

EVALUATION OF COAL DETERMINATION AS TAXABLE GOODS AND ITS EFFECT ON VAT TAX PLANNING & FINANCIAL STRATEGY TO OPTIMIZE FINANCIAL PERFORMANCE OF PT ABC



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Abstract

PT ABC, a coal mining company, is preparing to undertake major infrastructure projects, specifically the construction of Train Loading Systems (TLS) 6 and 7 to enhance logistics capacity and operational efficiency in line with its long-term goals. However, implementing both projects simultaneously requires significant funding, potentially straining the company's liquidity. To ensure financial sustainability, an integrated strategy is necessary during the investment phase. This research applies both quantitative and qualitative methods to develop a financial strategy that supports project execution without disrupting core operations. The strategy focuses on optimizing financing structures and tax planning, particularly through the use of input VAT to improve cash flow. Two alternative financing schemes were analysed: Alternative I, combining tax optimization with debt securities; and Alternative II, combining tax planning with bank financing. Simulation results show that Alternative II offers better financial outcomes. It provides greater cost efficiency and less strain on cash flow during construction. Under this approach, interest expenses are deferred until commercial operations begin, and Interest During Construction (IDC) is capitalized into the asset and loan balance. This results in a structured repayment schedule that lowers future interest burdens. Conversely, Alternative I requires fixed quarterly coupon payments from the outset, placing continuous pressure on cash flow and the income statement throughout the construction period. Given these considerations, Alternative II is recommended as the more financially sustainable option, allowing PT ABC to proceed with its infrastructure projects while maintaining healthy operational liquidity.

Keywords: Deficit Cash Flow, Cash Flow Optimization, Project Financing Strategy, Tax Planning Strategy, VAT Tax Planning

INTRODUCTION

The main goal of any business is to generate profit, achieve sustainable long-term growth, and continuously improve operational and financial performance. Strong financial performance is essential for meeting strategic objectives and ensuring business sustainability. Cash flow is a critical factor in sustaining business operations. In uncertain financial conditions, operating cash flow is essential for both short- and long-term survival. While profitability is important, adequate cash reserves are even more crucial for fulfilling day-to-day obligations such as payroll, raw material purchases, and maintenance. Though companies may defer some expenses as payables, these must ultimately be settled with cash. Therefore, maintaining healthy cash flow is key to operational stability and the successful implementation of corporate strategies. Therefore, the ability to generate stable cash flow from sales is crucial for maintaining operations and funding future investments.

Cash management becomes even more critical during large-scale projects, such as infrastructure development, which demand significant capital. The typical financing model known as "plain vanilla funding" involves covering 70% of costs through long-term loans and 30% through internal funds (Malta Financial Services Authority, 2023). While full internal funding can avoid interest costs and boost returns, it can also lead to liquidity imbalances if cash inflows fall short, potentially disrupting operations and affecting business sustainability. PT ABC illustrates this risk. The company is under liquidity pressure while undertaking large infrastructure projects aimed at expanding production and boosting coal sales. In line with strategic directives from its holding company, PT ABC is developing Train Loading Systems (TLS) 6 and 7 each with a 3,000-ton/hour capacity to enhance coal transport from South Sumatra mines to ports. These projects are expected to improve distribution efficiency and support long-term sales growth, but also present financial and operational challenges in the short term.

The construction of TLS 6 and 7 requires substantial capital expenditure, with estimated costs reaching IDR 5 trillion. While the project aligns with the Parent Company's long-term strategic goals to enhance coal transport capacity and sales, it places considerable pressure on PT ABC's cash flow. This strain is intensified by unresolved VAT restitution issues and consistently high dividend payment obligations.

The primary issue under investigation in this research is PT ABC looming cash flow deficit, driven by multiple interrelated factors. These factors include Decreasing Revenue from Coal Sales downward trend in global coal prices has impacted PT ABC primary source of income. High dividend pay-outs distributing nearly 100% of net income as dividends leaves minimal retained earnings, limiting reinvestment capabilities, the occurrence of surplus VAT payments also results in some monies being kept in state coffers. Large-scale capital expenditures, PT ABC commitment to capital-intensive projects, such as the Train Loading System (TLS 6 and 7), demands significant cash outflows.

Considering the background and business issues described above, the author sees an opportunity to design a strategic plan that combines financial and taxation approaches in a synergistic manner. This integrated strategic approach is designed to reduce risk and anticipate possible cash flow deficits, while ensuring the sustainability of project investments and smooth company operations. The following research questions have been formulated to serve as the focus of this study:

1. How significant is the potential cash flow deficit that PT ABC may experience in 2025?

2. What alternative strategies can be implemented to improve PT ABC financial performance?
3. How does PT ABC financial performance compare before and after implementing the proposed strategies?
4. What specific recommendations can be proposed as viable solutions to resolve the identified issues?

REVIEW OF LITERATURE

VAT Tax Regulation in Indonesia

Value Added Tax (VAT) in Indonesia is a consumption tax applied progressively at each stage of production and distribution, ultimately borne by the final consumer. The VAT system is governed by Law No. 8 of 1983 and updated by Law No. 7 of 2021 (UU HPP), covering the sale and importation of taxable goods and services within Indonesia's customs territory. Previously, coal was exempt from VAT under the mining products category, but following the Job Creation Law (Law No. 11 of 2020) and its amendment, coal became classified as a taxable good starting November 2, 2020. This change was further supported by Government Regulation No. 49 of 2022 detailing VAT treatment for coal and other minerals.

