oil and gas cooperation contracts or legislative provisions apart from the exploitation of oil and gas natural resources, which includes:

a) Revenue from Crude Oil Domestic Market Obligation (DMO), arising from contractor's sales of crude oil surrendered to the state to fulfill DMO or domestic oil needs as regulated in contracts and legislation. To be recognized as revenue in the Realization Report, it must first consider the government's payment obligation for DMO Fee.
b) Penalty, interest, and fines related to upstream oil and gas operations
c) Other revenue from upstream oil and gas operations, including production bonus contributions and revenue from pilotage and delay services at specialized terminals (TUKS).

Other NTR apart from Crude Oil DMO Revenue is revenue where the earning process is completed, hence not requiring reservation for government obligations. Essentially, they do not need to be deposited through the Oil and Gas Account. Deposits for this type of revenue can be made by the payer through the State Revenue Module (MPN) G3. However, in practice, the late payment fines for state oil and gas sales are still deposited into the Oil and Gas Account. This is because the deposit for these late payment fines is associated with the principal value of state oil and gas sales or the contractor's overlifting deposit value. Therefore, for the sake of revenue recognition in the Realization Report, these receipts are still transferred from the Oil and Gas Account to the State Treasury Single Account (RKUN).

3) Government Obligation in Oil and Gas Upstream

According to the guidelines for Oil and Gas Non-Tax Revenue (NTR) accounting (Minister of Finance Decree), the use of the net basis in revenue accounting policies is due, in part, to the principle of assumption and discharge for contractors stipulated within their contracts. Under this principle, contractors are considered to have fulfilled taxation and other levies besides income tax when they have remitted the proceeds from oil and gas sales to the government.

Apart from contractual agreements, government obligations also encompass regulations within legislative provisions. Therefore, these obligations may arise from contractor invoices or Central and Local Government agencies. The tax and other levy obligations that act as reducing factors in calculating Oil and Gas NTR are as follows:

a) DMO Fee for contractors, a fee paid to contractors for surrendering oil and/or natural gas to meet domestic needs at prices set by the Ministry of Energy and Mineral Resources (ESDM).
b) Repayment (Reimbursement) of VAT or VAT and Sales Tax on Luxury Goods (PPnBM), the refund of previously remitted VAT or VAT and PPnBM on taxable goods and/or services to contractors by the government. This repayment applies to contracts signed before the enactment of Regulation No. 79 of 2010.
c) Underlifting for contractors is the shortfall in oil and/or natural gas extraction by contractors compared to their entitlement as per the Cooperation Contract within a specific period.
d) Sales Fee is a government obligation originating from fees for the sale of the state's share of oil and gas conducted by business entities, notably PT Pertamina (Persero).
e) Groundwater Tax (PAT) and Surface Water Tax (PAP), obligations from Local Government charges (Local Taxes) for taxing the extraction and/or utilization of Groundwater and Surface Water by cooperating contractors.
f) Non-State Electricity Street Lighting Tax (PPJ) is a governmental obligation originating from Local Government charges for taxing the use of electric energy, whether self-produced or obtained from other sources.

g) Oil and Gas Land and Building Tax (PBB Migas) is a governmental obligation arising from Central Government charges for taxing land and/or buildings within areas used for upstream oil and gas operations.

All government obligations in the upstream oil and gas sector above are recognized as expenses, except for PBB Migas, which is recognized as a deduction from Oil and Gas NTR Revenue. PBB Migas is recorded as a deduction from oil and gas revenue proportional to the lifting calculation. This is done to prevent double counting between Oil and Gas NTR Revenue and PBB Income.

Calculation and Transfer of Oil and Gas NTR

The Oil and Gas Account plays a significant role in managing Oil and Gas NTR. This account receives proceeds from the sale of the state's share of oil and gas and disburses contractual obligations of the Government in the upstream oil and gas sector. To streamline the position of the Oil and Gas Account in managing Oil and Gas NTR, the Government, through Regulation No. 212/PMK.02/2021 concerning the Oil and Gas Account, regulates the types of receipts and expenditures permissible through this account.

Although most receipts and expenditures related to Oil and Gas NTR are conducted via the Oil and Gas Account, these receipts are not recognized as national revenue, nor are the expenditures treated as national expenditure. The funds within the Oil and Gas Account essentially represent debts payable to third parties or revenue pending recognition due to incomplete supporting documents.

The proceeds from the sale of the state's share of oil and gas, after deductions for payments and/or reservation for contractual government obligations, will be transferred to the State Treasury Single Account (RKUN) as Oil and Gas NTR. If illustrated in a formula, it would be:

OGNR = Government share (FTP Split+Equity Split) – (VAT+ g) Oil and Gas Land and Building Tax Migas+Local Taxes+Fee for Upstream Activities)

In the process of transferring Oil and Gas Non-Tax Revenue (NTR), a separation between Oil NTR and Gas NTR must be conducted. This separation will impact the amount of Oil and Gas NTR to be shared with the local government. A region might only have wells producing either oil or gas, or it could have multiple fields producing both oil and gas. For this purpose, a separation between the obligations that constitute the burden of Oil NTR and Gas NTR is necessary. This separation is also related to the principle of cost-revenue match.

