

# CHAPTER I

## INTRODUCTION

### 1.1. Background of Study

The Covid-19 pandemic has been going on for two years. There have been many changes that have occurred in human life today. For example, the habit of wearing mask all time, regularly washing hands, and several other new habits. A pandemic is an outbreak of a disease that appears simultaneously in various places. World Health Organization (WHO) said that a pandemic is a term used when there is increase in disease transmission and the spread of a virus occurs suddenly, in various countries and can affect many people. WHO officially made the Covid-19 a pandemic on March 9, 2020. Because this virus has spread widely throughout the world. Although it sounds scary, in fact pandemic is just a term for a disease that spreads widely, not for a malignant disease (Aeni, 2022).

Furthermore, Aeni (2020) explained that the Covid-19 pandemic not only disrupts health, but also affect the economic structure of all countries. The impact of the pandemic on the economy can lead to low investor sentiment towards the market, which ultimately turns the market in a negative direction. The decline in economic growth can also be followed by other economic impacts such as an increase in unemployment. This is because during the pandemic many companies were disrupted, so many employees have to be laid off.

The impact of the massive spread of Covid-19 in Indonesia has suppressed all sectors of the economy, including the manufacturing sector. Manufacturing

activity in the country declined at the fastest pace in March 2020 following a decline in output, factory closures and disrupted supply chains. The decrease in activity was also accompanied by a decrease in demand, which prompted companies to reduce their capital goods purchasing activity at the fastest pace in the history. A survey done by Indonesia government underscores how the global pandemic has impacted the Indonesia country (Nugroho, 2020).

Currently, many companies are struggling to ensure that their business continues to run and is able to survive in the midst of the economic recession due to the Covid-19 pandemic. Not a few companies have failed and were forced to go out of business and lay off employees. In the end, it all comes down to the company's financial condition, management's expertise in managing resources and risks, and finally the entrepreneur's discretion. To prevent falling into a deeper economic recession, almost all governments in the world, including Indonesia issued various economic stimulus policies. The Indonesian government has so far issued various stimulus policy packages which are summarized in the National Economic Recovery Program (*Program Pemulihan Ekonomi Nasional*). Entrepreneurs can at least design accounting and financial management strategies to minimize the company's tax burden, of course in ways that do not violate the provisions (in legal way). In its implementation, tax planning can be applied by taxpayers since starting business activities until closing the business (liquidation). There are several tax planning strategies that can be carried out by taxpayers to

legally streamline the tax burden such as tax saving, tax avoidance, tax payment delay and tax credit optimalization (Pratama, 2021).

Tax planning is an effort to reduce or minimize the tax burden that must be paid to the state so that the tax paid does not exceed the actual amount. One of the practices in tax management is carried out while still complying with applicable tax regulations or named as legal tax planning is carried out, among others, for the following purposes: minimize the company's expenses to pay taxes so that the costs incurred are more efficient, calculate and prepare tax payments in accordance with applicable regulations so that there are no sanctions or fines that actually increase tax expenditures, not to evade paying taxes but to arrange so that the tax paid is not more than the amount that should be (Zsazy, 2019).

Tax planning can be defined as an arrangement of an entity or business with the aim to minimize tax burden. When it comes to international term, the tax planning activity of an entity is called international tax planning (Jedlicka, 2017). Furthermore, Kirkpatrick and Radicic (2020) explained that the beginning point of tax planning concept is when a person as a paid worker or shareholder in a business plan to pay as smaller tax as possible with risk of penalties since tax planning activities can also include illegal evasion.

In a business, fixed assets are very important for a company, fixed assets in the company are usually used as an investment for the long term. In addition, the most important thing in a company is fixed assets as a working capital for the survival of the company. The choice of financing alternatives will affect the decision making in the procurement of fixed assets (Bella and Amaniya, 2021).

The amount of funds that must be prepared is the main reason companies choose external funding sources in financing the procurement of its fixed assets. Fulfilment of funding needs in procurement of fixed assets can be done by way of leasing or by bank loans. Both sources of funding are able to help the company without disrupting the company's operational activities that require capital (Budiarti and Hidayati, 2015).

The company's decision to fulfill its capital goods of fixed assets through leasing is considered appropriate. Leasing is a profitable alternative for lessee. This is partly because leasing can be carried out easily since loan funds from banks are very difficult to obtain in times of crisis, and leasing allows for rapid replacement of assets (Hermawan, 2019).

According to SFAS, assets originating from leasing with option rights (financial lease) may be depreciated by the lessee as depreciation expense. Treatment based on SFAS is different from treatment based on tax provisions. Where in the tax provisions according to the Decree of the Minister of Finance of the Republic of Indonesia No. 1169/KMK.01/1991 that during the lease term, the lessee may not depreciate the leased asset, until the lessee exercises the option to purchase the asset. After the lessee exercises the option to purchase the asset, the lessee can depreciate it on the basis of the depreciation being the salvage value of the asset. With this difference, it will cause a fiscal correction which will have an impact on the corporate income tax. The amount used in calculating taxable income is depreciation expense determined by depreciation method and useful life

of the assets. While purchases through credit or bank loan, is the amount that may be charged as an expense in calculating taxable income in the amount of depreciation expense, interest expense on bank loans, plus costs incurred in connection with and for the settlement of bank credit administration. The amount of depreciation expense is determined, among others, by the useful life (economic life) and the depreciation method that has been determined by tax regulations. The amount of tax savings on leasing is done by calculating the amount of costs that can be deducted in order to calculate taxable income. With leasing, the deductible is the entire lease fee and depreciation expense is the value of the option (Wangkaroei, 2019).

