ATESTASI: JURNAL ILMIAH AKUNTANSI
Vol 6, Issue 1, (2023), 544 - 522

An Applied Study of Tax Management as A Strategic Tool for Cost Minimization in the Business Sector

Magdalena Judika Br. Siringoringo[2], Sri Ida Royani Simanjuntak[2]

[1,2] Universitas HKBP Nommensen, Medan, Indonesia

Email:
magdalenasiringoringo@uhn.ac.id[1], idasimanjuntak2106@gmail.com[2]

Received: October 08, 2022 **Revised:** March 16, 2023 **Accepted:** March 30, 2023

Abstract

Basically, taxes are an important source of revenue that will be used to finance state expenditures, both routine and development expenditures. Conversely, for companies, taxes are a burden that will reduce the company's net profit. In order for this burden to be minimized, it is necessary to implement effective tax management through tax planning. This study aims to determine and study the application of corporate income tax planning in business sector businesses by using the company's income statement which is used to make fiscal corrections, so that it will produce fiscal financial statements and fiscal income which will be used to compile tax planning and will be compared to profit before planning and profit after tax planning. The results showed that before the implementation of tax planning, the tax to be paid was Rp 132,851,711 while after planning, the tax to be paid was Rp 126,321,378 in 2011. By doing good and proper tax planning, the business sector can optimize the tax to be paid so that it can be used to finance other expenses.

Keywords: Tax Planning, Fiscal Correction, Income Tax

DOI : https://doi.org/10.57178/atestasi.v6i1.921
p-ISSN : 2621-1963
e-ISSN : 2621-1505

Introduction

Tax is a phenomenon that is currently developing in society. Almost the entire life and development of the business world is influenced by the provisions of tax legislation. In its implementation, there are differences in interests between taxpayers and the government. Taxpayers try to pay as little tax as possible because paying taxes means reducing the economic ability of taxpayers. On the other hand, the government needs funds to finance government operations, most of which come from tax revenues. This difference in interests causes taxpayers to tend to reduce the amount of payment, both legally and illegally. A *self-assessment system* that provides taxpayers with the opportunity to determine the amount of tax payable themselves so that taxpayers can realize profits in their business but cannot be separated from the obligation to pay taxes. In realizing these benefits, it is necessary to manage tax obligations so that the tax burden can be reduced.

Although taxes affect all business life and business decisions, it does not mean that taxes cannot be minimized. Efforts to manage these tax obligations can be done legally through tax *planning*. Tax planning is the first step in tax management, namely by collecting and researching tax regulations in order to select the type of tax saving measures taken to minimize tax liabilities but still within the provisions and tax laws.

For companies, income tax (PPh) imposed on income received or earned can be considered a burden on the company in running its business. From this explanation, so that the authors are interested in examining how the application of tax planning in minimizing the tax burden on business sector businesses This is the background of the problem in this study with the aim of knowing the application of tax planning carried out by business sector businesses in accordance with tax regulations.

In the implementation of Law No. 6 of 1983 concerning General Provisions and Procedures for Taxation as amended by Law No. 9 of 1994, and Law No. 16 of 2000, it is realized that there are still things that have not been accommodated so that it requires improvement in line with socio-economic developments and government policies. Based on Law No. 28 of 2007 concerning General Provisions and Procedures for Taxation, it is explained that the purpose of tax is a mandatory contribution to the state owed by individuals or entities that are compelling based on law, with no direct reward.

Income tax is a tax imposed on tax subjects on income received or earned in the tax year (Waluyo, 2008: 89). In other words, income tax is a tax imposed on individuals or individuals and entities subjectively in accordance with the ability of each taxpayer with respect to the income received or earned during the tax year.

Efforts to make tax savings legally can be done through tax management. Sophar (in Suandy, 2009: 9) states that tax management is a means to fulfill tax obligations correctly but the amount of tax can be reduced as low as possible to obtain the expected profit and liquidity. The objectives of tax management are divided into two, among others: 1) applying tax regulations correctly, 2) efficient efforts to achieve profit and liquidity should be.

