

CHAPTER I

INTRODUCTION

1.1. Background of Study

Increasing the economy is very influential in improving welfare in various sectors to realize the independence of a nation or state in financing development, namely by exploring sources of funds from within the country. It is undeniable, the Covid-19 pandemic is a world health crisis that also has an impact on recessions in various countries. Expansive fiscal policy is an option taken by various countries. Big spending and relaxation of tax amnesty are introduced by government into the economy. The goal is to save the economy. Tax revenue will generally be hit by major blows, the economic slowdown will reduce the tax base, while tax expenses will be heavily spent. Only later will the government gradually implement fiscal consolidation over time.

The global economy currently lacks certainty and a clear direction of the economy, this also applies in Indonesia. This is due to the current pandemic status, not only in Indonesia but also in several countries, such as in Hong Kong, Japan, Korea, the European Union, the United States, and even Singapore, which experienced a decline in economic growth from the previous years. From health problems have now changed and affected various areas of life and even almost paralyzed the economy. The sluggish economic growth and even this recession has occurred since 2020 which really has an effect in various areas of life.

In Indonesia, this direct impact on the economy initially occurred due to the government's policy of Large-Scale Social Restrictions in various urban areas

in Indonesia which took place in early April 2020. According to Bank Indonesia data in 2020, the economic sector that was most affected was the private sector, tourism and its derivatives, the transportation, automotive, and manufacturing sectors also felt the direct impact of this government policy which in the end resulted in a sluggish economic sector in Indonesia which caused a lot of unemployment in Indonesia. Consumption itself is a habit of spending on goods and services carried out by the community with the aim of meeting the needs of that person. The consumptive power of this expenditure includes food, clothing, and other goods that are needed and are included in the category of consumed goods (Akhmad, 2022).

In Indonesia, construction business plays an important role. The Central Statistics Agency (*Badan Pusat Statistik*) reported that the total value of Indonesia's Gross Domestic Product (GDP) at current prices (ADHB) in 2021 reached Rp16.97 quadrillion. The business sector which will be the largest contributor to the national GDP in 2021 is the manufacturing industry with a total value of Rp3.27 quadrillion (19.25%). Another business field that became the largest contributor was the agricultural sector with a total value of IDR 2.25 quadrillion (13.28%), followed by wholesale and retail trade worth IDR 2.2 quadrillion (12.97%), and construction worth IDR 1.77 quadrillion (10.44%). Throughout 2021 the mining and quarrying sector managed to contribute Rp1.52 quadrillion (8.98%), the information and communication sector Rp748.75 trillion (4.41%), financial services and insurance Rp736.19 trillion (4.34%), then transportation and warehousing Rp719.63 trillion (4.24%). After that, the sectors

that contributed the smallest to the national GDP were water supply and waste management worth Rp2.02 trillion (0.07%), electricity and gas Rp190.05 trillion (1.12%), and health services and social activities Rp226, 97 trillion (1.34%) (Kusnandar, 2022).