However, not all third-party invoices for government obligations have segregated obligations that become the burden of Oil NTR and Gas NTR respectively. Obligations such as VAT or VAT and Sales Tax on Luxury Goods (PPnBM) reimbursements, Oil and Gas Land and Building Tax (PBB Migas), and Regional Taxes and Levies (PDRD) are among the obligations that haven't been separated. Hence, a method or allocation approach is required, using a proportional approach based on contributions from both types of revenue: Oil NTR and Gas NTR.

Further Discussion

Considerations in using the gross and net principles in revenue recognition are due to the unfinished earning process. If there are variable reducing factors that cannot be estimated, the use of the gross principle may be exempted. With this exemption, a revenue recognition transaction will be recorded as the net amount received. There will be no recording of expenses or outlays associated with the revenue because it would result in offsetting the expense or outlay against the revenue.

The exemption from the gross principle in the accounting policy of recognizing revenue in Oil and Gas Non-Tax Revenue (NTR) is due to the principle of assume and discharge as part of the cost recovery profit-sharing scheme. The proceeds from the sale of the state's oil and gas share are the funds to settle government obligations in the oil and gas upstream sector. The implication is that the recognition of Revenue-LRA (Receipts Recognized as Revenue) in Oil and Gas Non-Tax Revenue is the net amount reduced by these government obligations. Furthermore, Wibowo (2019) mentions that this is where the net principle in oil and gas receipts originated.

The exemption from the gross principle in the policy of recognizing revenue in Oil and Gas Non-Tax Revenue is only applied in recognizing Revenue-LRA, whereas there is no exemption in recognizing Revenue-LO (Receipts Recognized as Receivables). This is a logical consequence of using cash basis in LRA (Receipts Recognized as Revenue) so that the recognized revenue is the income already entered into the State Treasury Account, regardless of whether the receipt is from current or previous year activities. Meanwhile, the use of the gross principle in recognizing Revenue-LO is also a logical consequence of recognizing revenue using accrual basis, which acknowledges revenue when the central government's right emerges, specifically when the Summary Report of State Oil and Gas Deliveries or other decrees from SKK Migas, as a Partner Work Unit, are issued.

The assume and discharge principle is a facility provided by the government to Contractors Working in the Oil and Gas Sector (KKKS) with the cost recovery contract scheme. In the gross split contract scheme, the government and the contractor receive split shares based on the accumulation of base split, variable split, and progressive split. The facilities for indirect tax coverage and exemptions and other levies are not provided in the gross split contract anymore. This means, apart from the calculations for the state's and contractor's shares, there are no more cost calculations that are government liabilities to be assumed and discharged.

According to the research conducted by Wibowo (2019), in the gross split contract scheme, the remittance of proceeds from the sale of the state's oil and gas share should ideally be directly deposited into the State Treasury Account (RKUN) and recognized as Revenue-LRA. With no more government obligation to cover and exempt indirect taxes and other levies, the exemption from the gross principle should no longer be applicable as the earning process has concluded. The government can recognize Revenue-LO upon the issuance of revenue recognition source documents, simultaneously with the recognition of receivables. Subsequently, the government acknowledges Revenue-LRA upon the settlement of these receivables through payment to the national treasury.

Based on interviews conducted by the author regarding the use of the gross principle in recognizing Revenue-LRA in Oil and Gas Non-Tax Revenue, the results obtained are shown in Table 1. Based on the table, there is one differing opinion regarding the use of the gross principle. The opinion of informant 1 implies that the use of the net principle is still necessary because there are still transactions in the process of recognizing revenue-LRA in Oil and Gas Non-Tax Revenue, even in the gross split contract scheme.

Table 1. Interview Result

Topic Discussion: Revenue Recognition (Cash Basis) Under PSC Gross Split Using Gross Method

No.	Informant	Informant's Comments
1.	Informant 1	oil and gas accounts are still needed
2.	Informant 2	Exceptions to the gross principle can no longer be granted if the earning process no longer exists.
3.	Informant 3	The gross principle can be used because the earning process no longer exists

4.	Informant 4	I don't know yet whether there is still an earnings process or not, but if there are no obligations to be paid, we should be able to use the gross basis.
5.	Informant 5	The net principle is given based on consideration of the unfinished earning process (b01a).

Source: from interview/discussion with informants (2020)

If we exclude the factor of the assume and discharge facility provided by the government to the contractors, the possible reducing factors that may still exist in the gross split contract are underlifting, sales fee, and DMO fee. The transactions for paying these reducing factors, as mentioned by informant 1, still exist in the gross split contract, hence the need for the existence of the Migas account to temporarily hold receipts, which are then used to pay these reducing factors in the earning process.