To optimize cash flow, companies like PT ABC can utilize provisions for accelerated VAT refunds under Article 9(4c) of Law No. 42/2009, allowing early refund requests without the standard 12-month verification if recognized as low-risk taxpayers. The Golden Taxpayer status, regulated under Minister of Finance Regulation No. 39/PMK.03/2018 and revised in 2021, grants this low-risk status to compliant companies. Criteria include timely tax return submissions, consistent compliance across tax periods, unqualified audit opinions on financial statements, and the absence of ongoing tax investigations. These regulatory frameworks enable PT ABC and similar companies to better manage VAT liabilities and enhance financial performance.

The classification of coal as a taxable good under VAT regulations requires mining companies to adjust their tax planning strategies to comply efficiently with new tax obligations. Tax planning involves legally minimizing tax burdens by optimizing applicable regulations, not evading taxes. Its goals include reducing tax liabilities, improving financial resource use, lowering risks, and ensuring compliance.

Financial Statement

Financial statements summarize a company's financial position and performance at a specific time or period, providing key information to help stakeholders make informed decisions. According to Indonesian Accounting Standards (2022) and IFRS (IAS 1), complete financial statements include the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes. Experts agree these reports reflect a company's financial condition and operations. While Indonesian standards (PSAK) and IFRS share similar definitions, IFRS is more widely accepted internationally, though some differences exist in the components disclosed.

The primary purpose of financial statements is to provide an overview of a company's financial condition at a specific time or period, offering relevant quantitative information to both internal and external stakeholders (Fahmi, 2014). According to Kasmir (2022), financial statements deliver detailed insights, including the nature and value of assets, liabilities,

equity, income, expenses, cash flows, explanatory notes, and other significant information affecting the company's financial position.

Financial Performance

A company's financial performance is typically reflected in its income statement, which indicates whether the company was profitable or incurred losses during a given period. Ross et al. (2015) describe the balance sheet as a static snapshot depicting a company's financial condition at a specific point in time. In contrast, the income statement is likened to a video recording of a company's financial activities during a specific period. The Indonesian Institute of Accountants' Financial Accounting Standards (2022), Chapter 4, emphasizes that generating profit is one of the primary measures of a company's performance. In this context, revenue and expenses are the two main components that directly influence profit calculation. In this case, Higgins et al. (2019) emphasize the importance of understanding cash flow as a representation of the movement of funds entering and leaving a company's cash accounts during a certain period. The cash flow statement presents changes in cash, classifying these flows into three main categories: cash inflows and outflows from operating activities, investing activities, and financing activities.

According to Ross et al. (2015), these ratios fall into one of five main categories, each representing a specific aspect of a company's financial condition and performance. Solvency, as one of the main indicators in financial analysis, measures the extent to which a company is able to meet its short-term obligations in a timely manner. Solvency reflects a company's capital structure and level of financial risk. Asset activity, also known as turnover, measures the effectiveness of asset utilization. Profitability indicates a company's ability to generate profits. Market value relates to investors' perceptions of a company's performance and prospects in the capital market.

Financial ratio analysis is one of the most common methods used to quantitatively evaluate a company's financial performance. According to Ross et al. (2015), these ratios fall into one of five main categories, each representing a specific aspect of a company's financial condition and performance. Solvency, as one of the main indicators in financial analysis, measures the extent to which a company is able to meet its short-term obligations in a timely manner. Solvency reflects a company's capital structure and level of financial risk. Asset activity, also known as turnover, measures the effectiveness of asset utilization. Profitability indicates a company's ability to generate profits. Market value relates to investors' perceptions of a company's performance and prospects in the capital market.

Financing

Short-term financing instruments are used to address the time gap between a company's revenue receipts and the short-term obligations that must be met immediately (Booth et al., 2014). To address short-term funding needs, companies may seek external financing either through borrowing from financial institutions such as commercial banks or by issuing short-term debt instruments to investors, businesses, or individual lenders outside the formal banking sector. Long-term debt securities are a commitment to repay borrowed money, along with interest and principal, to debt securities holders within a set amount of time. Bonds and long-term syndicated bank loans are two of the most well-known long-term investments on the market (Ross et al., 2008).

RESEARCH METHOD

Research Design

Both quantitative and qualitative analysis are two of the primary approaches used in this study's research methodology. By providing a thorough assessment, these techniques hope to facilitate the development of efficient financial and tax plans to deal with the difficulties that businesses encounter. Figure 1. Research Design below is an illustration of the research design provided by the author to help readers better understand it:

