

# CHAPTER I

## INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

National development in an effort to improve the people's welfare both materially and spiritually increases continuously. In an effort to make it happen, a lot of capital is needed. One form of independence of a nation or state in fostering development is optimally exploring domestic sources of funds. The largest source of funds is taxes. Tax is a contribution to the state that can be enforced based on law without obtaining a contra achievement that can be appointed directly to finance general government expenditures and state administration. For the state, tax is one of the important sources of revenue that will be used to finance the administration of the State, but on the other hand, for tax companies it is a burden that will reduce profits.

Indonesia is a developing nation that has experienced rapid economic growth since the 1998 recession (The World Bank, 2017). Its strategic position between the Indian Ocean and the Pacific Ocean, as well as the Asian mainland and Australia, has earned it enormous prestige. It also has an impressive range of resources, including natural rubber, copra, tin, sugar tea, coffee, kapok, pepper, spices, and the largest known oil and gas reserves in non-Communist Asia. According to the most recent figures, Indonesia's GDP per capita was \$1.158 trillion in 2020 (Trading Economics,

2020); the improved output was caused by foreign investments and rises in domestic goods and service production. It is basically a growing nation, and the government needs a large amount of revenue to fund state expenditures, both routine and growth expenditures, such as construction and employee salaries. The tax sector generates one of the largest and most powerful sources of state revenue to date.

But nevertheless, good news does not always come as in the fourth quarter of 2016, Indonesia's GDP annual growth rate was just 4.94 percent, slightly lower than in previous quarters (The Business Times, 2017). The recession was thought to be caused by oil prices and consumer spending. The same issue remains how taxpayers, both individuals and corporations, can meet their tax obligations if Indonesia's economy grows. In general, the company is a form of legal entity that becomes the government's business partner to carry out progress and development, in which the business must be profit-oriented for the survival of the company. Company profits will be obtained if the selling price is higher than the costs that must be incurred for production, including both operational and non-operational costs. For this reason, companies often reduce production costs and reduce many other costs in order to minimize company expenses. However, one of the problems that are often experienced by companies in this day and age is taxes. Taxes are the main source of revenue for state financing activities. For the state the greater the amount of tax received, the better the state finances will be. On the other hand, for taxpayers, paying taxes is actually

a burden, since companies are subject to state taxes, for the reason that their business activities are subject to tax, namely Value Added Tax.

The Indonesian government collects two forms of taxes: income tax and Value Added Tax. As a result, Value Added Tax plays a significant role in state revenue, and the government is increasingly emphasizing the importance of citizens obeying and complying with current taxation laws. Between 1989 and 2004, Value Added Tax revenues continued to rise, owing to tax reforms that began in 1984, including the Law Number 6 of 1983 regarding *Ketentuan Umum dan Tata Cara Perpajakan* and the Law Number 8 of 1983 regarding *Pajak Pertambahan Nilai Barang dan Jasa dan Pajak Penjualan Barang Mewah*.

Next, they were followed by the second and third taxation amendments in 1994 and 2000, respectively. The tax collection system was changed from the official-assessment system, which gives the tax authorities complete authority to decide the amount of tax payables, to the self-assessment system, which gives taxpayers the authority, duty, and trust to calculate, pay, and report on the amount of tax payables. To put it another way, they are forced to figure out how much tax they should pay and show it on their annual tax returns. Taxpayers whose sales or profits surpass Rp4.800.000.000,00 per year must register as taxable entrepreneurs, according to UU No.42 Tahun 2009 (*Pengusaha Kena Pajak* or PKP). As a result, they are obligated to disclose their monthly sales and pay a 10% Value Added Tax. In this situation, Value Added Tax itself serves as a

monitoring system for each company's sales or revenue results. In other words, Value Added Tax is distinct from income taxes paid by entrepreneurs, but it is often related to their profits. Value Added Tax on sales is considered a production tax, while Value Added Tax on transactions is considered an input tax. Production taxes may, of course, be credited with input taxes, but input taxes are not always credible.