Research conducted by Wibowo et al. (2022) concluded that there's no longer any underlifting mechanism in the gross split contract. The research elaborated on two factors that could cause the underlifting mechanism, namely 1) split adjustments through variable split and progressive split, and 2) provisional entitlement. However, neither of these factors can lead to the under lifting mechanism. Additionally, according to the Petroleum Working Procedure (PTK) by SKK Migas itself, the profit-sharing adjustment is made through monthly corrections.

Another reducing factor that complicates the application of the gross principle in recognizing Revenue-LRA is the existence of sales fees. This fee or remuneration is given to the Business Entity for services rendered in selling the state's oil and gas share.

According to the guidelines for paying sales fees, the payment is charged against the proceeds from the sale of the state's oil and gas share. This implies that the sales fee is not part of the assume and discharge facility provided by the government to the Contractors Working in the Cost Recovery Regime. The sales fee is payment made by the government based on the service provided by a business entity for selling the state's oil and gas lifting. The fee given by the government is also not a shared cost as per the clauses in the cost recovery. Referring back to Figure 2, the sales fee is an expense deducted from the Government's Share of the Total Proceeds (ETS), not an expense deducted from the gross revenue. Therefore, the author disagrees with the notion that the application of the gross principle in recognizing Revenue-LRA is based on the existence of sales fees. Furthermore, Wibowo et al. (2022) emphasize that the payment for these sales fees should be processed through the state budget procedures.

The gross split contract has characteristics that result in no Net DMO Revenue. This happens because the government pays the contractor for meeting the Crude Oil DMO at the Indonesian Crude Price (DMO at ICP). The DMO fee might be a consideration for the application of the gross principle, with the condition that there's still billing for the DMO fee from SKK Migas to the Directorate General of Finance. Similar to the sales fee, the DMO fee is not part of the assume and discharge facility provided by the Government to the Contractors Working in the Cost Recovery Regime.

The mechanism of billing for the DMO fee is important. In this regard, Informant 2 suggests that…

"*...if accounting is to be considered, we need to sequence from what business processes are like….*"

The billing carried out by SKK Migas to the Directorate General of Finance will create a new series of events. This sequence of events needs to be recorded because at the end of the year, there might be a hanging balance. The existence of this billing is also feared to create inflows and outflows of cash. The government will receive the DMO oil sales first and then pay the DMO fee. If this process is carried out in the gross split contract, the process will be the same as what happens in the cost recovery contract. Even though it will still be reported as zero in Revenue-LRA, there is still a need to record transactions in LO.

Regarding this, Informant 3 suggests that in the gross split contract, it would be better if the DMO mechanism is only calculated on paper, without actual invoicing. With the DMO price equivalent to the ICP, there is actually no cash that needs to be disbursed or received. The Net DMO Revenue balance will always be zero in the gross split contract, as long as there are no regulations that change it. The billing mechanism for DMO is seen to provide no greater benefits than the effort put into it.

The government also needs to consider the spending mechanism to pay contractual obligations in the cost recovery contract, considering that in recent years, the funds in the Migas Account have been insufficient to pay the PBB Migas obligations. Proceeds from the sale of the state's oil in foreign currency are deposited through the Migas account, while the proceeds from the sale of oil in Rupiah are directly deposited into the State Treasury Account (KUN) through Simponi. This dualism in depositing proceeds from the sale of the state's oil leads to liquidity problems. For instance, paying the PBB Migas obligation is done by reclassifying or correcting the income account from Oil and Gas Non-Tax Revenue from Crude Oil Revenue with account 421111 and Gas Revenue with account 421211 to the Mining Oil and Gas Revenue Tax with account 411316.

The author believes that further discussion is needed regarding the liquidity issues caused by the dualism in depositing proceeds from the sale of the state's oil. Even Wibowo et al. (2022) describe this dualism as a constraint in oil revenue. According to Wibowo (2017), one alternative solution is to choose either to deposit all funds into the State Treasury Account (RKUN) or to deposit them all into the Migas Account. Moreover, if necessary, the government should renegotiate contracts so that there is only a Production Sharing Contract (PSC) with a gross split scheme that can effectively eliminate the constraints of dualism in oil revenue recognition (Wibowo et al., 2022).

CONCLUSION

Based on the discussion in the previous chapter, the following conclusions can be drawn. First, the gross split contract scheme implies recognizing Revenue-LRA for Oil and Gas Non-Tax Revenue (PNBP SDA Migas) on a gross basis. In the gross split contract scheme, the earning process is considered completed. The government no longer must bear and exempt indirect taxes and other levies as a result of the assume and discharge facility provided to the contractors in the cost recovery contract scheme.

Second, reducing factors such as underlifting, sales fee, and DMO fees do not constitute factors that keep the earning process in the gross split contract from being considered unfinished. Profit-sharing adjustments between the government and contractors are made through monthly adjustments.

Third, as an implication of using the gross principle, the payment of sales fees to business entities involves the state budget mechanism (APBN). Furthermore, since there is no cash outflow for the payment of the DMO fee, the DMO oil mechanism could be calculated on paper, eliminating the necessity for DMO Fee invoicing to the Directorate General of Finance (DJA).

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