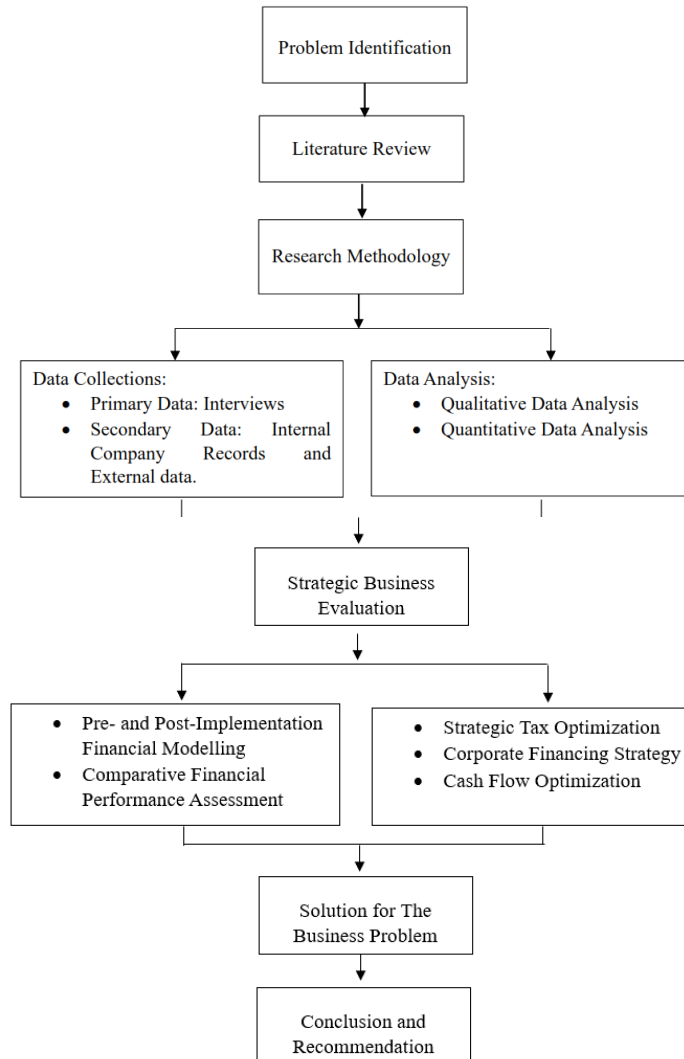


Figure 1.
Research Design

Data Collection Methods

Primary and secondary data are the two categories of data collected in this study. Interviews with PT ABC management team, particularly the Accounting, Budgeting & Tax Division, and Corporate Finance Division, are used to gather primary data. Through in-depth discussions about financial matters from the managements point of view, these interviews seek to shed light on pertinent business issues. Assets & Investment Management provides

information to address operational aspects in addition to financial data. Formally requesting information from PT ABC, including a comprehensive list of the data needed and questionnaires addressing financial and operational issues, is the first step in the data collection process for both primary and secondary data.

RESULTS AND DISCUSSION

As previously discussed in the exploration of the business issue (Chapter I), PT ABC is currently facing a financial challenge in funding a major development initiative simultaneously namely, the construction of Train Loading System (TLS) 6 and 7. This constraint arises from the company's limited availability of internal cash reserves, which are insufficient to fully support the investment projects concurrently. Given this situation, relying solely on internal funding would risk straining PT ABC cash flow and potentially disrupting ongoing operational activities.

Table 1.
Cash Flow in 2024 & 2025 (Forecast)

Description	2024	2025
Forecast / Year		Pre [F]
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	41,690,681	45,588,958
Cash paid to Supplier & employees	(31,511,369)	(37,840,329)
Payments of royalties	(4,144,962)	(4,544,325)
Cash receipts from tax restitution	257,057	-
Payments for income taxes	(1,389,803)	(1,150,219)
Receipt of interest income	321,874	158,850
Payment of interest	(174,289)	(346,954)
Net Cash Flows Provided From Operating Activities	5,049,189	1,865,981
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of fixed assets and bearer plants	(1,231,886)	(6,465,256)
Placement of time deposits	(242,355)	-
Withdrawal of time deposits	541,818	-
Cash receipts of financial assets	441,250	-
Placement of investment in associates	(71,655)	-
Proceeds of dividends from joint venture entities	134,646	-
Withdrawal of cash guarantee	(48,274)	-
Addition of investments in joint ventures	(467,818)	(27,797)
Net Cash Flows (used in) / Provided From Investing Activities	(944,274)	(6,493,053)
III. CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends to owners of the parent entity	(4,579,393)	(5,103,720)
Payments of dividends to non controlling interests	(25,837)	-
Proceeds from sales of treasury shares	79,265	-
Other receipt/(payment)	386,537	(306,730)
Net Cash Flows Used in Financing Activities	(4,139,428)	(5,410,450)
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(34,513)	(10,037,522)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,138,867	4,132,857
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4,132,857	(5,904,665)

The total amount of cash flow decline estimated to occur in 2025 reached IDR 10.03 trillion as stated at Table 1, based on the specific assumptions used. Under these conditions, the company requires additional cash to support project financing and operation, so it needs to consider alternative funding schemes that can be applied.

