

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Every country including Indonesia are competing for economic development in order to achieve wealth and economic growth is one aspect of national development that the Indonesian government has planned to achieve the country's independence aspirations. As one of the countries that is involved development and improvement in various fields, Indonesia needs funding sources for its implementation. Taxes are an important source of state revenue. Taxes are utilized as a source of funding for the government to carry out national growth and act as a tool to for implementing government policies. Taxation generated the majority of the country's income in Indonesia. Taxes makes a significant contribution to state revenue. Taxes are very important for the development of a country, therefore as a good citizen, it is the duty of every citizen to pay taxes on time and correctly.

Uraian (triliun Rupiah)	2016	2017	2018	2019
	LKPP	LKPP	Outlook	APBN
<b>A. PENDAPATAN NEGARA</b>	<b>1.555,9</b>	<b>1.666,4</b>	<b>1.903,0</b>	<b>2.165,1</b>
I. PENDAPATAN DALAM NEGERI	1.246,9	1.654,7	1.897,6	2.164,7
1. PENERIMAAN PERPAJAKAN	1.285,0	1.343,5	1.548,5	1.786,4
Tax Ratio (%)	0,01	0,01	11,57	12,22
a.1. PPh. Hilang	666,2	646,8	761,2	894,4
2. PENERIMAAN NEGARA BUKAN PAJAK	262,0	311,2	349,2	378,3
II. PENERIMAAN HIBAH	9,0	11,6	5,4	0,4
<b>B. BELANJA NEGARA</b>	<b>1.864,3</b>	<b>2.007,4</b>	<b>2.217,3</b>	<b>2.461,1</b>
I. BELANJA PEMERINTAH PUSAT	1.154,0	1.265,4	1.453,6	1.634,3
1. Belanja K/L	684,2	765,1	813,5	855,4
2. Belanja Non K/L	469,8	500,2	640,2	778,9
II. TRANSFER KE DAERAH DAN DANA DESA	710,3	742,0	763,6	826,8
1. Transfer ke Daerah	663,6	682,2	703,6	756,8
2. Dana Desa	46,7	59,8	60,0	70,0
C. KESEIMBANGAN PRIMER	(125,6)	(124,4)	(64,8)	(20,1)
<b>D. SURPLUS/ (DEFISIT) ANGGARAN (A - B)</b>	<b>(308,3)</b>	<b>(341,0)</b>	<b>(314,2)</b>	<b>(296,0)</b>
% Surplus/ (Defisit) Anggaran terhadap PDB	(2,49)	(2,51)	(2,12)*	(1,84)
<b>E. PEMBIAYAAN ANGGARAN</b>	<b>334,3</b>	<b>355,6</b>	<b>312,2</b>	<b>325,0</b>
I. PEMBIAYAAN UTANG	403,0	429,1	387,4	359,3
II. PEMBIAYAAN INVESTASI	(89,1)	(59,8)	(65,7)	(75,9)
III. PEMBERIAN PINJAMAN	1,7	(2,1)	(6,5)	(2,4)
IV. KEWAJIBAN PENJAMINAN	(0,7)	(1,0)	(1,1)	0,0
V. PEMBIAYAAN LAINNYA	19,6	0,4	0,2	15,0

**Figure 1.1 Tax Revenue on the State Budget (2016-2019)**  
Source: *Laporan Keuangan Kementerian Keuangan (2019)*

Figure 1.1 shows the gradually increase from the year 2016 to 2019 in the state revenue (in percentage). In 2019, the data shows that revenue received from the tax sector contributes 1.786,4 T (82,5%). Whereas, the non-tax revenue contributes only 378.3 T (17.5%). Therefore, taxes are believed to be very essential domestic revenues, considering that taxes are the most dominating state revenue and as spearhead for successful development. Therefore, the government demands the Directorate General of Taxes (DGT) to consistently target an increase in state revenues from the tax sector every year.

Tax money will later be used for government expenditures which are arranged in the State Budget. The tax money arranged in the state budget is intended as much as possible to ensure the people well-being, as was the objectives of the initial establishment of the state, particularly the wellness of the people, as well as creation wellbeing based on social fairness. Taxation in Indonesia is a duty that must be paid by every citizen who meet the subjective and objective requirements to pay taxes. Furthermore, taxes have the most important roles in Indonesia, in addition to financing the interests and welfare of the community, taxes are the biggest supporter of the state budget in Indonesia. The enormous target for state revenue from the tax sector makes everything in Indonesia to be considered as a tax object, such as vehicle tax, value added tax, land and building tax and income tax.

Since the adoption of Law No. 8 concerning General Provisions and Tax Procedures in 1983, Indonesia's tax collection system has shifted to a self-assessment system. In this system, taxpayers are entrusted with the task of

carrying out their own taxation rights and obligations. The implementation of these tax rights and obligations include self-registration to apply for a Taxpayer Identification Number, reporting to be recognized as a Taxable Entrepreneur. Taxpayers and/or Taxable Entrepreneurs are given the trust to calculate the Tax Imposition Base themselves, calculate the taxes owed themselves, calculate the taxes owed from the taxpayers who are obliged to withhold, collect, withhold and deposit them, as well as self-report the withholdings by filling in tax return. Taxpayers also calculate their own taxes, which is either self-paid or paid through withholding or collection of other parties and self-report the calculation by filling out a tax return.

