

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

One of the financing sources for development comes from tax revenue. Therefore, the state revenue from tax is very important in order to finance the country's development. Tax is one of important state revenue source. Tax is society's contribution to state that is regulated by law to increasing the tax compliance. One of tax revenue types is income tax. Income tax is imposed to tax subject of income receipt or obtained in the taxable income. Tax subject is individual, undivided inheritance as a unit in lieu of the beneficiaries, entity in any form and permanent establishment. Income tax collection system in Indonesia is a self assessment where all tax obligation implementation processes begin from calculating and determining tax payable amount, deposit tax payable to state treasury, report the calculation and payment, and be responsible all obligations are done by taxpayer. Through self assessment system, tax payer is given full trust from director general of tax to conduct the calculation themselves correctly, complete and clear. The tax calculation is based on income received by entity's taxpayer during one taxable year. The income is reported in the annual income tax return. The information in the financial statement is basis of the determine the income tax payable.

For income tax obligation, the tax calculation is based on the income earned by the taxpayer for one taxable year. Income tax calculated is based on taxable income. Financial statements prepared in company are based on financial accounting standard. This commercial financial statement has to be adjusted to the fiscal regulation in order to report fiscal financial statement as a basis of income tax calculation to tax office. Financial statement preparation is

based on financial accounting standard that is called as commercial financial statement. There is a basic difference in revenue and expense recognition between financial accounting standard and applicable tax law. Financial statement is an output of the company that provides final description of the company either in company's financial position and company's condition as company's measurement in evaluating the performance during the certain period. Financial statement is usually made by company in business that is called as commercial financial statement and financial statement is usually made to tax purpose that is called as fiscal financial statement.

This research is done at PT Tekkindo Centra Daya Medan. The company engages in sales of electric motor. Each year, the company has an obligation to pay the entity's income tax to entity. PT Tekkindo Centra Daya Medan prepares the financial statement that is based on financial accounting standard. For the tax purposes, the commercial income statement cannot be used as the basis for determining the income tax. In the commercial financial statement, there are revenue and expense in PT Tekkindo Centra Daya that must be considered in doing the fiscal reconciliation. Because of lacking in knowledge and experience of tax law, the employee can make the mistake in doing the fiscal reconciliation. It can make the income tax payable isn't accordance with income tax law. If the company pay the income tax that isn't accordance with income tax law, the company will get the tax sanction from government to pay the underpaid tax and tax penalty. This difference of revenue and expense recognition between commercial financial statements with income tax law must be done with fiscal correction. It is expected that the company's fiscal correction can be done correctly and properly in determine the income tax payable according to income tax law.

Based on this background study, then the writer is interested to conduct the research with title as follows : **“Reconciliation of**

Commercial Income Statement to Fiscal Income Statement in Determining the Amount of Income Tax Payable at PT Tekkindo Centra Daya Medan”

1.2 PROBLEM FORMULATION

The description in the background study above, the problem that can be formulated is as follows: “What are the implications of conducting fiscal reconciliation of commercial income statement to fiscal income statement in calculating the entity income tax at PT Tekkindo Centra Daya Medan?”.

1.3 RESEARCH FOCUS

Due to limitation of ability, time and condition, the writer will determine the research focus to fiscal reconciliation of commercial income statement to fiscal income statement in calculating the entity income tax at PT Tekkindo Centra Daya Medan in year 2017

1.4 RESEARCH OBJECTIVE

The objective of this study is to know the impacts of conducting fiscal reconciliation of commercial income statement to fiscal income statement to income tax payable at PT Tekkindo Centra Daya Medan.

1.5 BENEFIT OF THE RESEARCH

The benefits of this research can be seen as follows:

1.5.1 THEORETICAL BENEFIT

This research gives benefit in developing tax theory of fiscal reconciliation and income tax calculation

1.5.2 PRACTICAL BENEFIT

Practical benefits of this research are as follows:

1. This research gives benefits for writer in obtaining experience in implementation of fiscal reconciliation and income tax calculation.
2. This research gives recommendation for company in conducting fiscal reconciliation for income tax calculation
3. This research can be used by other researcher as reference and material in conducting research.

1.6 SYSTEMS OF WRITING

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

Chapter I : Introduction

This chapter will explain background of the study, problem formulation, research focus, research objective, benefit of the research and systems of writing. The background of the study describes the importance of tax for the state, the purpose and reason of conducting fiscal reconciliation and the caculation of income tax.

Chapter II : Literature Review

This chapter will explain theoretical background, previous research and framework of thinking. The theoretical background consists of some theories in related with the research topic such as definition of tax, tax collection system, definition of financial statement, commercial and fiscal financial statement, revenue recognition in commercial financial statement, expense recognition in commercial financial statement, income tax subject, income tax object, deductible expense, non deductible expense, entity income tax payable calculation and fiscal reconciliation.

Chapter III : Research Methodology

This chapters explain the way of conducting the research such as research design, research object, data collection method and data analysis method. This chapter describes descriptive and qualitative research which is used in this research.

Chapter IV : Data Analysis and Discussion

This chapter describes general view of company data analysis and discussion of fiscal reconciliation of commercial income statement to fiscal income statement to income tax payable.

Chapter V : Conclusion

This chapter explains the conclusion, implications and recommendation of this research.