Based on the financial statements as of December 31, 2024, and the projected figures for 2025, PT ABC financial performance can be further examined through an in-depth

analysis of three key financial ratio categories: liquidity, solvency, and profitability, each of which will be elaborated in the following sections:

Table 2.
PT ABC Financial Performance Ratios

NO	DESCRIPTION	UNIT	2024	2025 [F]
I LIQUIDITY RATIOS				
	Current Ratio	Times	1.27	1.26
	Cash Ratio	Times	0.35	0.17
	Quick Ratio	Times	0.87	0.77
II SOLVABILITY RATIOS				
	Debt to Equity Ratio (DER)	Times	0.85	0.78
	Debt to Asset Ratio (DAR)	Times	0.46	0.44
	Long Term Debt to Equity Ratio (LTDER)	Times	0.32	0.32
	Interest Coverage Ratio	Times	19.92	11.45
	Cash Coverage Ratio	Times	29.40	19.71
III PROFITABILITY RATIOS				
	Gross Profit Margin (GPM)	%	19.18%	12.76%
	Net Profit Margin (NPM)	%	12.02%	5.52%
	Operating Profit Margin (OPM)	%	13.22%	6.05%
	Return on Asset (ROA)	%	12.30%	6.40%
	Return on Equity (ROE)	%	22.70%	11.42%

Source: Analysis by Author (2025)

Referring to Table 2, PT ABC's financial performance in 2024 and the projection for 2025 indicate a relatively strong and stable financial position. This is reflected in the stability of key financial ratios covering aspects of liquidity, solvency, and overall profitability of the company.

This decline in liquidity is primarily attributed to the reduction in the company's cash balance from operating activities, despite the absence of any investment project execution in 2025. If the company will start the initiation of major capital investments in 2025, particularly the development of TLS 6 and 7 and other infrastructure projects, with total funding needs estimated at approximately IDR 6.4 trillion, the allocation of substantial internal funds toward these projects will significantly reduce the company's cash reserves in relation to its short-term liabilities.

In light of the simultaneous execution of the strategic projects, it is recommended that the company consider incorporating long-term debt instruments to optimize its capital structure and preserve liquidity. Additionally, the use of short-term financing alternatives may serve as a supplementary measure to maintain operational continuity and fulfill working capital requirements during the construction period.

As illustrated in Table 3, PT ABC is projected to experience a substantial Value-Added Tax (VAT) overpayment in fiscal years 2024 and 2025, amounting to approximately IDR 1.14 trillion and IDR 1.72 trillion, respectively. This recurring overpaid position is largely driven by the company's expenditure profile, wherein a considerable portion of input VAT (VAT-In) is accumulated through high-value operational and capital-related transactions. These include payments for mining services, coal logistics and transportation, spare parts procurement, construction activities, and equipment rental. Conversely, the output VAT (VAT-Out) collected remains comparatively lower due to the limited share of domestic coal sales in the company's revenue mix. The following is a table of VAT Status PT ABC:

Table 3.
Calculation of Potential PT ABC VAT Status

NO	Year	2024	2025
	Descriptions	[Audited]	[F]
I	VAT Out From Domestic Coal Sales		
	Sales		
	(-) Domestic	18,763,801	26,682,954
II	Payment of Operating Expenses & Constructions		
	a. Production, General, and administrative, and Costs of Sales:		
	(-) Fuel	2,076,094	2,618,011
	(-) Oils and Lubricants	34,808	49,697
	(-) Electricity	72,685	58,685
	(-) Spare Parts and Materials	1,044,532	976,496
	(-) Heavy Equipment Rental	438,206	513,219
	(-) Car and Equipment Rental	331,294	478,362
	(-) Third Party Services	1,229,582	1,303,637
	(-) Mining Services	11,727,008	15,572,980
	(-) Business Travel	152,280	93,293
	(-) Training & educations	33,253	41,434
	(-) Social Responsibility Costs	172,919	180,290
	(-) Surveyor	5,313	96,292
	(-) Coal Shipment Insurance	-	3,793
	(-) Coal Transportation	10,002,228	11,539,570
	(-) Transshipment	25,895	49,661
	(-) Others	604,232	1,009,488
	b. Constructions Services	1,231,886	6,465,256
		29,182,217	41,050,165
III	VAT Calculation For Cash Flow		
	I. VAT - Out 11%	2,064,018	3,201,954
	II. VAT - In 11%	(3,210,044)	(4,926,020)
	Underpaid / (Overpaid)	(1,146,026)	(1,724,065)

Based on the data on the potential overpayment of VAT in 2024 and 2025, as shown in Table 3, the appropriate implementation of tax strategies, especially those related to VAT, involves submitting a notification letter to the Director General of Taxes in order to utilize the low-risk taxable entrepreneur status facility. Obtaining this status allows for a preliminary refund of excess tax, which cuts the tax refund process time. With the general procedure, the tax refund can take more than 12 months; with this status, it takes only about 1.5 to 2 months. This increases operational cash receipts and improves the company's liquidity.

In addition to utilizing the preliminary VAT refund facility, PT ABC is also eligible to benefit from import duty and import VAT exemption schemes as part of the government's fiscal incentives for capital investment in strategic sectors. These exemptions, regulated under relevant Ministry of Finance and customs provisions, are applicable to the importation of capital goods, such as machinery and equipment for infrastructure development, including the construction of TLS 6 and 7. By securing these exemptions, PT ABC has the opportunity to reduce its overall project costs by approximately 5% for import duties and 11% for import VAT, thereby significantly improving cost efficiency.

