

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Expenditures to finance country are getting bigger and bigger, it requires country's revenues that originate within the country without having to rely on loans from abroad which are increasingly difficult to expect. The government is trying to improve the development of the country and needs a large amount of fund to develop the country. One of the fund resources is from collecting taxes. Tax refers to one of the important parts of government's financial source which is used for improvement of economy condition and paid by taxpayers for the government with the income earned in certain period. Moreover, it funds public expenditure such as for education, transportation, and health. On the other hand, tax means a tax burden or expenses for the taxpayers because tax will minimize taxpayers' income. Every company as a taxpayer absolutely aims for paying tax as low as possible.

With conducting the tax review, taxpayers can immediately improve their tax reporting and improve financial reporting to make it easier when facing tax audits. In the case of audit, the taxpayer is obliged to show the company's bookkeeping which is the basis of tax calculation and other documents that complete the tax reporting. Often companies are still not quite right in terms of bookkeeping and calculation of taxes due to companies not knowing and

implementing tax regulations, resulting in differences in views between the tax authorities and taxpayers in the application of tax legislation.

According to the research with the title “*Penerapan Tax Review atas Pajak Penghasilan Badan dan Withholding Tax pada PT. ABC*”, done by Ayuningsih and Setiawan in year 2016 shows that key of the section in tax review is the financial statements where the reports are used to determine and calculate the amount of taxable income. In financial statements, there are accounts for preparing fiscal reconciliation. The application of tax review in the previous research is directly reviewing the company by carry out installments and reporting obligations in accordance with the taxation provisions. However, In the case of the calculation and preparation of the Annual Tax Return, there are some errors in the calculation of fiscal amount changed where give impacts on fiscal income statement. On the other hand, Research with the title “*Analisis Penerapan Tax Review atas Pajak Penghasilan Badan pada Hotel X*”, done by Saridewi and Noviari in year 2017 shows that the calculation income tax payable with carried out installments and reporting obligations in accordance with taxation provisions. However, in terms of calculations and preparation of Annual Tax Return, there are several errors in fiscal amount changed on the fiscal income statement, resulting in tax payable according to taxation provisions to be greater than tax payable by the company.

In accordance with the previous research, which was stated above, the writer interested in doing a research study in Medan, the capital of the province of North Sumatra and as the third metropolitan cities in Indonesia. This city is the

gateway of trade in Western Indonesia. As a metropolitan city, Medan is one of the cities that has the fastest economic growth. This research is done at PT. Cakraindo Mitra Internasional, a business entity in the form of a limited liability company centered in Medan, North Sumatera, Indonesia. This company is emerged in trading which are palm oil industry, fatty acid, glycerin products, and logistic services, was established in 2003. At the end of accounting year, the company has calculated the amount of income tax payable to be submitted and reported to the government. Therefore, the company would need tax review in order to assess the compliance as the purpose to find out if there are miscalculations in the implementation of tax obligations that are not in accordance with the taxation procedures so that they are then made improvements and adjustments to the provisions in accordance with applicable law. Data of this research was collected from annual corporate income tax report and commercial financial statements and then carry out the tax review to avoid any possibilities issues that might happen in the future.

Generally, company in Indonesia applies self-assessment system where the taxpayers is entrusted to determine, calculate, pay, and report their own taxes to government. If there is a problem within the reported day, the tax authorities will contact the taxpayers for further investigation or audit. Tax audit is the final part of the taxation process to ensure whether the taxpayers has submitted their taxes correctly, clearly, and completely. Thus, the company needs to be acknowledged attentively about taxation regulations to avoid tax sanction. Tax sanction exists when the taxpayers make a miscalculation and tax paid.

The writer is interested in analyzing more in-depth with the similar study as follows: “**Analysis on Entity Income Tax Review at PT. Cakraindo Mitra Internasional**”.

1.2 Problem Formulation

How does PT. Cakraindo Mitra Internasional implement the entity income tax?

1.3 Research Focus

Based on the background research above, the focus on the research are as follows:

1. Tax review for fiscal amount changed, income tax Article 22, Article 23, Article 25, and Article 29 at PT. Cakraindo Mitra Internasional according to the taxation regulations
2. Period of this research at PT. Cakraindo Mitra Internasional is for the year 2018

1.4 Objective of the Research

By conducting this research, the writer expect that the purpose of the research is to know and identify analysis on entity income tax review at PT. Cakraindo Mitra Internasional.

1.5 Benefit of the Research

The benefits of this research are divided into two types, which are theoretical and practical benefit. Theoretical things are based on theory and ideas, while practical ones are based on practice.

1.5.1 Theoretical Benefit

The theoretical benefit in this research can be used as a comparison study material or as an input for other writers who are interested in conducting the research in relation with tax review. In addition, this research can be used as a reference and information source in the future.

1.5.2 Practical Benefit

The practical benefit in this research is as follows:

1. For the writer, this research can be used to enrich the writer's knowledge and experience about tax review according to the provision of tax law.
2. For the company, this research can help the company evaluates its income statement and give recommendation for the company in conducting tax review.