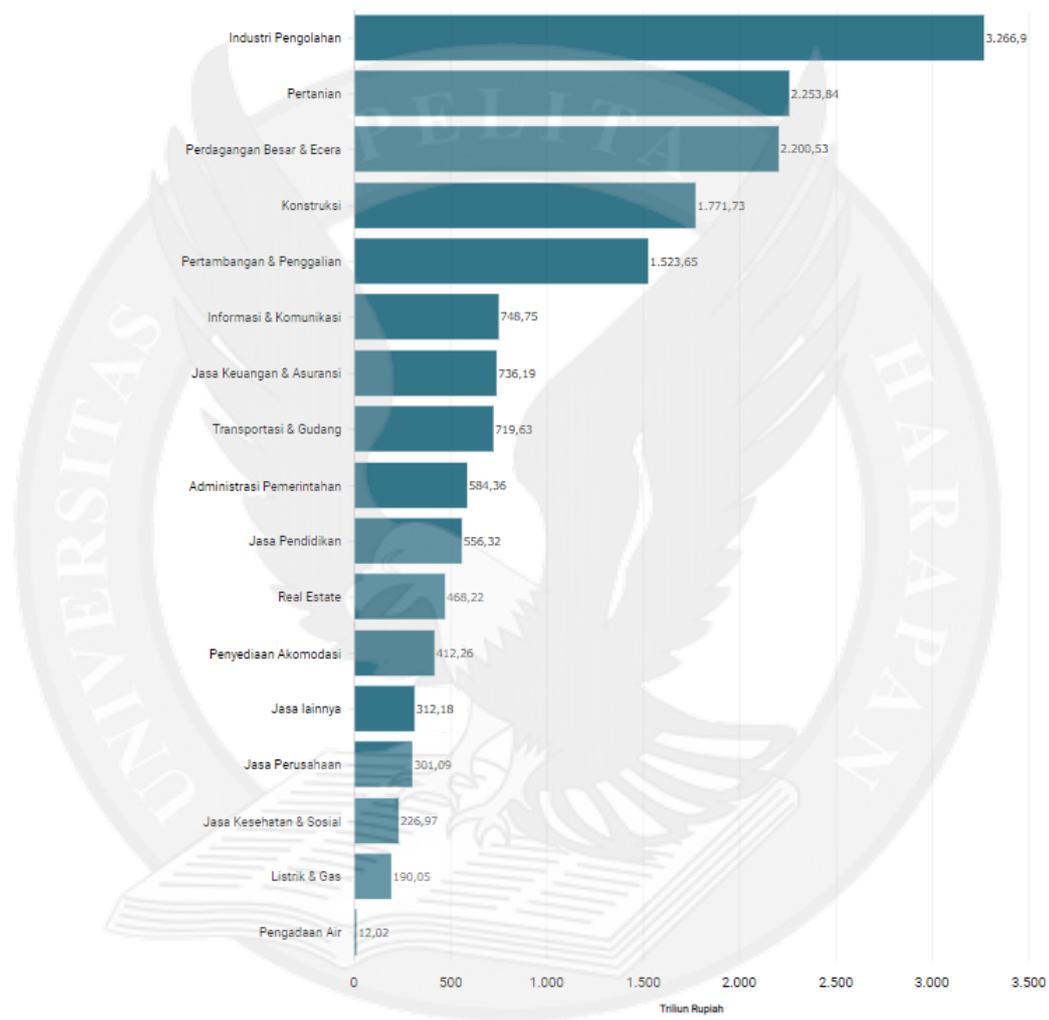


Figure 1.1. Indonesia's National GDP by Business Field at Current Prices (2021)

Source: Kusnandar (2022)

The role of accounting which includes financial statements as an information system is also used as a reference in filling out the Annual Tax Return (*Surat Pemberitahuan*) of taxpayers' income. The Annual Tax Return explain about the amount must be paid by companies to the government, because taxes are

people's contributions to the state based on the provisions of tax laws and regulations that are levied by both the central government and local governments, which are used for the interest of the government and the implementation of national development.

In Article 1 of Law No. 28 of 2007 concerning general provisions and taxation procedures and Law No. 36 of 2008 concerning Income Tax and has been amended in the Tax Harmonization Law No. 7 of 2021 states that, Tax is a contribution to the state owed by individuals or entities that are coercive in nature based on the law without receiving direct compensation and are used for the purposes of the state for the greatest prosperity of the people, and those who are subject to tax are Individuals, Entities, and Permanent Establishments.

Based on Law No.36 of 2008 about Income Tax, there are 3 types of income, which are income subject to non-final income tax, income subject to final income tax and not taxable income. Income subject to non-final income tax will be taxable when taxpayer do annual income tax calculation, by considering its tax credit. In the annual corporate income tax return, the final income tax is not combined with other income which is subject to the general rate of income. Income on non-final income tax is combined with other income which is subject to general rates. In Final Income Tax, costs related to collecting, generating, and maintaining income subject to this income are non-deductible. Meanwhile, for non-final income tax, these costs can be deducted. Proof of withholding income tax for final income tax cannot be calculated as a tax credit for the party withheld or collected. On the other hand, non-final income tax deductions can be counted

as a tax credit. The final income tax rate is determined based on a Government Regulation (*Peraturan Pemerintah*) or a Decree of the Minister of Finance (*Keputusan Menteri Keuangan*). Meanwhile, non-final income tax rates are general rates as regulated in Article 17 of the Income Tax Law no.36 of 2008.

The development of our nation is the result of tax payments by taxpayers consisting of individuals or entities. Construction services are consulting services for construction planning services, construction work implementation services, and consulting services. Meanwhile, construction work is part of a series of planning or implementation activities as well as supervision which includes architectural, civil, mechanical, electronic, and environmental management works and their respective accessories, to realize a building or other physical works.