Financing can generally be divided into two alternatives: banking products (investment loans and/or short-term loans for working capital) and securities of debt, such as corporate bonds and/or medium-term notes (MTNs). Using the benchmarking method, market interest rates for investment loans and short-term bank loans are presented in Table 4 and Table 8 as a basis for determining bank loans. Based on the author's study of investment loans denominated in IDR, there is market data on average lending rates for investment loan products. The data includes a combination of state-owned (SOE) banks, local government banks, national private banks, as well as foreign and mixed banks for the period of January

2024 to December 2024 as illustrated in Table 4. As an alternative to using short-term loan facilities from banks or affiliated companies, PT ABC has the opportunity to issue medium-term debt securities as a source of short-term operational funding. The issuance of this debt instrument aims to obtain lower funding costs compared to bank credit facilities which are generally more expensive, while providing certainty in interest rates (not exposed to interest rate fluctuations) and longer tenors, so as to better support the company's cash flow as illustrated in Table 8.

Before determining the estimated yields for bond and MTN issuances, PT ABC's credit rating was assessed using the Altman Z" Score method. PT ABC Z"-Score is recorded at 7.94 as illustrated in Table 5, which places the company in the AA+ rating category. This classification indicates that PT ABC possesses a very low level of financial distress risk and reflects a strong financial position, thereby positioning it well to meet both its short-term obligations and long-term financial commitments.

With the application of the benchmarking method to corporate bonds that have been issued in the years 2024-2025, information has been obtained that for idAA+ credit rating and five-year maturity period, the coupon rate ranges from 7,75% to 10% with an average of 8,73%. Meanwhile, for the MTN rated idAA+, issued in 2024 with a maturity period of three to five years, the coupon rate ranges from 8% to 10%, averaging 8.7%. This information is provided in Table 6 and Table 7.

Table 4.
The Typical Interest Rate for Investment Loan Product

Group of Banks	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
SOE'S Bank	9.44%	9.46%	9.47%	9.47%	9.46%	9.45%	9.40%	9.36%	9.29%	9.21%	9.18%	9.21%
Regional Government Bank	9.06%	9.12%	9.10%	9.10%	9.09%	9.08%	9.10%	9.08%	8.92%	8.91%	8.90%	8.89%
Private Bank	8.26%	8.27%	8.23%	8.23%	8.26%	8.27%	8.26%	8.26%	8.21%	8.19%	8.16%	8.22%
Foreign Bank and Mixed Bank	8.47%	8.48%	8.42%	8.42%	8.40%	8.43%	8.34%	8.42%	8.36%	8.27%	8.22%	7.94%
Lower Quartile (Q1)	8.31%	8.32%	8.28%	8.28%	8.30%	8.31%	8.28%	8.30%	8.25%	8.21%	8.18%	8.01%
Mid Quartile (Q2)	8.77%	8.80%	8.76%	8.76%	8.75%	8.76%	8.72%	8.75%	8.64%	8.59%	8.56%	8.56%
Upper Quartile (Q3)	9.35%	9.38%	9.38%	9.38%	9.37%	9.36%	9.33%	9.29%	9.20%	9.14%	9.11%	9.13%
Low Quartile ranging	8.01% - 8.32%		Average		8.25%							
Mid Quartile ranging	8.56% - 8.80%		Average		8.70%							
Upper Quartile ranging	9.11% - 9.38%		Average		9.28%							

Source: BPS Indonesia (2025)

Table 5.
PT ABC Debt Securities Credit Rating Estimation

Description	2024
Working Capital	3,258,694
Total Assets	41,785,576
Total Liabilities	19,141,764
Retained Earnings	19,598,885
Operating Income	5,652,418
Market Capitalization	31,665,000
X1 :	0.08
X2 :	0.47
X3 :	0.14
X4 :	1.65
$Z'' = 3,25 + 6,56 (X1) + 3,26 (X2) + 6,72(X3) + 1,05 (X4)$	
Z'' Score :	7.94
Z'' Rating Bonds :	AA+

Source: Altman (2005) and Analysis by Author (2025)

Table 6.
List of Issuing Corporate Bonds in 2024 and 2025 rated idAA+

No.	Short Code	Bonds Issuer	Nominal	Credit Rating	Disc. Rate	Interest Frequency	Interest Type	Listing Date	Maturity Year
1	DSSA01BCN1	PT Dian Swastatika Sentosa Tbk	199,750,000,000	idAA+	8.75%	3 Months	Fixed	2024	2029
2	DSSA01CCN3	PT Dian Swastatika Sentosa Tbk	1,484,090,000,000	idAA+	8.63%	3 Months	Fixed	2024	2029
3	DSSA01CCN2	PT Dian Swastatika Sentosa Tbk	836,690,000,000	idAA+	9.00%	3 Months	Fixed	2024	2029
4	MEDC04CCN3	PT Medco Energi Internasional Tbk	586,270,000,000	idAA+	9.00%	3 Months	Fixed	2024	2029
5	MEDC05CCN2	PT Medco Energi Internasional Tbk	863,190,000,000	idAA+	8.50%	3 Months	Fixed	2024	2031
6	MEDC05ACN3	PT Medco Energi Internasional Tbk	1,675,000,000,000	idAA+	7.75%	3 Months	Fixed	2025	2030
7	MEDC05BCN3	PT Medco Energi Internasional Tbk	825,000,000,000	idAA+	8.25%	3 Months	Fixed	2025	2032
8	SMMA03CN1	PT Sinar Mas Multiartha Tbk	1,500,000,000,000	idAA+	10.00%	3 Months	Fixed	2024	2029

Source: www.ksei.co.id.