Tax planning is the first step in tax management. At this stage, the collection and research of tax regulations are carried out in order to select the type of tax saving measures to be taken. In general, the emphasis of *tax planning* is to minimize tax liabilities. Zain (2008: 67) states that tax planning is a structural action related to the conditions of its potential tax consequences, whose pressure is on the court of every transaction that has tax consequences, the goal is how the control can streamline the amount of tax to be transferred to the government, through what is called tax *avoidance which is* a legal action that is still within the scope of tax legislation and not tax smuggling (tax *evasion*) which is an illegal action that violates the provisions of tax legislation.

The strategy to minimize the tax burden carried out by the company must be legal, so that it cannot avoid tax sanctions in the future. In general, tax savings adhere to *the* principle of *the least and latest*, namely paying the minimum amount possible and at the last time still permitted by tax laws and regulations (Suandy, 2009: 12). Commercial financial statements are financial statements prepared in accordance with financial accounting standards which include income statements, changes in equity, balance sheets, and cash flow statements. Meanwhile, fiscal financial statements are financial statements prepared in accordance with tax regulations and used for tax calculation purposes. The tax law does not specifically regulate the form of financial statements, only provides restrictions on certain matters, both in the recognition of income and expenses.

The differences in income and cost recognition between commercial and fiscal lead to differences in calculating the amount of PKP. This difference is due to differences in interests between commercial based on profit, while from a fiscal perspective based on state revenue. In preparing fiscal financial statements, taxpayers must refer to tax regulations, so that commercial financial statements must be adjusted or made fiscal corrections first before calculating the amount of Taxable Income.

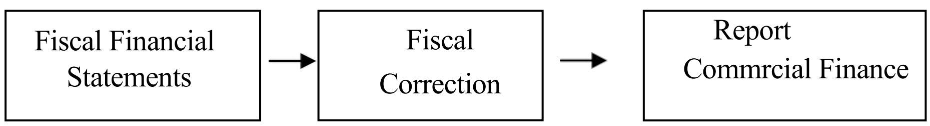

Figure 1. Reconciliation of Commercial Financial Statements with Fiscal Financial Statements

In considering the material for preparing tax planning, you must consider matters relating to fiscal corrections. Basically, fiscal corrections occur due to adjustments to the National Financial Statements, these adjustments are based on tax regulations so as to produce Fiscal Financial Statements. In this relationship, fiscal corrections can be classified into two types of differences, among others: 1) *Timming difference* is a temporary difference caused by differences in the timing of recognition of income and expenses between tax regulations and SAK, 2) Permanent differences are differences caused by income and cost transactions recognized according to commercial and not recognized according to fiscal.

The application of these two differences, which are also called fiscal corrections, will directly affect Taxable Income (PKP), in this case fiscal corrections can be divided into two parts, namely:

1. Positive Fiscal Correction

   A positive fiscal correction is an incremental change to income or expenses contained in commercial financial statements prepared for the purposes of fiscal financial statements.

2. Negative Fiscal Correction

   Negative fiscal correction is a change in the reduction of income or expenses contained in commercial financial statements prepared for the purpose of fiscal financial statements.

Research Method and Materials

The type of research used is descriptive qualitative research and case study method. Descriptive research is research on problems in the form of current facts from a population. While a qualitative approach is a research approach that does not put numbers into statistical formulas but by reading tables or numbers available in financial reports and then making a description or analysis. The case study method used in research on business sector businesses aims to compare theory with practice or cases in the field regarding how the application of tax planning aims to minimize the tax burden. The description of the object of this research is corporate income tax imposed on business sector companies using the company's income statement.

The data analysis techniques used in this study are:

1. Descriptive Analysis, namely by analyzing and processing financial statement data and explaining how to apply tax planning in an effort to minimize the amount of Income Tax for Corporate Taxpayers.
2. Comparative Analysis, by comparing the results of the financial statements that have been prepared by the company law no. 36 of 2008.

Results and Discussion

Commercial Financial Statements Business Sector

BUSINESS SECTOR prepares commercial financial statements at the end of each period, namely December 31. The commercial financial statements contain the financial condition of Business Sector which will appear in table 2.

