

CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF STUDY

One large funding source of domestic is from taxation sector. Tax is one of the government's important sources of revenues. Thus, the government should try to increase tax revenue. Tax revenue from year to year is expected in increasing amount in line with the requirement in the independence of financing state expenditure; 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, entity in any form and permanent establishment. Income Tax is regulated in Income Tax Law Number 36 of Year 2008.

One of tax collection systems used to withhold the Article 21-Income Tax is withholding system where the tax paid by income recipient is withheld by other parties. Article 21-Income Tax is tax that is withheld by other parties and employees either as individual or entity that pays the income. The parties that are required to withhold, deposit and calculate Article 21-Income Tax are employers, government treasurer, pension fund, entity and a person who organizes an activity. In Article 21-Income Tax for employees, there are many factors that influence the calculation such as allowance, bonus, premium and other withholding that can influence the amount of employees' income. Article 21-Income Tax arises from income received by employee. For employee's income, the company as withholding agent will conduct the Article 21-Income Tax withholding obligation. The Article 21-Income Tax withheld from employee will be paid to state treasury.

However, the implementation of Indonesian's Tax system gives different interest between Taxpayer and government. On the

other side, Taxpayers want to pay taxes as small as possible while the government has a mission to optimize tax payment. Thus, manager has responsibility to give decision and solve the problem on how to manage the tax that will be paid to the government efficiently and how to do tax avoidance that never break the rules and regulation to achieve the goal of corporate. In order to achieve company's goals, there are many kind alternatives to be done such as pressing and managing the expenses to gain some profit.

Tax planning strategy is one of methods to help company in order to minimize tax cost and optimizing profit after tax. Tax planning is started to measure whether that kind of transaction is levied by tax or not. Not only that but also tax planning strategy is started to modify tax payment that can maximize profit after tax. Moreover, tax planning as strategy of corporate to achieve the mission and vision that corporate has. Thus, evaluation must be done by company to determine how far the implementation of tax planning.

There are several alternatives of tax planning on Article 21-Income Tax that can be taken by the company which are net method, gross method and gross up method. In the company, one of the most important costs is paying the salaries of employees who routinely work every month. Tax planning to Article 21-Income Tax must be done in good planning because it can improve the efficiency of the company's deductible cost related to Corporate Income Tax. Implementation of Article 21-Income Tax planning by company is expected to minimize the Income Tax Payable on the employee and maximizes net income with result that the costs incurred by the company will be more efficient with recognizing the cost as deductible expense. Gross up method is the one of method that can be used as tax planning for company. Gross up method is the way to minimize Corporate Income Tax Payable. The additional expenses and disbursements caused by tax planning are tax planning costs,

while the additional incomes caused by tax planning are tax planning revenues. Tax planning decision can be evaluated in order to know how far the implementation of tax planning. Thus, the target of tax planning is to reduce tax payable and increase revenue to achieve the goal of maximizing corporate value. Companies can use the way of evaluation in making tax planning decisions, by analyzing the costs and revenues of tax planning.

This research is done to PT Benua Teknik Semesta Medan as distributor of seal mechanical in Medan. The company has some permanent employees that obtain regular income from the company each month. As the withholding agent, the company is required to conduct withholding of employee's income with Article 21-Income Tax. The company has 10 permanent employees. The company provides the tax allowance to employees. The calculation method of Article 21-Income Tax used by company is Net Method. The company cannot recognize the tax allowance as deductible expense. Based on my preliminary research, it shows that this company is lack of tax knowledge therefore they don't do any tax planning which can help company to maximize profit after tax. Therefore, the company needs the other tax planning that can recognize Article 21 - Income Tax as deductible expense. Gross up method is expected to minimize the entity's income tax with recognizing the Article 21 - Income Tax as deductible expense. Gross up method is one of strategy that might be used in planning corporate tax. With this method, the company can conduct tax saving with considering employee's motivation.

Based on this background study, then the writer is interested to conduct the research with title as follows **“The Implementation of Tax Planning on Article 21 - Income Tax as Corporate Income Tax Saving at PT Benua Teknik Semesta Medan”**

1.2 PROBLEM FORMULATION

Problem formulation in this research is as follows “What is the effect of implementation of tax planning on Article 21 - Income Tax on Corporate Income Tax saving at PT Benua Teknik Semesta Medan?”

1.3 RESEARCH FOCUS

Due of the limitation of writer’s ability, time and data, the research focus is tax planning of Article 21 - Income Tax at PT Benua Teknik Semesta Medan in year 2017.

1.4 RESEARCH OBJECTIVE

The objective of doing this research is to know the effect of the implementation of tax planning of Article 21 - Income Tax towards Corporate Income Tax saving at PT Benua Teknik Semesta Medan.

1.5 BENEFIT OF THE RESEARCH

The benefits from conducting this research are as follows:

1.5.1 THEORETICAL BENEFIT

1. This research is expected in giving contribution to improve theory of tax especially tax planning of Article 21 - Income Tax.
2. This research can be used as reference in conducting the research with topic about tax planning.

1.5.2 PRACTICAL BENEFIT

1. This research is expected in giving input and suggestion for the company in conducting tax planning of Article 21- Income Tax appropriately.

2. This research can increase the knowledge and experience for writer about Article 21 - Income Tax.

1.6 SYSTEMS OF WRITING

Chapter I: Introduction

This chapter is introduction of this research. The writers will present the background of the study, problem formulation, research focus, research objective, benefit of the research and systems of writing. The background of study describes the importance of paying tax, how to manage the payment of tax in order to optimize profit after tax and why this research should be done. Problem formulation contains the research problem which needs to be analyzed in this research. Research objective and benefits of the research contains the result that intended to be achieved through the research. Systems of writing explains the summary of the research

Chapter II: Literature Review

This chapter contains theoretical background, previous research and framework of thinking. This chapter explains background of theory used in this research such as definition of Article 21-Income Tax, definition of tax planning and the method of tax planning on Article 21-Income Tax. This chapter also explains prior research which have similar topic with this research. Framework of thinking describes the brief explanation of the research.

Chapter III: Research Methodology

This chapter contains research design, research object, data collection method and data analysis method. Research design used in this research is descriptive qualitative research design which is used to obtain information concerning the phenomena to describe what exists with respect to variables or conditions

in a situation. The data collection methods used in this research is direct communication, observation and documentation. The data used in this research is the list of permanent employees, their salaries, the article 21 – income tax of permanent employees, the company income statement in year 2017, and other supporting information needed for this research.

Chapter IV: Data Analysis and Discussion

This chapter consists of general view of research object, data analysis and discussion. In this chapter, the writer explains the general view of the company, analyze the data of employees, elements of employee's gross income, calculate Article 21 – Income Tax by using gross up method, compare with the method that are used by company and discuss the effect to the entity income tax. The writer also explains the prior research along with comparison with this research.

Chapter V: Conclusion

This chapter is a conclusion of doing this research. The writer presents conclusion after conducting the research. The writer explains implication of this research and gives recommendations regarding the benefit of the research to the company which will help them to make a better decision.