Table 7.
List of MTN Issued in 2024 with idAA+ Rating

No.	Short Code	MTN Issuer	Nominal	Credit Rating	Disc. Rate	Interest Frequency	Interest Type	Listing Date	Maturity Year
1	MBMN01X1MF	PT Mitra Bisnis Madani	94,501,427,000	idAA+	8.00%	3 Months	Fixed	2024	2029
2	MNMN02X1MF	PT Mitra Niaga Madani	120,000,000,000	idAA+	9.50%	3 Months	Fixed	2024	2029
3	NMVC04XXMF	PT PNM Venture Capital	350,000,000,000	idAA+	8.00%	3 Months	Fixed	2024	2029
4	NMVC05X2MF	PT PNM Venture Capital	250,000,000,000	idAA+	10.00%	3 Months	Fixed	2024	2027
5	NMVC05X1MF	PT PNM Venture Capital	100,000,000,000	idAA+	8.00%	3 Months	Fixed	2024	2029

Source: www.ksei.co.id

Table 8.
Short-Term Loan Facility Average Interest

Group of Banks	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
SOE'S Bank	8.92%	8.93%	8.94%	8.92%	8.96%	8.90%	8.86%	8.83%	8.81%	8.80%	8.74%	8.67%
Regional Government Bank	8.97%	9.01%	8.99%	9.01%	9.03%	9.01%	9.02%	9.06%	11.83%	9.05%	9.03%	8.90%
Private Bank	9.06%	8.98%	8.92%	8.97%	8.96%	8.93%	8.93%	8.90%	8.84%	8.80%	8.78%	8.77%
Foreign Bank and Mixed Bank	6.90%	6.90%	6.94%	7.00%	7.09%	7.11%	7.11%	7.12%	7.05%	6.90%	6.88%	6.73%
Lower Quartile (Q1)	7.41%	7.41%	7.44%	7.48%	7.56%	7.56%	7.55%	7.55%	7.49%	7.38%	7.35%	7.22%
Mid Quartile (Q2)	8.95%	8.96%	8.93%	8.95%	8.96%	8.92%	8.90%	8.87%	8.83%	8.80%	8.76%	8.72%
Upper Quartile (Q3)	9.04%	9.00%	8.98%	9.00%	9.01%	8.99%	9.00%	9.02%	11.08%	8.99%	8.97%	8.87%
PTBA Facility From BNI	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%
PTBA's Affiliate Company	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%	6.97%
Low Quartile ranging	7.22% - 7.56% Average			7.45%								
Mid Quartile ranging	8.72% - 8.96% Average			8.88%								
Upper Quartile ranging	8.87% - 11.08% Average			9.16%								

Source: BPS Indonesia (2025) & Internal Data

Based on the many points raised above regarding taxation strategies, long-term financing to develop a project, and short-term financing to support working capital needs for operations, the author suggests two alternative combinations of strategies to choose from, as follows:

1. Alternative I: Structured Approach to Tax and Financial Planning Using Debt Securities
2. Alternative II: Structured Approach to Tax and Financial Planning Using Bank Facilities

Based on the results analysed by the author from the implementation of Alternative I and Alternative II, the cash flow and financial performance of the company are presented in Table 9, Table 10, and Table 11.

Table 9.
Post-Implementation Cash Flow Under Alternative I vs Alternative II

Description	2025	2025	2025
Forecast / Year	Pre [F]	Post Alternatif I	Post Alternatif II
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	45,588,958	45,588,958	45,588,958
Cash paid to Supplier & employees	(37,840,329)	(37,840,329)	(37,840,329)
Payments of royalties	(4,544,325)	(4,544,325)	(4,544,325)
Cash receipts from tax restitution	-	2,870,091	2,870,091
Payments for income taxes	(1,150,219)	(1,150,219)	(1,150,219)
Receipt of interest income	158,850	158,850	158,850
Payment of interest	(346,954)	(346,954)	(346,954)
Net Cash Flows Provided From Operating Activities	1,865,981	4,736,072	4,736,072
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Addition of fixed assets and bearer plants	(6,465,256)	(6,465,256)	(6,465,256)
Addition of investments in joint ventures	(27,797)	(27,797)	(27,797)
Net Cash Flows (used in) / Provided From Investing Activities	(6,493,053)	(6,493,053)	(6,493,053)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends to owners of the parent entity	(5,103,720)	(5,103,720)	(5,103,720)
Received from Bank Loans (Short-term)	-	-	1,500,000
Received from Bank Loans (Long-term)	-	-	4,500,000
Received from Medium-term notes	-	1,500,000	-
Received from Bonds Payable	-	4,500,000	-
Payment for Bank Loans-Short-term (Principal & interest)	-	-	(854,550)
Payment for Medium-term notes	-	(65,250)	-
Payment for Bonds payable	-	(196,523)	-
Payment of lease liabilities	(306,730)	(306,730)	(306,730)
Net Cash Flows Used in Financing Activities	(5,410,450)	327,776	(265,000)
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,037,522)	(1,429,205)	(2,021,981)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,132,857	4,132,857	4,132,857
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(5,904,665)	2,703,652	2,110,876

Table 10.
Comparative Financial Performance Analysis Pre and Post the Use of Alternative I