Corona Virus Disease 2019 (COVID-19) which has been declared as pandemic by the World Health Organization, has had an impact on the construction sector. Therefore, there is a need for Government intervention through adjustment of provisions as regulated in Government Regulation Number 51 of 2008 concerning Income Tax on Income from Construction Services Business as amended by Government Regulation Number 40 of 2009 concerning Amendment to Government Regulation Number 51 of 2008 concerning Taxes on Income from Construction Services Business, in the form of adjustments to the final Income Tax rate on Construction Services. With the adjustment of the final Income Tax rate on Construction Services, the Government expects that this policy will help the construction sector in dealing with the impact of the COVID-19 pandemic so that the continuity of business processes from upstream to

downstream is maintained. Policy for the application of the final Income Tax rate on Construction Services aims to make it easier and simpler for construction sector business actors to carry out their tax obligations.

The Government Regulation No.9 of 2022 which is effective 21st February 2022 regulates 7 categories of construction services business subject to Final Income Tax, which are:

Table 1.1
Construction Service Business (Government Regulation No.9/2022)

No.	Tariff	Description
1	1.75%	<i>Pekerjaan konstruksi yang dilakukan oleh penyedia Jasa yang memiliki sertifikat badan usaha kualifikasi kecil atau sertifikat kompetensi kerja untuk usaha orang perseorangan</i> (Construction work carried out by service providers who have small qualification business entity certificates or work competency certificates for individual businesses)
2	4%	<i>Pekerjaan konstruksi yang dilakukan oleh Penyedia Jasa yang tidak memiliki sertifikat badan usaha atau sertifikat kompetensi kerja untuk usaha orang perseorangan</i> (Construction work carried out by Service Providers who do not have a business entity certificate or work competency certificate for an individual business)
3	2.65%	<i>Pekerjaan konstruksi yang dilakukan oleh penyedia Jasa selain Penyedia Jasa sebagaimana dimaksud dalam huruf a dan huruf b</i> (Construction work carried out by service providers other than service providers as referred to in letters a and b)
4	2.65%	<i>Pekerjaan konstruksi terintegrasi yang dilakukan oleh Penyedia Jasa yang memiliki sertifikat badan usaha</i> (Integrated construction work carried out by Service Providers who have business entity certificates)
5	4%	<i>Pekerjaan konstruksi terintegrasi yang dilakukan oleh Penyedia Jasa yang tidak memiliki sertifikat badan usaha</i> (Integrated construction work carried out by Service Providers who do not have a business entity certificate)
6	3.5%	<i>Jasa konsultansi konstruksi yang dilakukan oleh penyedia Jasa yang memiliki sertifikat badan usaha atau sertifikat kompetensi kerja untuk usaha orang perseorangan</i> (Construction consulting services performed by service providers have a business entity certificate or work competency certificate for an individual business)
7	6%	<i>Jasa konsultansi konstruksi yang dilakukan oleh penyedia Jasa yang tidak memiliki sertifikat badan usaha atau sertifikat kompetensi kerja untuk usaha orang perseorangan</i> (Construction consulting services performed by service providers do not have a business entity certificate or work competency certificate for an individual business)

Source: Government Regulation No.9/2022

In accounting term, accounting for construction service companies is the process of recording or accounting used in service companies engaged in construction which refers to SFAS No. 34 concerning Construction Contracts. For taxpayers who are engaged in construction services in working on construction projects with a term of more than one year, the income calculation can use methods commonly used in accounting practices such as the percentage of completion method. The percentage of completion method recognizes annual income on an accounting basis based on a proportionate calculation in accordance with the stage of completion of the work. In applying this method, the costs that can be taken into account are costs that are directly and solely related to the implementation of the project, such as the cost of using materials, direct labor costs, and other costs with the same characteristics.

Research by Sarjono (2017) explained that the taxation aspect for the construction services business sector has specific characteristics because of its different nature from other business fields. Viewed from the side of the operating cycle which has a time of more than one year so that the income and expenses are calculated specifically. The company's operating income which consists of revenue from construction services and income from outside construction services, namely from the procurement of goods (trading) in the income statement must be presented separately for income subject to Final and non-final Income Tax.