PT.Kim Plasindo is a private manufacture company which was established in 2009. It is located at Pulau Irian, KIM I street, Medan. PT.Kim Plasindo is engaged in the manufacturing industry in the form of making ice lolly cups, cups/ glasses for drinks and straws from food grade plastic seeds which are specially for food. During the Covid-19 pandemic, the plastic industry is also experiencing problems with its business growth. Sales of the food grade plastic industry are still supported by processed food packaging and supporting plastic products. As the result of the Covid-19 pandemic, demand for plastic exports has stopped due to many regulations and regional boundaries. The local market demand has also stagnated, for example the regulation on dine in made the demand for straw decrease significantly.

The situation causes a decrease in the company's sales, thus affecting the company's liquidity. Liquidity is the company's ability to pay off its short-term

debt, including surviving to finance the company's operational needs such as salaries, electricity and others. When the situation started to improve, the opening of both local and international borders brought a breath of fresh air to plastic industry. Significant demand growth causes company to increase its production capacity. In order to meet their needs, company is faced with the choice of making bank loans or leasing due to the liquidity problems that have not been recovered due to the Covid-19 pandemic.

In this research, the writer will use PT.Kim Plasindo as research object because PT.Kim Plasindo purchases machineries and vehicles using the leasing method, while the existing bank loans are mostly use for working capital related to procurement of raw materials. When the company's liquidity has not recovered from the effect of pandemic, savings from all aspects are very meaningful. One of them is through the maximum utilization of tax planning. Tax planning helps company to reduce the amount of tax owned legally. Furthermore, the writer chose PT.Kim Plasindo as research object also because the company has both types of financing, namely bank loans and leasing, the writer can obtain data related to these two loans from company data. The writer plans to do comparison to get clearer picture of using the two types of financing.

The company has a future plan to purchase a thin wall box making machine/ injection machine. The machine was bought from abroad and has a large enough purchase value. The company has never conducted an analysis to see a comparison between the two methods of fixed assets acquisition assets by

taxation, which based on previous explanation can affect the amount of corporate tax that must be paid.

The recording systems of the company regarding financial lease transactions has affected the tax payments, since the recording systems for the financial lease installment is deductible expense. Furthermore, the difference in the recording system between commercial and fiscal terms makes the company obliged to do the fiscal correction. If company do not use bank loan, there will be no difference in the recording systems between commercial and fiscal terms. From the tax planning perspective, company needs to recalculate based on the data from previous transactions so that the possibility of tax planning can be measured through the acquisition of fixed assets.

So far, the company uses leasing to acquire fixed assets. From a tax perspective, payments for leasing installments categorized as deduction expense, but the company never calculates the lost tax benefits due to differences in the recognition of the acquisition cost of assets. Acquisition of assets by leasing requires the company to recognize assets at the time of exercise of option rights only at the value of the options. As a result, there is potential for depreciation that cannot be charged. Problems also occur when there is a disposal of fixed assets, because the recognition of the low cost of acquisition results in the recognition of greater profit if the asset is sold before its useful life ends.

Based on description above, the writer want to conduct the research with title **“Analysis of Fixed Assets Acquisition and Tax Planning at PT.Kim Plasindo.”**

## **1.2. Problem Limitation**

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

1. The research will be limited to the recording systems of assets acquisitions transactions by using financial lease and bank loan.
2. The research will analyse the acquisition asset using bank loan and financial leasing.
3. The research will be limited to the time and condition of bank rate at the time of this research conducted.

## **1.3. Problem Formulation**

The problems formulation in this research are as follow:

1. How is the recording system and tax planning of assets acquisition by using financial lease in the company?
2. How is the recording system and tax planning of assets acquisition by using bank loan in the company?
3. How is the comparison of the resulting tax burden using the bank loan and financial lease method?

## **1.4. Objective of Research**

Objectives of research are as follow:

1. To analyze the recording system and tax planning of asset acquisition by using financial lease.

2. To analyze the recording system and tax planning of asset acquisition by using bank loan.
3. To analyze the comparison of the resulting tax burden using the bank loan and financial lease method.

## **1.1. Benefit of the Research**

### **1.1.1. Theoretical Benefit**

This research has benefit to get an overview about the recording system on financial lease and the comparison with the bank loan. Furthermore, the research has benefit to give explanation about the tax planning aspects from both ways in assets acquisition. The researcher also wishes that this study can be useful as reference and give contribution for the next research especially topic related to fixed asset acquisition and its tax planning.

### **1.5.2 Practical Benefit**

Writer hopes that this research will contribute some information and gives recommendation for the company that becomes the object of this research which is PT. Kim Plasindo regarding the tax planning by choosing between financial lease and bank loan in asset acquisition. So that later it can be used as a tool to help company make decisions in the future.