

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Government needs fund to perform development of country and conducting of government activities. This fund is generally collected from the citizens of the country in the name of the tax. The primary purpose of taxation is to raise revenue to meet public expenditure. Most government activities are financed by tax. The government makes a mechanism to collect tax from citizens with implementing Income Tax Provision. One way of government to generate more state revenues in order to enhance economic development of Indonesia is by improving the country's tax collection system. One of the tax collection systems applicable in Indonesia is self-assessment system. Government implements a self-assessment system under which taxpayers are trusted to calculate, pay, and report their own taxes in accordance with prevailing tax laws and regulations.

A company is subject to the tax obligations set by the government. The company as entity taxpayer should have good knowledge of taxation. Knowledge of Income Tax Provision has positive impact on taxpayers' awareness to pay tax. It is impossible for taxpayers to comply if they do not understand the tax regulations. Taxpayer understanding about taxation regulation becomes very important because of the implementation of self-assessment system in the tax system. The company's profits made during the year are imposed with entity income tax. The profit can be known from financial statement. The company has obligation to conducting the bookkeeping based on Income Tax Provision. The bookkeeping is done based on principle accounting. The commercial financial statement is prepared based on Financial Accounting Standard. This

financial statement has purpose to provide information for business decision.

Financial statements for accounting purposes is known as commercial financial statements which refer to the Financial Accounting Standards. The financial statements for tax purposes is known as fiscal financial statements which refer to the Income Tax Provision. Revenue and expense recognition in commercial financial statement is done based on Financial Accounting Standard. Some of revenues and expenses cannot be recognized based on Income Tax Provision. It can make difference between commercial financial statement and fiscal financial statement. The preparation of fiscal financial statement is done based on commercial financial statement through fiscal reconciliation. In addition, the fiscal financial statements contain positive and negative corrections. Positive correction is done to increase the taxable income. Negative correction is done to decrease the taxable income.

This research is done at PT Maju Bersama Drivindo Medan. The company is engaged in distributor of sparepart. The company prepare the commercial financial statement every year based on Financial Accounting Standard. The commercial financial statement is used as the basis in determining entity income tax. The company does not use tax consultant and accounting firm in giving suggestion for calculating entity income tax. The company's employees have possibilities in making mistake in calculating entity income tax because the company does not conduct regular training of taxation for the employee. The company's employee cannot ensure that entity income tax is done properly based on Income Tax Provision. The good knowledge of taxation is needed to know the difference between commercial financial statement and fiscal financial statement. It can give benefit in conducting fiscal reconciliation properly.

Based on this background study, then the writer is interest to conduct the research with title as follows : **“The Implementation of Fiscal Reconciliation of Entity’s Income Tax Payable at PT Maju Bersama Drivindo Medan”**

1.2 PROBLEM FORMULATION

Based on the background of study, the problem formulated by the writer in this research is “What is the difference in the revenue and expense recognition between income provision and financial accounting standard in PT Maju Bersama Drivindo Medan and its impact to entity’s income tax?”

1.3 RESEARCH FOCUS

The writer will determine the research focus to revenue and expense recognition between income provision and financial accounting standard in PT Maju Bersama Drivindo Medan for year 2017.

1.4 RESEARCH OBJECTIVE

The objective of doing this research is to know the difference in the revenue and expense recognition between income tax provision and financial accounting standard in PT Maju Bersama Drivindo Medan and its impact to entity’s income tax.

1.5 BENEFIT OF THE RESEARCH

The benefits of this research can be seen as follows:

1.5.1 THEORETICAL BENEFIT

This research can give benefit to develop tax theory in determining the difference of revenue and expense recognition between income tax provision and financial accounting standard.

1.5.2 PRACTICAL BENEFIT

Practical benefits of this research are as follows:

1. This research gives benefits for writer in understanding of tax especially difference of revenue and expense recognition between income tax provision and financial accounting standard.
2. This research gives recommendation for company in calculating entity income tax properly based on Income Tax Provision.
3. This research can be used as reference for other research with same topic.

1.6 SYSTEMS OF WRITING

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

Chapter I : Introduction

This chapter consists of the income tax amount is not appropriate according to Income Tax Provision, problem formulation, research focus, research objective, benefit of the research and systems of writing. This chapter describes about the company which is the miscalculation in entity income tax that was done by the employee because of uncertainly in preparing the company's fiscal reconciliation.

Chapter II : Literature Review

This chapter consists of the commercial financial statement is used as the basis in determining entity income tax, previous research and framework of thinking. The theoretical background consists of some theories such as definition of tax, types of tax, financial statement, revenue and expense recognition based on financial accounting standard, revenue and expense

recognition based on income tax provision, entity income tax calculation.

Chapter III : Research Methodology

This chapters consists of research Qualitative, research object, data collection method and data analysis method.

Chapter IV : Data Analysis and Discussion

This chapters describes general view of PT Maju Bersama Drivindo Medan data analysis and discussion of difference of revenue and expense recognition between income tax provision and financial accounting standard and its impact on entity income tax calculation

Chapter V : Conclusion

This chapter presents the conclusion of this research, implication of this research and the recommencation for calculating entity income tax properly.

