

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Tax is something that everyone will experience in certain aspects of his/her life. Many transactions a person makes will be taxed with a certain rate which is determined by the law. Tax becomes an obligation that must be paid by taxpayers in every kind of activity they do. Tax is related to the economy and it is to fill the state's treasury which will then be used to develop infrastructures, education, fuel oil subsidy, building and maintaining public facilities, and so on.

In general, tax is divided into Value Added Tax (VAT), or known as *Pajak Pertambahan Nilai (PPn)*, and Income Tax, or known as *Pajak Penghasilan (PPh)*. VAT is a kind of an indirect tax while Income Tax is a direct tax. Income Tax, or *Pajak Penghasilan (PPh)*, is divided into several categories, which are Income Tax Article 15, 21, 22, 23, 25, 26, 29, 4(2) and etc. Income Tax is borne by individuals and companies. There are regulations and limitations to collecting the tax from each taxpayer which is stated in the tax directorate general regulations PER-31/PJ/2012, PER-31-PJ-2015, finance minister's regulations 162/PMK.011/2012, 122/PMK.010/2015, and government regulations number 80 in the year 2010. Furthermore, those income taxes stated above are levied on shipping companies, people who earned salary through work, services, and other activities, importing and exporting private companies, etc. Those are stipulated on the taxation law (*undang undang*).

Tax is one of the biggest incomes for the government of Indonesia. As stated at *Okefinance* by Ulfa Arieza in 2018, the population in Indonesia is one of the biggest in the world after China, India and the United States of America. That should indirectly instill in all citizens certain awareness of the importance of tax to the state.

According to Lindarto Akhir Asmoro (Detik.com, 2017), a staff of Directorate General of Taxation, who said that neither any developing nor advanced country's citizens will try to avoid tax without knowing the consequences. By avoiding tax, offenders are punishable by law or be sentenced for jail time, in the worst case.

As there are many Value Added Tax (VAT) and income tax laws in Indonesia, many mistakes are being made and repeated, particularly in regards to the Income Tax based on Article 21. Income Tax based on Article 21 itself depends on the subjective and objective nature of the taxpayers background. Sometimes, a company inputs employee information in error, which will then lead to incorrect income taxation calculation based on the Article 21, or failing to determine *PTKP* (*Pegawai Tidak Kena Pajak*) status. They may mistakenly based on the spouses and/or children of the employee concerned.

As tax holds a very significant position for the prosperity of a country, especially in Indonesia, many people would rather choose to do tax planning rather than tax evasion (Karl Bibly, 2016). It is because tax evasion is illegal and it is risky, while tax planning is a legal means to reduce tax burden. It is important to understand tax regulations in order to avoid violation of tax regulation and laws as

explained on tax law number 36 of the year 2008, regarding income tax, and the implementation in accordance to the regulation. Many companies pay their employees' tax obligations, and they do not enjoy maximum profit. Furthermore, companies may want to reduce their tax burden. On the other hand, tax rates always fluctuate from year to year. Loopholes within the regulations might be advantages for the taxpayers to exploit. It will help companies make cost-saving decisions and boost their cash flow. The appropriate method that can be used for this is tax planning.

Previous researches from Desi, Sagala, Elidawati (2018) showed that Income Tax based on Article 21 must be deducted depending on who the taxpayer is, what form of income is received, and the amount of income received. Their researches showed that data reported when compared to the reality in the field are very different indeed. Many employees do not update their current personal data (on their personal status such as married, divorced, or on their total children) to the head of tax and accounting. Researches related to Income Tax based on Article 21 conducted by Arham (2016), showed that calculations of income tax by the using gross-up method could save on payment of Income Tax based on Article 21, better than the net method. The difference between the net method and the gross-up method is that a company will bear its employees' tax burden if it uses the net method to calculate its Income Tax based on Article 21. Meanwhile, by using the gross-up method, a company will not bear its employees' tax burden. The gross-up method itself is more advantageous for employees and companies. Salary earned by the employees will not be deducted by tax as explained in Article 11 PP 78/2015

on taxpayment, and a company will save on its payable Income Tax based on Article 21 too. On the other hand, the updated status of each employee is important, because the calculation will be incorrect if the company uses outdated data of each employee. The reason why researchers can relate to these two previous researches is that updated data must be upgraded along with the usage of gross-up method as the calculation method in tax calculation based on Article 21, since many companies report incorrect data for the same reasons (un-updated data), it will bring negative impacts on those companies.

The case mentioned above will probably be experienced by most companies in Indonesia. PT. Berkat Bima Sentana is not an exception. *Badan Pusat Statistik (BPS)* announced that according to the economic census conducted in Indonesia in 2016, there are approximately 26.71 million companies engaged in the non-agricultural industry. This number made the writer consider this case a very important one which needs to be researched in order to gain benefits for the company, and her country Indonesia. Furthermore, this research can be used for other company needs in the future to set right on what should be.

This research is done to analyze and select an appropriate strategy to reduce the company's tax burden. Based on this background of study, the writer conducts this research with the title **“Tax Planning on Article 21 Income Tax To Minimize Corporate Income Tax at PT. Berkat Bima Sentana.”**

1.2 Problem Formulation

Based on the background above, the main problem in this research is, “How does the implementation of the tax planning Income Tax Article 21 at PT. Berkat Bima Sentana should be”.

1.3 Research Focus

This research will only focus on tax planning to improve the efficiency of Income Tax based on Article 21 of PT. Berkat Bima Sentana in the year 2018.

1.4 Research Objective

The objective of this research is to identify whether PT. Berkat Bima Sentana has implemented advantageous tax planning in order to reduce the company's payable tax, and to identify and compare the changes on the implementation of other methods of tax planning in order to reduce the tax burden of the company.

1.5 The benefit of The Research

The benefits of conducting this research are as follows :

1.5.1 Theoretical Benefit

1. This research is expected to be useful as a reference material for academics, and other researchers who plan to conduct researches on tax planning.
2. This research is expected to add more insight into the importance of tax planning in a company.

1.5.2 Practical Benefit

1. This research is expected to give benefit to the management of the company as a suggestion about the implementation of other tax planning methods to reduce its tax burden and payable tax.
2. This research can be used as a reference for other researchers in conducting researches on similar topics, in the future.

