

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 BACKGROUND OF STUDY**

Tax is one of government's revenue for development. The company as taxpayer implement tax regulation properly in increasing the compliance of tax obligation. Taxpayer should try to conduct obligation so that the taxpayer can avoid sanction based on Income Tax Provision. In conducting tax obligation, taxpayer should understand income tax provision. There are many types of tax. One tax type is a tax levied on the income of which called as Income Tax. Imposition income tax is done to individual taxpayer and entity taxpayer. Income is any additional economic benefit received or obtained by the taxpayer, both from Indonesia and outside Indonesia which can be used for consumption or increase the wealth of the taxpayer in the name and in any form. For this income will be imposed with income tax by government.

Tax collection system in Indonesia is self assessment system which the taxpayer is given the trust to calculate and determine the amount of income tax payable and report it to the Tax Office after the end taxable year. Therefore, the state gives full trust to the taxpayer in the tax calculation process. Tax assessment system gives trust to taxpayer in calculating and paying tax obligation.

When the time to fill annual entity income tax returned, the company must make fiscal reconciliation. Fiscal reconciliation is done to adjust the commercial revenue and expense based on Income Tax Law. Adjustments must be made by the taxpayer may be due to differences in the recognition of income and expenses between the commercial accounting principles and income tax law. Therefore, it needs the taxpayer that understand the obligation and applicable tax procedure.

The company needs the employees that understand the tax obligation that must be conducted by the company. The company should review in end of taxable year whether the tax obligation has been done in accordance with applicable tax regulation. One of the ways in tax review of entity income tax is review of fiscal reconciliation and calculation of entity income tax. Besides that, there are many ways of tax review to entity income tax. Some of procedures in tax review of entity income tax are as follows:

1. Review principles and methods in recognition of revenue and expense in commercial income statement and fiscal reconciliation from commercial income statement to fiscal income statement.
2. Review accuracy of calculation of income tax, validity of tax document, time of payment of tax, time of reporting of tax return and the payment of Article 25 Income Tax.
3. Review tax credit that has been withheld by third parties.
4. Review recording system in company's bookkeeping.
5. Review of reconciliation of revenue in financial statement with periodic value added tax return.

(Suandy, 2015)

Tax review is a range of review activities to all existing tax obligation in the company and implementation of fulfillment of obligation in calculation, withholding, deposit, payment and reporting to know tax compliance of taxpayer in fulfilling tax obligation. (Suandy, 2015). Tax review can be done to know whether the company has done tax management or tax avoidance. Tax management is tax planning that is done based on tax regulation.

Tax avoidance is arrangement of a transaction in order to obtain a tax reduction in a manner unintended by the tax law. The purpose of tax review is to know whether there is mistake in implementation of obligation and tax procedure in order that it can be improved and adjusted based on applicable tax regulation. The result of tax review can

be used as basis reference material in preparing tax return. The result of tax review can be used as preparation for tax audit. Tax review includes all tax aspects in the company. It must be known the type and characteristic of company in determining tax obligation. In conducting tax review, it needs the understanding of tax regulation and practice. Besides that, tax review is related with accounting knowledge and standard. Tax review can be used to analysis if there is sign that the company do tax avoidance and/or evasion.

This research is done at PT Suriatama Mitra Perwita Medan. The company is engaged in consumer goods retail company. The company is established in year 2001. As retail supermarket, the company obtains the income from sales of any various type of product. The company has obligation in paying entity income tax properly based on Income Tax Provision. The company makes calculation entity income tax each year. There is possibility that the company does not make a proper calculation entity income tax. The company never get tax audit from tax office. The company does not have tax division. Therefore, it needs the tax review on entity income tax in order that the company can know tax compliance in entity income tax obligation. The information from tax review can be used in improvement tax planning. Tax review also can help the company in determining entity income tax appropriately.