Sri Mulyani Indrawati, Indonesia's Finance Minister, acknowledged that the country's tax rate was just eleven percent, compared to a normal tax rate of fifteen percent. The tax ratio is the proportion of tax revenues to GDP. As a result, she indicated that Indonesian tax reform was necessary (Suwiknyo, 2018). Moreover, according to the Minister of Finance, Rp154.66 trillions in tax revenues were not submitted to the state treasury in 2017. This amount of tax revenue was not submitted because it was thought to be a government tax reward. The amount was made up of Value Added Tax and Sales Tax on Luxury Goods (Rp125.32 trillions), income tax (Rp20.17 trillions), and import tariffs (Rp9.15 trillions). These tax incentives were presented for the sake of accountability, demonstrating to the business community that the Indonesian government has provided taxpayers with tax benefits (Kusuma, 2018). The method of disclosing tax payables to individuals and corporations has been simplified by the Minister of Finance. According to Peraturan Menteri Keuangan (PMK) *Nomor 9/PMK.03/2018 atas perubahan PMK 243/PMK.03/2014 tentang Surat Pemberitahuan*, this phase has been supervised since January 23, 2018.

(SPT). This plan would fix and simplify tax return administration; for example, employers would not be required to file annual tax returns for workers earning less than non-taxable income. Employers and taxable entrepreneurs must file annual tax returns for income taxes or Value Added Tax via e-filing as a result of this new legislation (Kusuma, 2018).

Generally speaking, the analysis of a financial position or plan to ensure that all aspects work together to help you to pay the least amount of taxes possible is needed in every company. Tax planning is therefore the solution as it is an effort to reduce the amount of tax due in the business. Tax preparation is one of the tasks of tax administration that is used to predict the amount of tax that will be due and what can be done to reduce the amount of tax that will be due. The company should perform research into tax laws in order to determine the types of tax savings that can be implemented in the company. Tax planning, in general, is the method of arranging a taxpayer's business in such a way that the tax liability, such as owed value added tax or other tax, is minimized while remaining within the confines of tax regulations. It is not about tax smuggling, which is unacceptable by tax authorities, but about proper tax planning, which would result in a nominal tax payable as a result of tax savings or tax evasion that could be approved by tax authorities.

One example of tax preparation that the business can use is lowering the amount of Value Added Tax due. There are many features of tax planning that can be used to reduce the amount of Value Added Tax owed

by a corporation. The first is to maximize the amount of input tax that can be credited, such as when buying capital products and raw materials for the company's productions. For example, if a business buys machines to make products for both export and domestic sales, the purchase of these machines may be considered a creditable input tax. Second, the business must only buy taxable products and services from a Taxable Entrepreneur (Pengusaha Kena Pajak / PKP). Finally, the company has the option of deferring the tax invoice on sales of taxable products and taxable services for which the company has not earned payment within a taxable span. Tax planning, in addition to reducing Value Added Tax payable, may provide proper guidance for taxpayers in meeting their tax responsibilities, such as tax payment and reporting, allowing them to avoid any potential tax investigation due to tax negligence under Value Added Tax laws.

The taxpayers' comprehension of their personal income tax is determined by their knowledge. Individual and entity taxpayers must be aware of the regulations and provisions that govern when they must report tax, determine the number of income tax due, and pay the tax due. Comprehension of the penalties that apply to taxpayers who fail to declare or pay taxes in accordance with the taxation requirements is also critical in raising taxpayer knowledge of the importance of paying their taxes. If a taxpayer does not fully comprehend how to report or pay taxes, they can get assistance from a tax adviser, contact the nearest tax service office, or read

about it on the internet, as the Indonesian government is quite open about sharing tax information and explanations.

Tax awareness, which includes knowledge, trust, and the purpose for paying taxes, is a taxpayer's obligation in Indonesia, to determine if the tax compliance level has increased or decreased. Taxpayers will not grasp how vital it is to pay taxes to develop and sustain all of the Indonesian State's financial demands unless they have a thorough understanding of the concept function, and objective of tax payments. A taxpayer is considered to be aware of their obligation to pay taxes if they are in the state of comprehending and executing all taxation regulations with integrity and without being pressured to do so as a taxpayer.

Companies pay a tax called Input Tax (PPN Input), when the company makes purchases of raw materials or finished goods. While the company collects Output Tax when carrying out the sale or delivery of Taxable Goods, the difference between Input Tax and Output Tax is called Outstanding Value Added Tax, an increase in the company's Value Added Tax amount, also results in increased Value Added Tax payable so that the company has to pay more Value Added Tax payable. For this reason, a company needs a Tax Planning to minimize the amount of its tax payments. Tax burden can be saved by studying the comprehensiveness of applicable tax laws and carrying out appropriate tax management for companies with tax planning. Efforts to reduce or minimize the tax burden as small as possible are by using tax planning or tax sheltering. Tax planning is one of

the functions of tax management which is used to estimate the amount of tax to be paid and things that can be done to avoid taxes. There are several ways or methods used by tax management to make savings legally. One of them is tax planning on Value Added Tax within the company.