NO	DESCRIPTION	UNIT	2024	Internally Funded	MTN & Bonds	Inc/(Dec) Post [F]
				2025 Pre [F]	2025 Post [F]	
I LIQUIDITY RATIOS						
	Current Ratio	Times	1.27	0.58	1.32	0.74
	Cash Ratio	Times	0.35	-0.65	0.26	0.91
	Quick Ratio	Times	0.87	0.02	0.84	0.82
II SOLVABILITY RATIOS						
	Debt to Equity Ratio (DER)	Times	0.85	0.73	1.01	0.28
	Debt to Asset Ratio (DAR)	Times	0.46	0.42	0.50	0.08
	Long Term Debt to Equity Ratio (LTDER)	Times	0.32	0.32	0.53	0.21
	Interest Coverage Ratio	Times	19.92	-	10.66	10.66
	Cash Coverage Ratio	Times	29.40	-	18.36	18.36
III PROFITABILITY RATIOS						
	Gross Profit Margin (GPM)	%	19.18%	12.76%	12.76%	0.0%
	Net Profit Margin (NPM)	%	12.02%	5.93%	5.49%	-0.4%
	Operating Profit Margin (OPM)	%	13.22%	6.05%	6.05%	0.0%
	Return on Asset (ROA)	%	12.30%	7.09%	5.72%	-1.4%
	Return on Equity (ROE)	%	22.70%	12.27%	11.46%	-0.8%

Source: Analysis by Author (2025)

Table 11.
Comparative Financial Performance Analysis Pre and Post the Use of Alternative II

NO	DESCRIPTION	UNIT	2024	Internally Funded	Bank Loans	Inc/(Dec) Post [F]
				2025 Pre [F]	2025 Post [F]	
I LIQUIDITY RATIOS						
	Current Ratio	Times	1.27	0.58	1.34	0.76
	Cash Ratio	Times	0.35	-0.65	0.21	0.87
	Quick Ratio	Times	0.87	0.02	0.83	0.81
II SOLVABILITY RATIOS						
	Debt to Equity Ratio (DER)	Times	0.85	0.73	0.97	0.24
	Debt to Asset Ratio (DAR)	Times	0.46	0.42	0.49	0.07
	Long Term Debt to Equity Ratio (LTDER)	Times	0.32	0.32	0.53	0.20
	Interest Coverage Ratio	Times	19.92	-	53.37	53.37
	Cash Coverage Ratio	Times	29.40	-	91.92	91.92
III PROFITABILITY RATIOS						
	Gross Profit Margin (GPM)	%	19.18%	12.76%	12.76%	0.00%
	Net Profit Margin (NPM)	%	12.02%	5.93%	5.84%	-0.09%
	Operating Profit Margin (OPM)	%	13.22%	6.05%	6.05%	0.00%
	Return on Asset (ROA)	%	12.30%	7.09%	6.14%	-0.95%
	Return on Equity (ROE)	%	22.70%	12.27%	12.11%	-0.16%

Source: Analysis by Author (2025)

Table 12.
Comparative Analysis of Financial Performance: Alternative I vs. Alternative II

NO	DESCRIPTION	UNIT	MTN & Bonds	STL	Average
			2025 Post [F]	2025 Post [F]	2022-2024
I LIQUIDITY RATIOS					
	Current Ratio	Times	1.32	1.34	1.69
	Cash Ratio	Times	0.26	0.21	0.47
	Quick Ratio	Times	0.84	0.83	1.25
II SOLVABILITY RATIOS					
	Debt to Equity Ratio (DER)	Times	1.01	0.97	0.74
	Debt to Asset Ratio (DAR)	Times	0.50	0.49	0.42
	Long Term Debt to Equity Ratio (LTDER)	Times	0.53	0.53	0.28
	Interest Coverage Ratio	Times	10.66	53.37	48.65
	Cash Coverage Ratio	Times	18.36	91.92	53.71
III PROFITABILITY RATIOS					
	Gross Profit Margin (GPM)	%	12.76%	12.76%	28.37%
	Net Profit Margin (NPM)	%	5.49%	5.84%	19.44%
	Operating Profit Margin (OPM)	%	6.05%	6.05%	22.48%
	Return on Asset (ROA)	%	5.72%	6.14%	18.90%
	Return on Equity (ROE)	%	11.46%	12.11%	32.02%

Source: Analysis by Author (2025)

Base on the Liquidity perspective, it reflects marginal differences between the two alternatives. Alternative II (short- and long-term loans) records a slightly higher Current Ratio (1.34 vs. 1.32) and Quick Ratio (0.83 vs. 0.84), suggesting a more conservative liquidity buffer. However, Alternative I (MTN & Bonds) maintain a higher Cash Ratio of 0.26 compared to 0.21 under Alternative II, indicating greater immediate cash availability. Overall, both strategies support acceptable short-term liquidity positions, though the variations are relatively insignificant from a cash management standpoint.

