

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

Taxes are one of the sources of state income used to finance the community's social and economic development. In Indonesian taxation, it is often stated that taxes come by citizens, from citizens, for citizens, which means the income from the country comes from the people through the tax collection which is required by every citizen for the purpose of the state such as, developing social services and other things that will be used for social welfare. Therefore, tax can be defined as an obligation for citizens or the public to finance the state's needs in the form of national development whose implementation is regulated in law, which aims to prosper the citizens and the country.

Indonesia taxation uses three systems: the official assessment system, self-assessment system, and withholding tax system. Currently, the payment of income tax is made using the self-assessment system, which means that all processes such as recording, reporting, calculating, and paying the income tax will be given full responsibility to the taxpayer. The taxpayer is the citizens who have to fulfill the tax obligation. The taxpayer consists of the individual taxpayer and corporate taxpayer.

Every taxpayer who pays taxes is required to do the records of transaction/bookkeeping derived from the financial statements, including balance sheet, income statement, statement of changes in equity, statement of cash flow, and other financing statements. The bookkeeping that usually does by the taxpayer called as a commercial, financial statement that; the preparation of the financial information will be guided by the *Pernyataan Standar Akuntansi Keuangan* (PSAK). The amount of income tax is usually calculated from the financial statement, but based on Indonesia's taxation law, the calculation of the income tax must follow the tax regulation.

The tax regulation stated on the Income Tax Law no36 year 2008, stated about the calculation of the financial statement which must do the fiscal reconciliation; fiscal reconciliation is the process of adjusting commercial, financial statement to the fiscal financial report, which is guided by the Indonesia taxation law. In the taxation law, the taxpayer must do the fiscal financial information based on the taxation law provisions. The taxation provision has certain criteria for the calculating or measuring the journal contained in the financial statement, such as the calculation of depreciation between the commercial and fiscal financial statement. The commercial financial statement usually calculate the depreciation based on useful life of assets and based on PSAK No 16 year 2011 to calculate the depreciation can used one of 3 method, which is Straight-Line Method, Double-Declining Method, and Unit of Production Method. Meanwhile, in taxation law the depreciation useful life and

tariff already stated in Article 11 No 36 Year 2008, the tariff of depreciation used the straight-line method and double-declining method.

The fiscal financial statements contained corrections to temporary differences and permanent differences, each of which can be both positive and negative. Positive temporary differences occur when the recognition of expenses for accounting is slower than the recognition of expense for taxes, whereas a negative temporary differences occur when the recognition of expense for the tax is slower than the recognition of accounting expense. While positive permanent differences occur when there is accounting profits is not recognized by the tax regulations, whereas negative permanent differences occurs when there is burden of accounting profit that is not recognized by the tax regulations. The differences between commercial financial statements and tax financial statements has led to differences in the large calculation of the taxable income of a company that is determined by fiscal income statement

To determine the amount of taxes that the taxpayer recognized, the financial minister of Republic Indonesia decided to carry out the calculation of income tax using the fiscal financial statement that already stated in the regulation of the finance minister "225/PMK.05/2019". This can be used as a reference to do the fiscal correction from the commercial financial statement to calculate the taxpayer's income tax payable.

PT ACE Hardware Indoensia is one of the largest modern network of home and lifestyle retail businesses in Indonesia. This company has presented financial reports and is registered as a taxpayer (PKP). PT ACE Hardware

Indonesia calculating, reporting, and paying the tax payable on the income it earns based on the Self-Assessment System adopted by the system in Indonesia. Taxes are calculated, reported and paid by PT ACE Hardware Indonesia has made fiscal correction which is determined in accordance with tax regulations, which may lead to changes in income tax increases (positive corrections) or taxable income is decrease (negative correction) which may affect the amount of corporate income tax paid by PT ACE Hardware Indonesia.

Based on the background, the author will write with the title: **"The Analysis of Fiscal Reconciliation of Commercial Financial Statements to Calculate the Income Tax Payable, Study Case: PT ACE Hardware Indonesia"**

## **1.2 Problem Formulation**

Based on the background above, here are the problems that will be discuss in this study:

1. Is the income or expense corrected in the commercial financial statements of PT ACE Hardware Indonesia in accordance with the tax regulations?
2. How much is the amount of taxable income of PT ACE Hardware Indonesia that should be paid?
3. How much the differences amount of income tax between commercial financial statement and fiscal financial statement?

### **1.3 Research Focus**

The focus of the research is about the financial statement of PT ACE Hardware Indonesia, that consist of balance sheet, income statement, statement of changes in equity, and statement of cash flow. Which is to calculate the fiscal statement from the commercial financial statement.

### **1.4 Objective of the Research**

The objectives of the research are:

1. To find out all corrected income or expenses under the tax regulations
2. To determine the amount of PT ACE Hardware Indonesia income tax and causes that increase or decrease in taxes.
3. To find out the different amount of income tax that using commercial financial statement and fiscal financial statement.

### **1.5 Benefit of the Research**

The result of this study are expected to provide benefits for the following parties:

#### **1.5.1 Theoretical Benefit**

This research is expected to be useful in providing consideration or input regarding the preparation of fiscal corrections in accordance with tax regulations in calculating the amount of income tax payable.

### **1.5.2 Practical Benefit**

#### **1. For Academic**

This research can be used as a information to improve insight and knowledge about the fiscal correction in the commercial financial statement. In addition, it also contribute as a reference material for similar research.

#### **2. For Tax Authorities**

This research can provide an overview of taxpayer compliance and suggestion in order to increase tax revenue.