Tax review of entity income tax can be done in many procedures. One of procedures is review accuracy of fiscal reconciliation. The company has done fiscal reconciliation some of revenues and expenses appropriately. The preliminary research done by writer can found that the company does not make fiscal reconciliation of some expense such as telephone for manager should be 50% of total expense and benefit in kinds. Based on preliminary research, the writer also found that there is difference in the amount of some accounts in entity income tax return with other tax document and financial statement.

Based on the description above, the writer intends to conduct research entitled “**Tax Review on Entity Income Tax Behavior of Taxpayer at PT Suriatama Mitra Perwita Medan**”.

## **1.2 PROBLEM FORMULATION**

Problem that can be formulated in this research are as follows:

1. How is the tax review on the entity income tax at PT Suriatama Mitra Perwita Medan in accordance with tax regulation?
2. Does PT Suriatama Mitra Perwita Medan conduct tax avoidance in reducing entity income tax based on result of tax review?

## **1.3 RESEARCH FOCUS**

The writer makes research focus in tax review on entity income tax at PT Suriatama Mitra Perwita Medan in year 2016.

## **1.4 RESEARCH OBJECTIVE**

The objective of doing this research are as follows:

1. To know whether entity income tax at PT Suriatama Mitra Perwita Medan in accordance with tax regulation based on tax review result.
2. To know whether PT Suriatama Mitra Perwita Medan has conducted tax avoidance based on tax review result.

## **1.5 BENEFIT OF THE RESEARCH**

The benefits of conducting this research are as follows:

### **1.5.1 THEORETICAL BENEFIT**

1. This research gives benefit to accounting student in learning about tax and accounting.

2. This research gives benefit in adding reading material and collection of research about tax in Universitas Pelita Harapan Medan.

### **1.5.2 PRACTICAL BENEFIT**

1. This research gives benefit in giving information to the company for improving entity income tax amount after conducting tax review.
2. This research can increase the writer's knowledge in tax and accounting.
3. This research can be used as reference by other researcher in conducting research with same topic.

## **1.6 SYSTEM OF WRITING**

The systems of writing in this *skripsi* will be as follows :

### **Chapter I : Introduction**

The chapter consists of the background of the study, problem formulation, research focus, research objective, benefit of the research. This chapter describes the overview nature of company's business, the overview of the problem of the company in calculating the entity income tax and the importance of tax review for the company. Based on preliminary research, there is improper calculation of entity income tax.

### **Chapter II : Literature Review**

This chapter will describes theoretical background, previous research and framework of thinking. In this chapter, it will describes the some theories

related with this research such as definition of tax, tax function, tax types, tax collectment system, income tax subject, income tax object, deductible expense, non deductible expense, income tax rate, income tax calculation, fiscal reconciliation, definition of tax review, the purpose of tax review, tax review of entity income tax.

### **Chapter III : Research Methodology**

This chapter consists of the research design, research object, data collection method and data analysis method. In this chapter, it describes the qualitative research design that is used to describe the phenomena in the company, condition of the company and tax review activities in determining the company's tax compliance based on theory and tax regulation. This research also describes the data collection method that consists of observation, documentation and interview. The data obtained in this research are primary data and secondary data.

### **Chapter IV : Data Analysis and Discussion**

This chapter consists of general view of research object, data analysis and discussion. In general view of research object, it will describes the nature of company business activities, company's history, organizational structure and understanding business process. Data analysis and discussion will describes calculation of



entity income tax done by the company, implementation of tax obligation of entity income tax in the company, tax review procedure used by writer, finding from tax review and recalculation entity income tax based on tax review result. At the end of this chapter, writer also disclose comparison amount before and after tax review and level of tax avoidance.

### **Chapter V : Conclusion**

This chapter contains the conclusion, the implication and recommendations. The conclusion of this research describes the conclusion of company's entity income tax after conducting of tax review. The implications shows the findings of this research and the level of the company's tax compliance. The recommendations describes the suggestion that can be given to the company after tax review in improving the entity income tax that is related with findings.