In this research, PT Digital Media Group, also known as Dealjava, is an online shopping platform company that offers the best price with a list of deals or promos for a wide range of things, such as food, admission tickets for theme parks, and many more. With operations in 3 cities around Indonesia, PT Digital Media Group employs around 50 people. The office of PT Digital Media Group is located in Jl. Surabaya No.4, Kec. Medan Kota, Kota Medan, Sumatera Utara 20212, Indonesia, and was established in 2013. This start-up business is well-known for its most captivating discounts in the form of vouchers from various service providers ranging from restaurants, entertainment venues, beauty salons to massage places. Serving tens of thousands of customers every day, Dealjava continues to provide features, programs and ways to meet the needs of Dealjava's loyal customers.

Furthermore, this business is a taxable entrepreneur, which means it must pay and record Value Added Tax on a monthly basis. As a result, the author recommends that a study be performed into how the organization fulfills its tax obligations, especially with regard to Value Added Tax. Based on the writer's preliminary research, there were many cases of Value Added Tax overpayment in the firm. Overpayment of Value Added Tax, or the



difference between input and output tax, may be demanded for restitution or carried forward indefinitely. Currently, Dealjava has progressed with technology innovation by making it easier for merchants and customers to conduct online purchasing through the dealjava.com website or by downloading the application through Playstore on Android and Appstore on IOS, namely Dealjava.

Based on the background, the formulation of problems related to the title above is as follows: How tax planning can be carried out by the company to make efficiency with value added tax payments and to minimize the amount of value added tax owed in accordance with the Taxation Law? Value Added Tax refund requests normally result in a tax audit by the company's Directorate General of Taxes. The accuracy of the company's reporting is scrutinized in such inquiries. Nevertheless, since the corporation does not request restitution, the government does not conduct a tax audit. The author will examine the company's Value Added Tax care and provide solutions to Value Added Tax issues that cause the company to spend money on Value Added Tax. As a result, the author would like to conduct research on **“Analysis of Tax Planning on Value Added Tax at PT Digital Media Group.”**

## 1.2 PROBLEM LIMITATION

There are some of the limitations that the writer encountered as a result of the time, situation, and conditions that occurred during the present Covid-19 pandemic:

1. The author was unable to conduct additional study from books available at the university library.
2. Only WhatsApp and Line applications are used to communicate with the research company's management.
3. PPKM (*Pemberlakuan Pembatasan Kegiatan Masyarakat*) is implemented in several big cities in Indonesia, including Medan.
4. As a result of the implementation of social and physical distancing that took place in Medan, it was difficult to interact directly or face to face with my *Skripsi* Advisor to discuss further details regarding this final paper.

## 1.3 PROBLEM FORMULATION

Based on the problems identified by the author and the problem restrictions that have been described above, then the problem can be formulated as follows:

1. How to implement tax planning on Value Added Tax at PT Digital Media Group?

2. Is the Value Added Tax calculation at PT Digital Media Group has been applied in accordance with the Value Added Tax policy and regulation valid in Indonesia?

#### **1.4 OBJECTIVE OF THE RESEARCH**

The purpose of this research is to:

1. Understand the tax planning method for Value Added Tax that should be enforced by PT Digital Media Group.
2. To find out about whether the Value Added Tax calculation at PT Digital Media Group has been applied in accordance with the Value Added Tax policy and regulation valid in Indonesia.

#### **1.5 BENEFIT OF THE RESEARCH**

The benefits of this research for the writer are:

1. The author can find out the application of the tax planning method for Value Added Tax that should be enforced by PT Digital Media Group.
2. The author can understand the impact of the tax planning method for Value Added Tax that should be enforced by PT Digital Media Group.

##### **1.5.1 THEORETICAL BENEFIT**

The benefits of this research for academics or other prospective researchers are:

1. As research material for other future researchers in similar companies or industries.
2. For future academicians, this research is expected to be guidance for academicians in their future research, to complement with existing research, and to expand academic knowledge.

### **1.5.2 PRACTICAL BENEFIT**

The benefits of this research for the company are:

1. As a basis for improving the implementation of the tax planning method for Value Added Tax that should be enforced by PT Digital Media Group.
2. As a basis for generating realistic and accurate for PT Digital Media Group.