Table 1. Commercial and Fiscal Profit and Loss Statement BUSINESS SECTOR 202X

Description	Commercial	Beda Stay	Beda Time	Fiscal
Sales	10.097.338.000			10.097.338.000
Cost of Goods Sold				
HPP-Shell Flour	6.330.149.132			6.330.149.132
HPP- Teak Flour	140.449.345			140.449.345
HPP-Sticky Flour	1.767.892.417			1.767.892.417
HPP-Rattan Flour	7.616.853			7.616.853

HPP-Pine Flour	96.195.920			96.195.920
HPP-Starch Composition	39.697.094			39.697.094
HPP-Yellow Flour	7.027.986			YZ.027.986
HPP-Ampas Garu	24.042.704			24.042.704
Total COGS	8.413.071.451			8.413.071.451
Gross Profit (Loss)	1.684.266.549			1.684.266.549
Operating Expenses				
Employee Expenses	-			
Sales Transportation Expenses	200.335.500			200.335.500
Other Expenses:				
Entertainment expenses &	6.099.300	557.000		5.542.300
Relationship	102.351.000			102.351.000
Commission Expense	242.750			242.750
Other Ops Expenses Total Ops Expenses	309.028.550			308.471.550
Adm & general expenses				
alary Expense:	439.839.525	20.961.525		418.878.000
Salary and Staff Expenses	28.706.500			28.706.500
THR Expenses	216.758.900			216.758.900
Insentive load, overtime,	1.858.889			1.858.889
Bonus Medical Expenses	16.825.500			16.825.500
Office Travel Expenses	1.318.880			1.318.880
Building Expenses & Building:	3.948.167			3.948.167
Expenses Pem. Building	7.671.995			7.671.995
IPEDA, IREDA, PBB expenses Communication Load	4.624.770			4.624.770
Telephone Expense	-			-
Postal Item Load	149.799			149.799
Office Expenses:	526.000			526.000
Water & Electricity Load	1.857.766			1.857.766
Molded Goods Expense	3.919.144			3.919.144
Load Requirement	1.077.400			1.077.400
Photocopy	3.321.270			3.321.270
Stationery expenses Small Inventory Expense	1.850.000			1.850.000
Maintenance Expenses	1.761.000			1.761.000
Inventory	9.193.225			9.193.225
Household Expenses Licensing Expenses General Vehicle Load:	2.160.000 -			2.160.000 -
Fuel, Parking, Toll Charges	6.704.084			6.704.084
Maintenance Expenses	2.351.000			2.351.000
Vehicle STNK Expense	22.800.000			22.800.000
Spare part expenses				
Insurance Expenses:	14.970.000		2.152.500	17.122.500
Fire Insurance Expenses Vehicle Insurance Expenses	4.014.978			4.014.978
Consultant and				
Third Party Expertise				
Depreciation Expense:				
Depreciation Expense				
Vehicle				
Depreciation Expense				
Inventory				
BAU Amount	798.208.792			779.399.767
Other Income (Expense)				

Other	2.622.873		2.622.873
Current Account Service Income	6.175.005		6.175.005
Secondhand Sales	68.000		68.000
Other sales			
Other expenses:	(48.453.901)		(48.453.901)
Adm and Interest Expenses	(999.200)	999.200	-
Bank	-		-
Donation Expense			
Other Expenses Total Revenue	(40.587.223)		39.588.023
other (expense)			
Profit (Loss) Before Tax	536.441.984		556.807.209

Analysis on Fiscal Correction

To be able to find out the amount of tax payable, the company must make a fiscal correction to the commercial profit and loss. The amount of income tax that must be paid by the company can be known after making fiscal corrections to the company's commercial financial statements. The factors that cause differences between commercial financial statements and fiscal financial statements are divided into two, namely fixed differences and time differences.

The first step is that the company must analyze each account in the report on the basis of the provisions of Tax Law No. 36 of 2008. In table 3, it can be seen the fiscal correction on the commercial income statement of BUSINESS SECTOR USAHA that has not implemented tax planning to the fullest. The following will explain the accounts in the fiscal income statement along with an explanation of the fiscal correction.

Tax Planning Strategy

In calculating income tax (PPh payable) using the tax imposition rate stipulated in Law No. 36 of 2008, the amount of income tax is a combination of taxable income and taxable rate. The income tax rate is a rate that cannot be changed because the rate has been set by the government while taxable income can be influenced by the amount depending on the company's policy in determining the amount of taxable income. Thus, the tax planning action that must be taken by the business sector is to minimize Taxable Income. If the Taxable Income is small, the tax payable is also small and vice versa.

