

CHAPTER I

INTRODUCTION

1.1 Background of The Study

Indonesia is one of the countries that is actively doing national development and the role of government is required to drive the strategic governance program in order to achieve successful national development. In fact, to support the process of the national development, the government needs a lot amount of funds which can be obtained from tax revenue such as income tax. According to UU No.36 Year 2008, income tax means any additional economic capability received or obtained by a taxpayer, whether originated from Indonesia or from outside Indonesia (overseas), which is used for consumptions or to increase the property of the taxpayer in any shape. Income tax is also an official tax levy by the government aimed at the income generated from the citizens to finance the government expenditures.

The taxation systems in Indonesia are self-assessment system and withholding system. Self-assessment system is the tax system that allows taxpayer to calculate, pay, report, and accountable to their own tax payable such as income tax of article 25 and entity income tax while withholding tax is a tax system that allow third party to determine the amount of tax owed by the taxpayer such as income tax of article 21 and income tax of article 23. However, the assessment system did not guarantee that the taxpayer has fulfill their tax obligation because paying taxes is a burden that cause them to have less net income and most people want their business to generate more income as possible. In order to help the taxpayer to fulfill their tax compliance, the implementation of tax review can help to evaluate whether the taxpayer has fulfilled the tax obligation and comply with the tax regulation.

According to Suandy in (Devita & Wijaya, 2016), tax review is a review activity towards all existing tax to fulfill tax obligation such as calculation, withholding, payment and reporting to evaluate tax compliance. According to Sumarsan in (Devita & Wijaya, 2016), tax review can be done by the company or third party, which is tax consultant who can give advice and input about tax to the company.

Previous research about tax review on income tax compliance has been done by Rismawaty and Wijaya (2017) at PT Indo, the result shows that the company has made an error in the calculation of entity income tax payable due to incorrect fiscal correction in income tax of article 21 expense, income tax of article 23 expense, uniform expense and depreciation expense. The other research has been done by Watung (2013) at PT Cipta Daya Nusantara, the research shows that the calculation of the income tax rate, personal exemption, and occupational expenses on income tax of article 21 has comply with income tax regulation UU No.36 Year 2008 and Minister of Finance Regulation No.250/PMK.03/2008 about occupational expense. Moreover, the payment and reporting of income tax of article 21 has been done in accordance with the income tax regulation.

This research is conducted at PT Surya Sumatera Indah Sejahtera, a freight forwarding company located in Medan. PT Surya Sumatera Indah Sejahtera is obliged to calculate, pay and report income tax of article 21, income tax of article 23, income tax of article 25 and entity income tax. According to Budi (2015, p.385), the payment mechanism of entity income tax is either withheld by third party or self-paid by the taxpayer. In order to fulfill the income tax obligation, PT Surya Sumatera Indah Sejahtera paid the income tax using the self-assessment system through income tax of article 25 and entity income tax and withholding system through income tax of article 21 and income tax of article 23. The company has done the tax obligation by calculating, paying and reporting the income tax to the tax office. However, to ensure that the company has calculated, paid and reported the income tax accordingly with the income tax regulation, the

writer decide to implement tax review to evaluate the company's income tax compliance at PT Surya Sumatera Indah Sejahtera.

Based on the background above, then the writer does this study on the problem by taking the title "**Tax Review on Income Tax Compliance at PT Surya Sumatera Indah Sejahtera**".

1.2 Problem Formulation

Based on the background of the study which has been described above, then the problem formulation is "How does the company implement income tax calculation, payment, and reporting in order to fulfill tax compliance at PT Surya Sumatera Indah Sejahtera?"

1.3 Research Focus

Based on the background of the study described above and due to the limitation of time, ability and knowledge of the writer, therefore this study is conducted to focus on income tax calculation, payment and reporting at PT Surya Sumatera Indah Sejahtera for January 2017 to December 2017.

1.4 Research Objective

PT Surya Sumatera Indah Sejahtera is obliged to calculate, pay and report income tax. The objective of this research is to evaluate tax compliance on income tax of article 21, income tax of article 23, income tax of article 25 and entity income tax calculation, payment and reporting. The writer will review mainly based on income tax regulation UU No.36 Year 2008. In the end, the writer will give conclusion and recommendation to the company based on the implication arise during the research.

1.5 Benefit of the research

The benefit expectations of conducting this research are divided into two categories as follows

1.5.1 Theoretical benefit

1. This research will be useful for researchers and academics to understand tax review on income tax compliance for freight forwarding service company.
2. This research is also expected to contribute additional reference for other students regarding tax review on income tax compliance for freight forwarding service company.

1.5.2 Practical benefit

1. For the company, this study is expected to be used as an input in decision making and to improve the supervision of the manager in calculating, paying and reporting the income tax for freight forwarding services company.
2. For future researcher, this study is expected to be used as a guidelines to do a tax review in calculating, paying and reporting the income tax for freight forwarding services company.

1.6 Systems of Writing

This research consists of five chapters and each element of this chapter is then expanded upon and developed more fully in subsequent chapters:

Chapter 1: Introduction

This chapter describes an overview about this study. The content addressed in this research begin with the background to the study, problem statements, scope of research, the research objective, a brief explanation of the benefits and the outline of the writing are also discussed in the latter part of this chapter.

Chapter 2: Literature Review

This chapter offers a comprehensive exploration of the literature review divided into three main sections. The

first sections undertake the concepts and theories about in order to provide content for the topic being researched. The second section focuses on the lists of previous research that utilizes various findings to offer more confidence explanation in this study. Lastly, the framework of thinking section is to draw out the writer's organized ideas about the research to facilitate the data analysis.

Chapter 3: Research Design

This chapter presents the research design and methodology involved in the study. The methods used in this research are prior to and during the data collection process.

Chapter 4: Data Analysis and Discussion

This chapter examines the analysis and discussions of the process conducted to obtain the data and how to analyze the data in order to achieve the research objective.

Chapter 5: Conclusion

This chapter is the last part of the research and it provides conclusion, outcomes and recommendation containing key findings based on the research formulation.