In trading activities, the company will be charged the tariff of Income Tax Article 17, which is 22% from the taxable income. However, there is some regulations about the tariff as follow:

Table 1.2
Tax for Trading

No.	Tariff	Description
1	0.5%	<p><i>Peraturan Pemerintah Nomor 23 Tahun 2018:</i></p> <p><i>a. Wajib Pajak orang pribadi; dan</i></p> <p><i>b. Wajib Pajak badan berbentuk koperasi, persekutuan komanditer, firma, atau perseroan terbatas</i></p> <p><i>yang menerima atau memperoleh penghasilan dengan peredaran bruto tidak melebihi Rp4.800.000.000,00 (empat miliar delapan ratus juta rupiah) dalam 1 (satu) Tahun Pajak.</i></p> <p>Government regulation no.23 / 2018:</p> <p>a. Individual taxpayers; and</p> <p>b. Corporate taxpayers are in the form of cooperatives, limited partnerships, firms, or limited liability companies receiving or earning income with a gross turnover not exceeding Rp.4,800,000,000.00 (four billion eight hundred million rupiah) in 1 (one) Fiscal Year.</p>
2	50% from Article 17 Tax Law Tariff	<p>Article 31 E Tax Law No.36/2008:</p> <p><i>Wajib Pajak badan dalam negeri dengan peredaran bruto sampai dengan Rp 50.000.000.000,00 (lima puluh miliar rupiah) mendapat fasilitas berupa pengurangan tarif sebesar 50% (lima puluh persen) dari tarif sebagaimana dimaksud dalam Pasal 17 ayat (1) huruf b dan ayat (2a) yang dikenakan atas Penghasilan Kena Pajak dari bagian peredaran bruto sampai dengan Rp 4.800.000.000,00 (empat miliar delapan ratus juta rupiah).</i></p> <p>Domestic corporate taxpayers with a gross turnover of up to Rp 50,000,000,000.00 (fifty billion rupiahs) shall receive facilities in the form of a reduction in tariffs of 50% (fifty percent) of the rates as referred to in Article 17 paragraph (1) letter b and paragraph (2a) imposed on Taxable Income from the gross turnover of up to Rp. 4,800,000,000.00 (four billion eight hundred million rupiah).</p>
3	22%	Article 17 Tax Law No.36/2008

Source: Government Regulation No.23/2018 and Tax Law No.36/2008

PT Andakara Mas Perkasa is a company engaged in construction and trading. It is located at K.L.Yos Sudarso street, Mulia Residence Block C, No.34 Medan, North Sumatra. The company is difficult to make clear separation on its operating costs related to construction and trading transactions. The company can only clearly separate the cost of goods sold, but it is difficult for operational costs. This problem has an impact on the corporate income tax on the trading field,

because it is not subjected to final tax and each cost are counted as deductible expense which determined the tax payable. When it comes to the tax audit by the tax office, it is often questioned about the separation of the operational costs, make it difficult to explain. The company used percentage based on the sales to divide the operational costs, but sometimes the tax officer will make correction on the cost because it is suspected to be construction cost, not trading cost.

In the VAT term, the sales reported in the annual tax return is different from the accumulation of the VAT period in the current year. This problem often raises questions from the tax office, because the difference in business circulation between VAT and the Annual Corporate Income Tax Return raises suspicions of unreported transactions or transactions that are reported but not actually reported.

Based on description above, the writer want to conduct the research with title **“The Analysis of Recording, Calculation and Reporting of Tax on Construction and Trading as Core Business of PT Andakara Mas Perkasa”**.

1.2. Problem Limitation

Because of limitation of time, funds and expertise of the author, the studies make the problem limitation:

1. The research object will be limited to the Financial Statement of PT Andakara Mas Perkasa in 2021.
2. The writer will analyse the recording, calculation and reporting of tax on construction and trading transactions in the company.

3. The writer will analyse how to record between recording, calculation and reporting of tax on construction and trading transaction in the company.

1.3. Problem Formulation

The problems formulation in this research are as follow:

1. How is the recording, calculation and reporting of tax on construction transaction at PT Andakara Mas Perkasa?
2. How is the recording, calculation and reporting of tax on trading transaction at PT Andakara Mas Perkasa?
3. How to record between recording, calculation and reporting of tax on construction and trading transactions at PT Andakara Mas Perkasa?

1.4. Objective of Research

Objectives of research are as follow:

1. To know the recording, calculation and reporting of tax on construction transaction at PT Andakara Mas Perkasa.
2. To know the recording, calculation and reporting of tax on trading transaction at PT Andakara Mas Perkasa.

1.5. Benefit of the Research

1.5.1. Theoretical Benefit

This research has benefit to get an explanation about the recording, calculation and reporting of tax on construction and trading transactions, as well as an overview about the regulation and the practice.

1.5.2. Practical Benefit

This research can be used as recommendation for the company about the recording, calculation and reporting of tax on construction and trading transaction.

