

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND STUDY

In a country with a lot of resources, Indonesia has many sources of revenue such as: a. Tax; b. Retribution; c. *BUMN/BUMD*; d. Donation/*Hibah*; e. Fine/ Confiscation. From the points mentioned, Tax is the revenue obtained by Indonesia which has been regulated by the law. There are some sources of tax revenues which are: income tax (*Pajak Penghasilan/PPH*), value added tax (*Pajak Pertambahan Nilai/PPN*), value added tax luxury goods (*Pajak Pertambahan Nilai Barang Mewah/PPnBM*), earth and building tax (*Pajak Bumi dan Bangunan/PBB*), and duty of land and building rights (*Bea Perolehan Hak atas Tanah dan Bangunan*).

Tax as one of the revenue sources for the country so it becomes mandatory for the taxpayers to pay tax according to the regulation in Indonesia. Tax awareness is important to all the taxpayers. By understanding the tax law in Indonesia, not only it can help the taxpayer to pay tax correctly but also benefit the taxpayer to minimize the taxable income without violating the law in Indonesia.

Article 21, which is the most related article to the employees in Indonesia, regulates the tax for salary, wages, allowances, or any other payments in any kind which related to job, position, or work of any tax subject in Indonesia. The people who receive the income of Article 21 are the individuals who are employees, severance allowance receivers or retirement allowance receivers, the heirs, not the individuals who are not employees that receive or obtain income in respect of employment, services, or participants in respect of participation in an activity. And the people who can withhold Article 21 are: employer, treasurer or cashier government, pension funds,

agency organizers of social security, and other entities that pay pensions and annuities or pension, and individual who conducts business or independent services and agencies.

Companies in Indonesia are varied in terms of treating the tax. Some companies pay for the employee's tax. This method is called Net Method. Using this method, companies cover the employee's tax thus the employee can directly take home their net income after tax. There are also Gross Method in which the employees pay their own tax income, and Gross Up Method in which companies give tax allowances to the employees.

Tax Planning is a legal action that can be done in attempt to minimize the taxable income in Indonesia because it is a way to plan the tax expense so that the taxpayer will not do any excessive pay without violating the law in Indonesia. In other words, tax planning is a capacity than can be done to favor the taxpayer and does not harm the government in a legal way.

This research is done at PT. Logistik Pendingin Indonesia. The company is doing business in logistic. All the financial statements are completed by the accountant of the company which is currently using Net Method in calculating Article 21. The employees cannot ensure that Net Method, which is the method currently used is the best option in treating Article 21. The company is planning to do any tax planning to minimize the taxable income but the employees with no tax training cannot make tax planning decisions. Based on the background study, the author is interested to do a research which titled 'The Implementation of Tax Planning Article 21 as a Strategy to Minimize the Taxable Income at PT. Logistik Pendingin Indonesia.'

## **1.2 PROBLEM LIMITATION**

The data used for this research is the fiscal income statement of PT. Logistik Pendingin Indonesia in 2017. Discuss only the income of the company because the company is obliged to pay the income tax and also the analysis is done based on the Law Number 36 Year 2008.

## **1.3 PROBLEM FORMULATION**

Based from the background of study mentioned above, the formulations are:

1. How to implement the Gross Up Method into the calculation of employee Article 21 at PT. Logistik Pendingin Indonesia?
2. What is the difference between the current method PT. Logistik Pendingin Indonesia is using, Net Method to Gross Up Method in the term of taxable income?
3. How does the tax planning implementation help the company as a strategy to minimize the taxable income?

## **1.4 RESEARCH FOCUS**

Based on the background of study stated above, the focus on this research is how to do the tax planning implementation help the company as a strategy to minimize the taxable income in a legal way.

## **1.5 OBJECTIVE OF RESEARCH**

1. To analyze the employee salary data and the other components that is related to each other to the calculation of Article 21 using Gross Up method.
2. To find the difference in the taxable income before and after using Gross Up Method.
3. To know how the tax planning will help the company as a strategy to minimize the company taxable income.

## **1.6 SIGNIFICANCE OF RESEARCH**

### **1.6.1 THEORETICAL SIGNIFICANCE**

The company will be able to determine the income tax that should be paid in the most minimum amount.

### **1.6.2 PRACTICAL SIGNIFICANCE**

After doing this research, researchers can determine to what extent the theory of tax planning is able to overcome problems that occurred in a company, researchers are also able to broaden the knowledge and the ability to think in taxation field, especially regarding tax planning.

## **1.7 SYSTEM OF WRITING**

The author presents a brief description of the subject discussed in each chapter to provide a comprehensive picture of this writing:

### **Chapter I: Introduction**

This chapter provides the background of the study, Problem Limitation, Problem Formulation, Research Focus, Objective of the Research, Significance of the Research, and the Systems of Writing. The author explains the method of how the company treats the Article 21 Income tax and expects gross up method can help minimize the taxable income.

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

This chapter contains theories that form the basis for this final report. Theories and definitions of tax, tax and accounting, Income Tax Article 21, Income Tax object and subject, tax planning, Article 21 withholding agents, the calculation of Gross Up method in an income statement. In this chapter, also contains the previous research and framework of thinking.

### **Chapter III: Research Method**

This chapter contains the qualitative design, population and sample, data collection method, operational variable definition and variable measurement, and data analysis method.

### **Chapter IV: DATA ANALYSIS AND DISCUSSION**

This chapter presents the review of the company's Article 21 income tax calculation, calculates the entity income tax and implements tax planning Article 21 – Income Tax at PT. Logistik Pendingin Indonesia. The impact of tax planning Article 21 will be discussed in this chapter.

### **Chapter V: CONCLUSION**

This chapter presents the conclusion of the research that has been done, implementation, and recommendation to PT. Logistik Pendingin Indonesia to minimize the taxable income using tax planning Article 21.