The most pronounced distinctions appear in the solvency indicators. Although Debt to Equity Ratio (DER) and Debt to Asset Ratio (DAR) under Alternative I are marginally higher than in Alternative II, the most critical gap lies in the company's capacity to meet financing obligations. Under Alternative II, PT ABC records a significantly stronger Interest Coverage Ratio of 53.37 times, compared to just 10.66 times under Alternative I. Similarly, the Cash Coverage Ratio under Alternative II stands at 91.92 times, far exceeding the 18.36 times observed under the bond-based financing structure. These metrics reflect that bank loan structures (Alternative II) offer more flexibility in interest recognition, particularly through grace periods and capitalized interest during the construction phase allowing PT ABC to preserve stronger earnings and operational cash flows during the early years of the project.

The profitability indicators show modest variations between the two financing alternatives. While Gross Profit Margin remains constant under both schemes (12.76%), Alternative II slightly outperforms in Net Profit Margin (5.84% vs. 5.49%), Return on Assets (6.14% vs. 5.72%), and Return on Equity (12.11% vs. 11.46%). These differences, although numerically small, may be attributed to lower financing costs and more favorable cash flow timing under the bank loan structure, thereby reducing financial pressure on profitability ratios.

A comparison of Alternative I and Alternative II reveals that neither financing strategy poses significant liquidity or profitability issues. Therefore, the company is likely to remain in a stable financial state regardless of which option it chooses. However, when examining the company's short-term cash flow needs, particularly regarding interest payments, significant differences emerge.

In Alternative I, where TLS projects 6 and 7 are financed through the issuance of medium-term notes (MTNs) and bonds, the company will immediately bear the periodic coupon payments from the initial stage of the project. These payments will result in real-time cash outflows reflected in the cash flow statement and income statement. This will cause a significant decline in the interest coverage ratio (ICR). The ICR is a key indicator of the company's ability to cover interest expenses using operating income. Alternative I signifies increased financial pressure during the construction phase and a decline in the ICR ratio.

Alternative II uses short-term and long-term bank loans with deferred distributions, which will provide greater cash flow flexibility during the project execution stage. During the construction phase, interest will be capitalized as Interest During Construction (IDC); thus, no interest will be recognized or charged until now. Therefore, these costs will not result in cash outflows until the development stage. These costs will be added to the principal and repayments once the project commences commercial operations. This allows for a better ability to manage short-term obligations and maintain liquidity in the Company.

Consequently, while both Alternatives yield relatively stable profitability and liquidity metrics, Alternative II presents a more favorable risk profile by deferring interest-related cash burdens and maintaining a stronger ICR during the critical pre-operational period.

The company needs to compare not just the proforma performance of the company between Alternative I and Alternative II, but also the possible interest expense for each financing alternative, as shown in the following Table 13:

Table 13.
Comparative Analysis of Interest Expenses Between Alternative I and Alternative II

Descriptions	Interest/coupon p.a (in million IDR)
Alternative I	
MTN	65,250
Bonds	196,523
Subtotal	261,773
Alternative II	
Short-term Loan	52,275
Long-term Loan	185,658
Subtotal	237,933

Source: Analysis by Author (2025)

Referring to Table 13, a comparative analysis of total interest costs associated with each financing alternative reveals a significant difference in cost efficiency. The evaluation shows that Alternative II results in a notable reduction in interest expenses, amounting to approximately IDR 23.84 billion in savings when compared to Alternative I. This cost advantage is primarily due to the deferred nature of interest recognition under Alternative II, where interest during the construction phase is capitalized rather than paid out as regular cash

flow obligations. Based on this outcome, Alternative II can be deemed more financially favorable, offering measurable benefits in terms of reduced financing costs. Accordingly, this scheme warrants serious consideration as a more sustainable and efficient funding option for the company's investment strategy.

CONCLUSION

The objective of this research is to investigate PT ABC's financial and operational challenges with the financing of strategic infrastructure projects and cash flow management in 2025. Based upon the analyses and simulations conducted, here are the conclusions that respond to the research questions:

- 1) Cash flow projection analysis shows that PT ABC is likely to face a significant cash deficit in 2025, primarily due to substantial investment commitments for the development of the Train Loading System projects, totaling around IDR 5 trillion. Without a well-planned funding strategy, the simultaneous financing of these projects could cause liquidity pressure that impacts the company's daily operations.
- 2) To address this challenge, this study proposes two Alternative strategy that integrate tax planning and project financing strategies. Specifically, the use of advanced restitution mechanisms for excess VAT payments through the Low-Risk VAT Entrepreneur facility is recommended to accelerate cash inflows. However, external financing via long-term investment loans and short-term loans is another viable solution to sustain financing, while keeping operational liquidity intact.
- 3) Based on the proforma financial analysis, the implementation of Alternative II, which combines tax strategies with the use of investment loans and short-term loans shows a significant improvement in solvency ratios, interest expense efficiency, and a healthier long-term capital structure. Although the liquidity and profitability ratios between Alternative I and II are relatively similar, Alternative II excels in cost efficiency, as the loan installment Alternative results in a decrease in cumulative interest burden over time. On the other hand, Alternative I with a fixed coupon creates a stagnant and higher aggregate interest burden.
- 4) This study recommends that PT ABC prioritize Alternative II strategy, while continuing to optimize tax restitution facilities and using structured external financing for long-term projects. The selective use of short-term bank loans can also be utilized to bridge cash needs during the construction phase before the project generates revenue. This strategy allows PT ABC to maintain short-term operational stability while ensuring the realization of long-term strategic projects without excessively burdening cash flow.

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