The self-assessment system according to Law on General Provisions of Taxation in Indonesia means that the taxpayer has to filled out and submitted the Tax Return correctly, completely and clearly in accordance with the provisions of the applicable tax regulations. By their self this indicates the amount of tax payables reported in the Tax Return is guaranteed by the law by. The amount of taxpayable based on the Tax Return filed by the Taxpayer is the amount of tax payable under the requirements of the taxation legislation. According to Article 12 paragraph (2) of the Law on General Provisions of Taxation, if the Director General of Taxes discovers evidence that the tax returns are inaccurate, the Director General of Taxes shall determine the tax payable based on the provisions of the two Articles in the Tax Provision Act.

In reality, not all taxpayers are aware of and comprehend the applicable tax laws, which leads to mistake made by the taxpayer in the implementation of

self-assessment system. Furthermore, the numerous tax regulations in Indonesia, as well as the regular changes in tax legislation makes it difficult for taxpayers to calculate the tax payable, resulting in inaccuracies. Inaccuracies that may occur in the application of the self-assessment system are incorrect in calculating the tax payable, late in depositing, and late in reporting. If the error occurs, the taxpayer will face tax penalties, both in the form of administrative sanction and criminal sanctions. Administrative sanctions can include fines, interest, and an rise in the amount of tax required to be paid. The provision of criminal sanctions for committing criminal acts in the field of taxation can be in the form of fines, imprisonment.

Every corporation is needed to prepare fiscal financial statements, which are prepared through a reconciliation procedure between commercial and fiscal accounting. Taxpayers also often make mistakes or irregularities in the compilation of financial statements and tax calculations. Errors and irregularities committed by companies will basically harm the taxpayers themselves and the state. These errors and irregularities can be caused by the quality of human resources who are less thorough and do not understand the applicable tax laws and regulations.

To reduce errors and tax sanctions, taxpayers can conduct a tax review. Tax reviews can be carried out by internal parties, namely employees of the tax department and external parties, namely tax consultants. Tax review covers all aspects of taxation in the company being reviewed. Rismawaty and Wijaya (2018) mentioned that tax review is carried out to check whether the taxpayer has carried

performed his tax obligations in accordance with the applicable laws and regulations so as to minimize tax sanctions. Tax Review can also show which transactions have tax potential in a company. By conducting a tax review, taxpayers can identify existing errors that can be made by taxpayers which can reduce the sanctions received compared to if errors were found at the time of tax audit.

Here are several studies that are used as the reference for the author, including research conducted by Siti Ro'fah Ayuningsih and Putu Ery Setiawan with the title "Implementation of Tax Review of Entity Income Tax and Withholding Tax at PT ABC" ABC demonstrates that PT. ABC met its withholding, depositing, and reporting duties under Income Tax Article 21 and Income Tax Article 25 within the specified time frame. Meanwhile, there is no potential tax that PT. ABC must collect or withhold against counterparties for Articles 22, 23, 24, 26, and 4(2) during the 2013 tax year. Furthermore, there are certain inaccuracies in the calculation of the fiscal reconciliation on the account's consumption and telephone expenses in the calculation and preparation of the Corporate Annual Tax Return. The findings of this investigation differ with the company's calculations.

Another research on tax review was also carried out by Yuni Devita and Indra Wijaya in 2016, with the title "Tax Review on Entity Income Tax at PT. Langgeng Karya Teknik" demonstrates that PT. Langgeng Karya Teknik has not made deposits and reports in accordance with tax provisions. There are various mistakes in charging fees into the taxable income statement in the calculation and

preparation of the entity annual tax return, such that the tax payable according to the company is more than the tax payable according to the tax requirements. Therefore, it can be understood how important it is to conduct a tax review as an evaluation in taxation that provides evidence of the correctness of the tax activity process.

PT Sawit Mulia for the fiscal year 2019 has been examined by the *Kantor Pelayanan Pajak Argamakmur Bengkulu* with the aim of examining compliance in fulfilling tax obligations and positive corrections are made by the tax authorities, on this matter, the author is interested in conducting research with the title "**Entity Income Tax Review at PT Sawit Mulia**" in order to minimize mistake being made in the company in the year 2020 before being examined by the tax authority.

## **1.2 Problem Formulation**

Based on the background description of the research above, the problems that will be discussed in this research is "How is the implementation of Income Tax at PT Sawit Mulia?"

## **1.3 Research Focus**

The focus of this research is on the income tax review on income tax payable accounts for the fiscal year 2020 based on the applicable tax laws and regulations, and the results of the review which includes the corrected items, correction value, basis for correction, provisional calculation of the principal amount on tax payable and provisional calculation of administrative sanctions.

## **1.4 Objective of the Research**

The objective of this research is to find out and ensure that the calculation, withholding/collection, payment of the tax income payable has been carried out correctly based on the tax laws and regulations at Indonesia.

## **1.5 Benefit of the Research**

### **1.5.1 Theoretical Benefit**

Theoretically, this research is expected to broaden horizons, as well as expand the literature on tax review procedures on the calculation, withholding/collection, and payment of income taxes owed by a company.

### **1.5.2 Practical Benefit**

Through this research, it is also expected to make this research as a reference material in evaluating and making decisions to improve tax reviews on tax payable as a step to assess tax compliance and can provide insight or information as follows:

1. Taxpayers have the opportunity to make improvements so as to avoid the consequences of tax sanctions.
2. Taxpayers can identify things that are needed in the tax auditor early.
3. Taxpayers can make various reconciliations between commercial and fiscal information.
4. Taxpayers can predict the direction of the next audit that will be carried out and can even make various scenarios related to tax audits.
5. Taxpayers can prepare themselves in advance not only for tax audits but also in the objection or appeal process.