

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Taxes are involuntary fees imposed on individuals or corporations and enforced by a government entity, whether local, regional or national, in order to finance government activities (Kagan, 2019). A failure to fulfill tax obligations, and evasion of or resistance to taxation, is punishable by law. The collection of taxes aims to raise funds for governing and altering of prices in order to affect demand. States and their functional equivalents throughout history have utilized the funds gathered from the tax collections to carry out numerous functions. These functions include expenditures on economic infrastructure (roads, public transportation, sanitation, legal systems, public safety, education, and health-care systems), military, scientific research, culture, and the arts, public works, distribution, data collection and dissemination, public insurance, and the operation of government itself.

An income tax is a tax imposed on individuals or entities taxpayers that varies with respective income or profits (taxable income). Taxation rates may vary by type or characteristics of the taxpayer. The tax imposed on companies is usually known as corporate tax and is levied at a flat rate. The taxable income of corporate taxpayers is calculated on the basis of normal accounting principles as modified by certain tax adjustments. Generally, a deduction is allowed for all expenditures incurred to obtain, collect and maintain taxable business profits (PwC Indonesia, 2019).

For companies, tax is a major burden that would reduce net income, so it is necessary to do tax planning in order to minimize the tax burden and improve the performance of the company. Tax planning is the analysis of a financial situation or plan from a tax perspective. The purpose of tax planning is to ensure tax efficiency. Through tax planning, all elements of

the financial plan work together in the most tax-efficient manner possible (Kagan, 2019).

Tyas Titi Alkasari (2015) showed that tax planning is an effective strategy to save the income tax liability of the company in her research. Moreover, based on a study conducted by Ayu Ernawati (2015), the implementation of tax planning resulted in a significant difference in the efficiency of corporate income tax before and after the application of tax planning. As a result, the author is interested to conduct this research titled **“Analysis of Tax Planning Implementation in Order to Save Corporate Income Tax (Case Study at PT Samudera Atlantik Jaya)”** for the purpose of determining the effectiveness of tax planning implementation at PT Samudera Atlantik Jaya by analyzing the components that can be used to save the income tax liability of the company.

1.2 Problem Formulation

How is the implementation of tax planning at PT Samudera Atlantik Jaya?

1.3 Research Focus

1. This research will be focused on corporate income tax planning implementation at PT Samudera Atlantik Jaya.
2. This research uses the financial data of PT Samudera Atlantik Jaya limited to Income Statement, Balance Sheet, and Tax Return of 2018.

1.4 Research Objective

The objectives of this research are to analyze the implementation of tax planning in a company and to determine the effectiveness of the tax planning implementation.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

For theoretical purposes, this research provides professors and future researchers guidance when conducting researches that are related to tax planning for corporate income tax; and provides the company, managers, business practitioners and general entities taxpayers an explanation of what is tax planning, the importance of tax planning and the benefit of the tax planning implementation in ensuring tax efficiency.

1.5.2 Practical Benefit

For practical purposes, the results of this study are expected to be used by the company to make a tax management policy or tax planning strategy that will be used in accordance with the applicable regulations. Furthermore, this research benefits the author as a means of practicing and developing the author's abilities in the field of research and served as one of the requirements to obtain a bachelor's degree in accounting study Program at Universitas Pelita Harapan.

1.6 Systems of Writing

Chapter I: Introduction

This chapter consists of: background of the study, which explains the reason of the research; problem formulation, which states the research questions examined later in this research; research focus, which states the focus of the research; research objective, which states the purpose of the research; and benefit of the research (theoretical and practical), which explains the possible application of research results and benefits of this research.

Chapter II: Literature Review

This chapter consists of a theoretical background, which is a compilation of related theories used as a reference in this research; previous research, which is the statement of prior researches in the relevant topic; the framework of thinking,

which is the mindset of researchers linked to the research process.

Chapter III: Research Methodology

This chapter consists of research design, stating whether the research is using qualitative and quantitative method; research object, which explains about the research object; data collection method, which explains the method of collecting research data, namely interview, literature and observation; and data analysis method, which explains the process of transforming raw data to a ready-to-use data.

Chapter IV: Data Analysis and Discussion

This chapter consists of general views of “Research Object”, which is a brief explanation of the research object, or in another words, a general view of the research object; data analysis and discussion, which displays the result of data analysis conducted in this research and provide detailed explanation of the data analysis results.

Chapter V: Conclusion

This chapter consists of a conclusion, which consists of a brief explanation of what was explained in the discussion section; implication, which consists of the outcome of this research, whether theoretical or practical; and recommendation, which consists of advice for external readers as an effect of this research.