Based on the correction results in table 2, it is known that business sector businesses have not carried out tax planning optimally so that the amount of tax payable is quite material even though business sector businesses have taken several appropriate policies in running their business. Strategies that can help to reduce business sector business taxes are shown in table 3.

Table 2. Commercial and Fiscal Income Statement After Tax Planning

Description	Commercial	Beda Stay	Beda Time	Fiscal
Sales Cost of Goods Sold	10.097.338.000			10.097.338.000
HPP-Shell Flour	6.330.149.132			6.330.149.132
HPP- Teak Flour	140.449.345			140.449.345
HPP-Sticky Flour	1.767.892.417			1.767.892.417
HPP-Rattan Flour	7.616.853			7.616.853
HPP-Pine Flour	96.195.920			96.195.920
HPP-Starch Composition	39.697.094			39.697.094
HPP-Yellow Flour	7.027.986			7.027.986
HPP-Ampas Garu	24.042.704			24.042.704

Total COGS	8.413.071.451		8.413.071.451
Gross Profit (Loss)	1.684.266.549		1.684.266.549
Operating Expenses			
Employee Expenses	-		
Sales Transportation Expenses	200.335.500		200.335.500
Other Expenses:			
Entertainment & Relationship Expenses	5.542.300		5.542.300
Commission Expense	102.351.000		102.351.000
Other Operating Expenses	242.750		242.750
Total B. Operational	308.471.550		308.471.550
Administrative Expenses and			
General			
Salary Expense:	418.878.000		418.878.000
Salary and Staff Expenses	25.122.131		25.122.131
Tax Allowance	28.706.500		28.706.500
THR Expenses	216.758.900		216.758.900
Insentive load, overtime,	1.858.889		1.858.889
Bonus	16.825.500		16.825.500
Treatment burden			
Office Travel Expenses	1.318.880		1.318.880
Building & Building Expenses: Building Maintenance Expenses	3.948.167		3.948.167
IPEDA, IREDA, PBB expenses	7.671.995		7.671.995
Communication Load	4.624.770		4.624.770
Telephone Expense			
Postal Item Load	-		-
Office Expenses:	149.799		149.799
Water & Electricity Load	526.000		526.000
Molded Goods Expense	1.857.766		1.857.766
Photocopy Requirement Load	3.919.144		3.919.144
Stationery expenses	1.077.400		1.077.400
Small Inventory Expense	3.321.270		3.321.270
Inventory Maintenance Expense			
House Requirement Load Stairs	1.850.000		1.850.000
Licensing Expenses	1.761.000		1.761.000
General Vehicle Load:	9.193.225		9.193.225
Fuel, Parking, Toll Charges	2.160.000		2.160.000
Maintenance Expenses	-		-
Vehicle STNK Expense	6.704.084		6.704.084
Spare part expenses	2.351.000		2.351.000
Insurance Expenses:			
Fire Insurance Expenses	22.800.000		22.800.000
Vehicle Insurance Expenses			
Consultant and Expertise Expenses	14.970.000	2.152.500	17.122.500
Third Party Depreciation Expense:	4.014.978		4.014.978
Vehicle Depreciation Expense			
Inventory Depreciation Expense Total B.Adm & General	802.369.398		804.521.898
Other Income (Expense)			
Current Account Service Income	2.622.873		2.622.873
Secondhand Sales	6.175.005		6.175.005
Other sales	68.000		68.000
Other expenses:			
Bank Adm and Interest Expenses	(48.453.901)		(48.453.901)
Donation Expense	(999.200)		(999.200)

Other Expenses	-	-
Total Other income (expense)	(40.587.223)	(40.587.223)
Profit (Loss) Before Tax	532.838.378	530.685.878

Table 3 is the profit and loss statement of the business sector after tax planning for the year 202X. The following is an explanation of the strategies that can be carried out by business sector businesses.

