

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Tax can lead to a large role in generating the domestic revenue that is needed to achieve continuance and increasing of national development. One large domestic funding source is from the taxation sector. Tax is the society contribution to country that payable by taxpayer that is used for financing general expenditure in connection with country duties to conducting the government and country development. Tax is contributions required for any tax object. The taxpayer pay tax as obligation and participation for financing country and national development. In Indonesia, there is many types of tax. The government tries to increase tax revenue. To achieve the increase of tax revenue, the government continuously improves tax system. One of tax systems used in Indonesia is self assessment system that the taxpayers are given trust to calculate, pay and report tax obligation. Beside that, one of tax collection system in Indonesia is withholding tax system. Some of income tax is collected through a system of withholding taxes. One of tax in Indonesia is income tax. Income tax is tax which levied to tax object of income earned. Income tax is imposed to individual and entity in relation with income received in one taxable year.

The taxpayer is required to fulfill the tax obligation in accordance with the applicable tax law. Implementation of tax obligations is done by calculating, deducting or collecting, depositing and reporting taxes. One way that can be used to check taxpayer compliance is conducting tax review. Tax review is an activity of re-examination of all execution and fulfillment of tax obligation of a company in calculation, deducting or collecting, depositing and

reporting taxation. Tax review can also help taxpayers by providing advice or suggestions that are used to avoid tax sanctions in the form of administrative sanctions and criminal sanctions that may arise in the future. Tax review is a comprehensive examination of the different types of taxes that may be imposed to a particular transaction based on the applicable tax regulation. Tax regulations will be used as basis in evaluating conformity of tax treatment. The aim of the tax review is the analysis of the tax treatment by company based on tax regulations.

There are many objects for tax review. Tax reviews covers income taxes, value added tax and so forth. One component that can be examined in tax review is Article 21-Income Tax. Article 21-Income tax arise from income received by employee. The Article 21-Income Tax object is any addition of economic benefit earned by the employee in any kinds and forms, such as salary, allowances, bonus and so forth. For employee's income, the company as a withholding agent will conduct the Article 21-Income Tax obligation. The Article 21-Income tax withheld from employee will be paid state treasury. Although there is Article 21 Income Tax payment done by company, it still need tax review to examine the accuracy and the truth in determination and calculation of Article 21-Income Tax. It is done help company in increasing its tax compliance, provide guidelines, and give correction if there are any mistakes in conducting tax obligation. In avoiding low tax compliance and sanction risk related with Article 21-Income Tax, the company should conduct tax review of Article 21-Income Tax obligation.

This research is conducted to PT Jati Jaya Lestari as company that engaged in the field of advertising service in Medan and out of Medan city. The company provides the income to the employee. For employee's income, the company conducts withholding of Article 21-Income Tax of their income. The company should fulfill the tax obligation in implement of Article 21-Income Tax in order to avoid

tax sanction. The implementation of tax review should be done in company to make the preparation in the company for tax audit of Article 21 -Income Tax. The company never done tax review of Article 21-Income Tax with result the company doesn't know the tax compliance level in Article 21-Income Tax in PT. Jati Jaya Lestari. The tax review is expected can enhance company's tax compliance of Article 21-Income with the result of the company can avoid tax sanction from government .

The company doesn't conduct the tax review of Article 21-Income Tax because the employees don't have sufficient tax knowledge in conducting the tax review of Article-21 Income Tax . The company's employee can make mistake in calculating Article 21 -Income Tax. There are some mistakes in implementing Article 21-Income Tax such as mistake in determining the Article 21-Income Tax Object and mistake in determining non taxable income. The taxpayer must consider all income received by employee in calculating Article 21-Income Tax while the company doesn't consider some allowance to employee in calculating Article 21-Income Tax such as pocket money allowance. The non taxable income is determined based on current condition of employee. The company doesn't update the marital status and dependent amount based on current condition of employee with result that there is mistake in determining non taxable income.

Based on the description above, the writer intends to conduct research entitled **“Tax Review on Article 21- Income Tax to Evaluate Tax Compliance at PT Jati Jaya Lestari “**

1.2 PROBLEM FORMULATION

Based on the background of the study, there are improper implementation of tax regulation on Article 21-Income Tax in the company such as improper Article-21 Income Tax Object and

improper non taxable income . The company's employees cannot conduct tax review because the employees don't have sufficient experience and knowledge of tax. The problem formulation in this research is as follows: "What is the impacts of tax review on Article 21- Income Tax in evaluating tax compliance at PT Jati Jaya lestari "

1.3 RESEARCH FOCUS

In this research, the writer will only focus in the implementation of Tax Review of Article 21- Income Tax of permanent employee in PT. Jati Jaya Lestari in year 2017.

1.4 RESEARCH OBJECTIVES

The objective of doing this research is to know the impact of tax review of Article 21-Income Tax in evaluating tax compliance at PT. Jati Jaya Lestari.

1.5 BENEFIT OF THE RESEARCH

1.5.1 THEORETICAL BENEFIT

Based on the objective of research, the theoretical benefits of this research are as follows:

1. This research can provide additional knowledge and experience for the writer in taxation especially in the implementation of tax review on Article 21-Income Tax
2. This research is done as contribution of writer in adding reading material and research collection about tax to Universitas Pelita Harapan Medan

1.5.2 PRACTICAL BENEFIT

Based on the objective of research, the practical benefits of this research are as follows:

1. This research can provide input and material consideration for the company in increasing tax compliance with implementing tax review on Article 21 -Income Tax.
2. This research can be used as reference in conducting the research with topic about tax review of Article 21-Income Tax.

1.6 SYSTEMS OF WRITING

The systems of writing in this final paper will be as follows :

CHAPTER I : INTRODUCTION

In this chapter, the writers will presents the background of the study, problem formulation, research focus, research objective, benefit of the research and systems of writing.

CHAPTER II :THEORITICAL BACKGROUND

This chapter is background of theory used in this research such as definition of tax, Income Tax object, definition of Article 21 -Income Tax, Article 21-Income Tax object and subject, the calculation of Article 21 Income Tax, definition of tax review and the tax review of Article 21-Income Tax, definition of tax compliance and. The writer presents theoretical background, previous research and framework of thinking.

CHAPTER III :RESEARCH METHODOLOGY

This chapter is the method in conducting the research. The writer will presents research design, research object, data collection method and data analysis method.

CHAPTER IV :DATA ANALYSIS AND DISCUSSION

This research is analysis and discussion of tax review on Article 21 -Income Tax in the company. This chapter consists of general view of research object, data analysis and discussion.

CHAPTER V : CONCLUSION

The writer will presents conclusion based on result from tax review of Article 21-Income Tax, implication of this research and recommendation for improving Article 21-Income Tax.

