

CHAPTER I

INTRODUCTION

1.1 Background of the study

Every country in the world requires its citizens that have income earnings to pay taxes as a form of contribution to the state that will be used for government and public interests. Taxes are needed as a solution to the limited development funds of a government whose primary goal is the welfare of the community (Setiawan, 2021).

Moreover, tax is one of the sectors belonging to the majority in the composition of the State Budget (Desideria, 2019). The largest state revenue comes from tax revenues paid by Taxpayers (Afni, 2020). According to *Anggaran Pendapatan dan Belanja Negara* of 2019, state tax revenue for the year amounted to 1,786.4 trillion, or 82.5 percent of total revenue. The following table shows taxes become the biggest contribution to the source of government revenue:

Table 1. 1 Realization of State Revenue from Taxes 2017-2019 (in billion Rupiah)

Source of Revenue	2017	2018	2019
Domestic tax	1,304,316.3	1,472,908	1,505,088.2
Income tax	646,793.5	749,977	772,265.7
VAT and Sales Tax on Luxury Goods	480,724.6	537,267.9	531,577.3
Property tax	19,443.2	16,770.3	21,145.9
Excise	153,288.1	159,588.6	172,421.9
Other taxes	6,738.5	6,629.5	7,677.3
International Trade tax	39,066.2	45,881.8	41,053.7
Import Duty	35,066.2	39,116.7	37,527
Export tax	4,147.4	6,765.1	3,526.7
Total Tax Revenue	1,343,529.8	1,518,789.8	1,546,141.9

Source: Badan Pusat Statistik (2017-2019)

From the data above, it can be perceived that tax plays a significant role in government revenue, especially income tax, compared to the other taxes, as it contributes the largest share of total government revenue in Indonesia. As a result, the government develops regulations and provisions to ensure that income tax is executed properly.

Currently, the systems of tax collection consist of the Official Assessment system, the Self-Assessment system, and the Withholding system (Resmi, 2019, p. 10). Self-Assessment is a tax collection system in Indonesia that gives taxpayers the authority, trust, and responsibility to calculate, pay, and report the amount of tax that must be paid themselves. Taxpayers are divided into individual and entity taxpayers (Resmi, 2019, p. 10).

As a result, a self-assessment system can cause the possibility of overpayment or underpayment as well as the false report of taxes. Therefore, a tax review is required in order to check whether the tax obligations are already in compliance with the Tax Provisions and to avoid tax penalties because it checks the implementation of tax obligations so that if an error occurs, the Taxpayer can immediately correct it (Sumarsan, 2018, pp. 3–6). According to Oktaviani and Apriliawati (2021), a tax review is an effort to examine all existing tax transactions within a company in order to determine the amount of tax payable and predict potential taxes that may arise based on applicable tax provisions.

On the other hand, in terms of business activities, most entrepreneurs consider tax payments as a burden that can reduce the amount of their net profit.

Taxpayers will find ways to minimize their tax burden as much as possible in order to optimize their profit (Apriliawati & Setiawan, 2017). The legal way of minimizing the tax burden needs to be in accordance with the law. Thus, it is necessary for every Taxpayer to understand the tax provisions to calculate income tax correctly in accordance with Indonesian taxation law (Muzakki, 2021).

The results of the tax review will bring up recommendations or even warnings against potential taxes that may arise in the future. Tax review is not only protecting the company from being sanctioned but also assists them in calculating their future tax potential and estimating tax preparation tactics (Rukmanah et al., 2017).

By conducting a tax review, the company can determine what steps will be taken by considering the extent to which this potential tax will be borne. Therefore, tax review can be used to implement tax planning for the company, in which tax planning is the procedure for a taxpayer or a group of taxpayers to organize their business to decrease tax payable, either income tax or other taxes, as long as it is allowed by tax legislation and commercial (Andayani et al., 2020).

PT. Suryawindu Pertiwi was founded in 1993, and as of 2009, PT. Suryawindu Pertiwi's main activity is shrimp farming. From 2009 up to the present, the main activity of PT. Suryawindu Pertiwi is a shrimp fries hatchery. The company calculated the amount of income tax payable that needed to be submitted and reported to the government at the end of the fiscal year.

Currently, the internal accounting department of the company is the one who calculates the entity's income tax, whose are not expert in the taxation background, and miscalculations and errors are most likely to happen because of the lack of knowledge about taxation. The company also suffered a loss in the year 2019, which is needed to be reviewed. Other than that, there is inconsistent data recording by the company's accountants, which can create inadequate review processes and can result in errors slipping through. From that problem, the writer would like to do a tax review at PT. Suryawindu Pertiwi to analyze and anticipate the problems before there is an examination from the tax inspector. Thus, the writer is interested in conducting research about **“Analysis of Tax Review on Entity Income Tax at PT. Suryawindu Pertiwi.”**

1.2 Problem Limitations

This research will be focused on the data listed below:

1. Analysis of Tax Review focuses on PT Suryawindu Pertiwi, and
2. Commercial Income Statement of the year 2019, fiscal corrections of Income Statement of the year 2019, as well as Annual Income Tax Return of the year 2019.

1.3 Problem Formulation

In accordance with the background of the study explained previously, the formulation of the problem in this research is “How is the implementation of Entity income tax obligations through the tax review at PT. Suryawindu Pertiwi?”

1.4 Objective of The Research

In accordance with the problem limitation, the research objective is to know and understand the implementation of Entity income tax obligations through the tax review at PT. Suryawindu Pertiwi whether the company complies with the Indonesian Tax Regulations.

1.5 Benefits of The Research

This research consists of theoretical benefits and practical benefits, which are expected to help provide insight and understanding regarding taxation of the company in terms of theoretical and practical knowledge.

1.5.1 Theoretical Benefits

In terms of theoretical benefits, this research will be beneficial for the researchers, readers, and academics in gaining more knowledge and insight regarding the procedures of tax review to minimize the potential tax burden of the additional tax sanction towards the company in the future. This research can be served as the source of material and reference for other further research. Furthermore, this research could help to improve knowledge of taxation procedures and regulations used during the tax review.

1.5.2 Practical Benefits

The following are some of the practical benefits that this research is expected to provide:

1. This research can promote the writer's knowledge and experience about tax review according to the provision of tax law in minimizing the possible risks of tax sanctions towards the company in the future.
2. This research can help the company to have a better understanding of taxation procedures applied in Indonesia to assess tax compliance and attain tax efficiency. Therefore, through this research, the writer evaluates its income statement and presents the recommendation for the company to perform a tax review.

