

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In Indonesia, tax plays an important role in various life sectors, especially in carrying out the state responsibilities in order to improve its people's welfare and to achieve national development. Hence, it is necessary for the tax apparatus itself to carefully manage the tax by increasing the participation of all levels of society. According to (Bawazier, 2018), since the tax reform in Indonesia in 1983, the tax collection system in Indonesia has changed from an official-assessment system to a self-assessment system.

Companies in Indonesia have since applied a self-assessment system where the taxpayer is entrusted with calculating, determining, paying, and reporting their own taxes to the government. However, due to the self-assessment system in the tax collection, problems during the calculation of tax payable may arise. In doing the calculation of income tax, it is possible for the taxpayer to often miscalculate their tax payable. Miscalculations happen because taxpayers lack the knowledge and understanding to report their business activities in the tax return. Mistakes of taxpayers could be intentional or unintentional. Nevertheless, whether it is intentional or not, once the taxpayer is proven for not complying with the rules, the government will then impose sanctions on them in the form of administrative sanctions or criminal sanctions, depending on their fault.

Therefore, it is necessary for the parties to understand the obligations and procedures of current taxation. As for the individual and entity taxpayers who are not familiar with the taxation law and procedures, it is recommendable for them to hire a professional to help assist them in fulfilling their obligation and review the amount of income tax payable properly. Other than that, it can also help the company to increase tax compliance and provide guidance and corrections if there is any mistake in conducting tax obligations.

Considerably, a tax review is needed to help solve the arising problem in the calculation. As the functions of tax review are detailed and in-depth, as well as take into account transactions whose tax regulations are unclear but still have the potential to be taxed. By conducting tax reviews, taxpayers can improve their tax reporting and financial reporting, especially in times when there is a tax audit conducted. It is important to implement a tax review as there are several important elements in the financial statement that should be evaluated by the company, such as the fiscal reconciliation and the annual entity income tax return. The company's compliance with tax regulations is essential for the company's reputation in conducting its business. Minor errors in tax calculations can result in deeper problems in the tax audit because the company must meet the requirements required by the Directorate General Tax and this might take a lot of time as well as hinder the smooth running of the company's business.

This research is conducted at PT. Cipta Buana Korindo, a corporate business engaging in the field Paper Mills industry with its head office located in Pekanbaru, Riau Province. Based on the preliminary research, the employees are

known to not have sufficient skills in conducting tax reviews due to the lack of knowledge and understanding of tax policies. Hence, this results in the company's fiscal reconciliation on some expenses not properly done and some improper payments on the company's entity income tax. The company also never used the services of a tax consultant to help conduct any of its tax reviews before. As there are still issues regarding the lacking of awareness that most entrepreneurs have in taxation, the writer would like to show the importance of the implementation of tax review in hoping that by doing so, this would help to solve the concern that arises in taxation issues.

Based on the description above, the writer intends to conduct a research thesis with the title “**Analysis of Tax Review on Corporate Income Tax at PT. Cipta Buana Korindo**” with the aim to analyze and review whether or not the calculation of Entity Income Tax in the company has been in accordance with the taxation provisions.

The discussion of this research refers to the previous research conducted by researchers with different concepts and thoughts. The reference to this previous research is expected to be able to provide information about the research theme to be carried out by the author.

1.2 Problem Formulation

Based on the background of the study, the problems identified with the conduction done by the writer in this research are:

1. Does the company have adequate knowledge or procedure for the

calculations and reporting of Entity Income Tax at PT. Cipta Buana Korindo?

2. Are the calculations and reporting of Entity Income Tax at PT. Cipta Buana Korindo in accordance with the applicable tax regulations?

1.3 Research Focus

As this research is investigated with limited time, ability and knowledge, the writer will only focus on the calculation of entity income tax, the taxation procedures applied by the company, the fiscal income statement, and the annual entity income tax return of the company in the year of 2019.

1.4 Objective of Research

By conducting this research, the writer expects that the purpose of this research is to determine the appropriate implementation of Tax Review on Entity Income Tax at PT. Cipta Buana Korindo has been in accordance with the tax regulations in Indonesia.

1.5 Benefit of Research

This research is expected to have significant impacts and contributions to the company and increase the understanding of taxation and the level of tax compliance. The benefits of this research are divided into two types which are theoretical and practical benefits. The theoretical is based on theory and ideas, whereas the practical one is based on practice. The writer hopes to improve the

way of thinking in the knowledge of taxation through the theoretical benefit. While through practical benefits, it is expected that the company could practically fulfill the tax obligation in accordance with the tax provisions of Indonesia.

1.5.1 Theoretical Benefit

The theoretical benefit of this research can be used as a comparison study material or as an input for other writers interested in conducting the research in relation to tax review. In addition, this research can be used as a reference and information source in the future.

1.5.2 Practical Benefit

The practical benefits of this research are as follows:

1. For the writer, this research can be used to enrich the writer's knowledge and experience about tax review in accordance with the tax provisions of law.
2. For the company, this research can help the company to evaluate its income statement and give recommendations for the company in conducting tax reviews.
3. For others, this research can be used as a reference by other researchers when conducting research on the same topic.