1. Selection of Alternative Basis of Bookkeeping and Bookkeeping Procedures The basis of business bookkeeping in the business sector has been using the *accrual basis* method in the preparation of commercial and fiscal finances where income and expenses are recorded and reported when transactions or transfers of rights and obligations arise, even though money has not been received or paid. Fiscal accounting recognizes two methods, namely *accrual basis* and *modified cash basis*, the difference between the two methods lies in the recording. *Modified cash basis* is a method of recognizing costs and revenues at the time of payment while *accrual basis at* the time of the transaction. business sector businesses have been appropriate in determining the use of the *accrual basis* bookkeeping method so that these costs can be deducted from gross income even though payment has not been made, so the tax payable will be small.
2. Selection of Fixed Asset Depreciation Method. The depreciation methods allowed by tax are the *double declining* balance and *straight* line depreciation methods. The straight line method will result in a depreciation expense that is always the same every year while the declining balance method will result in a larger depreciation expense at the beginning of the asset acquisition year and will decrease in subsequent years at the end of the economic life of the asset will result in the same amount of depreciation expense. Based on the data in table 2 and table 3, the business sector uses the straight-line method for depreciation of fixed assets and it is known that in 202X the cost of depreciation of fixed assets using the straight line amounted to Rp 112,225,769, - . After fiscal correction, the depreciation expense became Rp 114,378,269. The difference in cost recognition of Rp 2,152,500, - can provide an opportunity to optimize the cost of depreciation of fixed assets that help the taxable profit becomes smaller. Small taxable profit then the tax payable is also small and vice versa.
3. One form of optimizing company expenses is to minimize expenses that have nothing to do with company operations, strive for all expenses incurred to be supported by evidence because both of these things cause fiscal corrections, and prevent expenses that are only allowed 50% to be recognized. From the financial statements of business sector businesses, companies can still apply tax planning to minimize tax payments, by:

   a. Entertainment and relationship expenses experience fiscal correction because the use of these expenses according to Tax Law Number 9 paragraph 1 cannot be used as a gross deduction. The following steps can be taken in tax planning, namely:
      a) For the provision of wedding donations amounting to Rp 500,000, - is an expense that cannot be deducted from gross income. One way to monitor company expenses by company management does not occur, because expenses that are not related to the company's 3M activities, tax-wise cannot be tolerated so they must be corrected.
      b) Because the purchase of 1 (one) funbike invitation of Rp 75,000 is an expense that is not related to the company's 3M activities, it must still be corrected.

   b. Other expenses there are donation expenses in the amount of Rp 999,200, - given to the orphan foundation, this expense must be corrected fiscally because the expenses incurred according to the provisions of Tax Law No. 9 paragraph 1 cannot be used as a deduction from gross income. In order to be expensed, the company management should allocate it to the amil zakat foundation that has been authorized by the government.

2. Providing Income Tax 21 allowance using the *Gross Up* method

Every employee whose income exceeds PTKP has an obligation to pay tax. This obligation comes from all income received from business sector employers including basic salary, THR and all allowances where the amount of income must be reduced by office expenses and PTKP. The result of the reduction will result in PKP which will be the basis for calculating Income Tax 21 using the tariff of article 17 paragraph 1 (a) of Law No. 36 of 2008. Regarding this Income Tax 21, the company has alternative policies, among others:

a. Income tax is borne by the employee in the sense that the tax is deducted directly from the employee's income.
b. Income tax is borne by the company where the company will fully pay the tax owed by the employee without deducting it from the employee's income, and the tax borne cannot be a deduction from the company's gross income.
c. The income tax support is an element that adds to the employee's income so that the amount of Income Tax Article 21 benefits is the same as the Income Tax Article payable. This method is called Gross Up.

The method used by business sector enterprises is the second point where business sector enterprises bear the tax payable by employees. This step can be detrimental to the company because according to tax, these costs cannot be used as a deduction from gross income. Tax planning that is very helpful is to use the *Gross Up* method, where the company provides an Income Tax Article 21 allowance equal to the Income Tax Article payable. Comparison and calculation before and after using the *Gross Up* method can be seen in tables 3 and 4. This strategy can help minimize Taxable Income. If the taxable income is small, the tax payable is also small and vice versa. Comparison and calculation of income tax payable before and after tax planning can be seen in table 4.

