

CHAPTER I

INTRODUCTION

1.1. Background of Study

Every citizens in a country who receives incomes are required to fulfill their tax obligation. Tax is one of the most necessary element in every countries. Firstly, tax is the source of the government's revenues. Tax also plays an important role in nation's development such as building educational facilities, health facilities, infrastructure and any other important facilities that are needed in a country. Beside nation's development, tax also has an important role in balancing the country's economy condition such as overcoming inflation or deflation. Lastly, tax also helps in decreasing unemployment rate. Therefore, tax is very necessary and has to be fulfilled by the citizen of the country who earns income.

Based on Income Tax Provision No. 36 Year 2008, it is stated that anyone who earns income must be taxed. People who work in companies, people who open their own business, and entities are the ones who earn income that they must be taxed, however, each of them will be taxed differently according to the regulations that are applied.

Even though tax is necessary for the country as the state's revenues, tax is an expense in the perspective of citizens, especially for entities or companies and individuals who do business (entrepreneurs). Both of them

will always aim for huge amount of profit. Huge amount of profit can be acquired if the company has less burden or expense. However, tax, as one of the company's expense, can be one of the causes of the entities' decreasing profit. This means that the company has to pay a smaller amount of tax in order to gain more profit. In order to make that happen, tax planning is necessary. Tax planning may vary and one of the method that can be used in this case is by changing or choosing the exact business type. The reason is because every business types has different tax rate and different tax calculations. If the company can choose the right business type, then the tax burden can be minimized and the goal of gaining more profit can be achieved.

Mr. Siswanto is an individual taxpayer that established a business in form of sole proprietorship or Usaha Dagang (UD). His business acts as a distributor of glassware products. The business is located at Jl. Letda Sujono Komp. Gudang Intan, Deli Serdang. Mr. Siswanto regularly pays Article 25 income tax to the government every month because his business' gross income exceeds 4,8 billion rupiah and he could not use the final income tax. Mr. Siswanto also registered himself in VAT Purpose so he fulfilled his VAT obligation every month as well. Mr. Siswanto also wishes to make more profit for his business even though his business develops and grows every year. He considers to expand his glassware business, by changing the business type from the form of Sole

Proprietorship (UD) to *Commanditaire Vennootschap* (CV) or Limited Liability Company (PT).

According to Deni Elyana Sari (2014), the company that uses *Commanditaire Vennootschap* (CV) as their business type gives the least tax burden amounted Rp. 522.500.000, followed by Sole Proprietorship amounted Rp. 589.950.000 and *Commanditaire Vennootschap* (CV) amounted Rp. 714.125.000. The result of the research is similar to Nur Farida (2017). the company that uses *Commanditaire Vennootschap* (CV) as their business type gives the least tax burden amounted Rp. 450.000.000, followed by Sole Proprietorship (UD) amounted Rp. 479.600.000 and *Commanditaire Vennootschap* (CV) amounted Rp. 652.500.000.

The previous researches showed the same result and the researcher would like to see whether the result will also remain the same to UD. Semangat Baru. Besides, the researcher wishes to do research and help the company to minimize the tax burden by choosing the best type of business. The title of this research is **“The Analysis of Tax Planning In Changing Business Type Decision at UD. Semangat Baru”**.

1.2. Problem Formulation

Based on the background of study, the problem formulated in this research is “Which type of business between Sole Proprietorship (UD), *Commanditaire Vennootschap* (CV) or Limited Liability Company (PT)

will result in lower amount of income tax payable for UD. Semangat Baru?”

1.3. Research Focus

The researcher makes problem limitation as follows:

1. The researcher will compare several business types: Sole Proprietorship (UD), *Commanditaire Vennootschap* (CV) and Limited Liability Partnership (PT)
2. The researcher is based on the commercial financial statement of the company in year 2019.
3. The researcher will focus on Income Tax and Value Added Tax.
4. The research does not have any access on the detail of the employees' data.

1.4. Research Objectives

The objective of doing this research is to find out whether the company need to change their business type or to stay in current business type in order to minimize the income tax payable or tax burden without violating the tax regulations that are applied in Indonesia.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

This research can be used as the development of knowledge and references that are related to UD. Semangat Baru in developing his business.

1.5.2. Practical Benefit

Below is the practical benefit of this research:

1. For company (UD. Semangat Baru)

UD. Semangat Baru can expand his knowledge about business types and he can decide which is the most suitable business type for his business in order to minimize the tax expense but still within the tax regulation.

2. For Researcher

The researcher can gain new knowledge about the business types in Indonesia and the researcher can use this knowledge in order to establish a business in the future. This research also plays an important role for the researcher in achieving bachelor degree in Universitas Pelita Harapan Medan Campus.

3. For Academics

The result of the research is expected to be useful for everyone, especially for entrepreneurs who are planning in establishing his business, as a source of knowledge or reference for their studies and development of further researched that is related to tax planning in choosing the best type of business.