Table 3. Comparison of Income Tax Payable Before and After Tax Planning

Before Tax Planning			**After Tax Planning**		
Commercial Profit Fiscal Correction		IDR 536,441,984	Commercial Profit Fiscal Correction		IDR 532,838,378
-Fixed Difference -Different Time	Rp 22,517,725 Rp (2,152,500)	IDR 20,365,225	-Fixed Difference -Different Time	Rp (2,152,500)	IDR 2,152,500
Total Fiscal Correction			Total Fiscal Correction		
Taxable Income Income Tax Payable: 25% x IDR 556,807,209		IDR 556,807,209 IDR 139,201,802	Taxable Income Income Tax Payable: 25% x IDR 530,685,878		IDR 530,685,878 IDR 132,671,469
Total Income Tax Payable Tax Credits:		IDR 139,201,802	Total Income Tax Payable Tax Credits:		IDR 132,671,469
Income Tax Article 25		IDR 6 ,350,091	Income Tax Article 25		IDR 6 ,350,09 1
Total Tax Credit		Rp 6.350.091	Total Tax Credit		Rp 6.350.0 91
Income Tax Underpayment		IDR 132,851,711	Income Tax Underpayment		IDR 126,321,378

Conclusion

Based on the data that has been processed, researched, and the results of the analysis and discussion that has been stated in the previous chapter, several conclusions can be drawn from the business sector business tax, among others: 1) Proving that Tax Planning is one of the effective ways to minimize the tax burden, 2) After the implementation of tax planning, the fiscal profit and loss becomes smaller so that the taxable profit is also small. Taxable profit becomes the basis for calculating the amount of tax payable. Before the application of tax planning, the tax to be paid is Rp 132,851,711 while after planning, the tax to be paid is Rp 126,321,378 in 202X, 3) The Income Statement prepared by the business sector business in 2011 is in accordance with SAK which has resulted in a commercial profit of Rp 536,441,984. The Income Statement of the business sector business has a positive fiscal correction which results in the fiscal profit being greater than the commercial profit of Rp 556,807,209, 4) the business sector business bears Income Tax Article 21 payable by employees, so that Income Tax Article 21 cannot be charged as a deduction from gross income, 5) the business sector business recognizes expenses that are not related to obtaining, collecting, and maintaining income, and recognizes expenses for which there is no evidence so that they must be corrected, 6) the business sector business uses the straight-line method in depreciating fixed assets.

The emergence of problems and conclusions that have been stated above can be seen that BUSINESS SCETORhas not understood deeply about tax laws and regulations so that it has not been able to implement tax planning or in other words has not taken advantage of taxable income deduction opportunities allowed by law.The following are some suggestions that can be given to the company, among others: Providing facilities to employees related to taxation in the form of training or training to provide understanding and information on taxes applied so as to provide tax planning strategies to assist the company in achieving the company's vision, Expenses for wedding donations and expenses that are not included in income deduction in entertainment and relationship expenses should not be charged because they are not related to earning, collecting, and maintaining income so they must be corrected, Expenses for donations made to orphan foundations cannot be used as a deduction from gross income. Tax planning that can be done is by allocating to the amil zakat foundation body that has been authorized by the government, providing Income Tax Article 21 allowances to employees, so that it can be charged as a deduction from gross income.

Reference

Resmi, S. 2009. *Taxation: Theory and Cases.* Salemba Empat. Jakarta Suandy, E. 2009. *Tax Planning.* Fourth Edition. Salemba Empat. Jakarta

Law Number 36 Year 2008 on the Fourth Amendment to Law Number 7 Year 1983 on Income Tax.

Law Number 17 Year 2000 concerning the Third Amendment to Law Number 17 Year 1983 concerning Income Tax.

Law Number 6 of 1983 as amended by Law Number 28 of 2007 concerning General Provisions and Tax Procedures.

Waluyo. 2006. *Indonesian Taxation: Discussion in accordance with the Provisions of Tax Legislation and the Latest Tax Implementation Rules.* Salemba Empat. Jakarta.

Waluyo. 2008. *Indonesian Taxation.* Eighth Edition. Salemba Empat. Jakarta. Zain, M. 2007. *Taxation Management.* Eighth Edition. Salemba Empat. Jakarta.