Tax Review of Corporate Income Tax as a Strategy of Tax Management

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ABSTRACT: The purpose of this study is to analyze the application of tax review of corporate income tax as a tax management strategy on PT. X Period 2017-2019. The research method used in this study is qualitative descriptive. The data used in this study was obtained from interviews, observations, document studies and online research. This research was conducted at PT X for the period 2017, 2018 and 2019. The results of research related to the implementation of tax review of corporate income tax is a fiscal correction that is carried out not in accordance with the Tax Law and Tax Regulations that apply in Indonesia. Corporate tax income PT. X in 2017, 2018, 2019 became more paid, underpaid and nil. There is a potential tax shock that can cause companies to be prepared in case of tax checks so that companies must do better tax management.

KEYWORDS: Corporate Income Tax, Fiscal Correction, Tax Management, Tax Review.

I. INTRODUCTION

Taxes are still the largest source of income in Indonesia compared to other sources of income. In addition to being one of the largest sources of income in Indonesia, taxes also have the function of regulating or as a tool of government policy to achieve certain goals. State revenues (Ministry of Finance of the Republic of Indonesia, 2020)¹ in the period 2016-2019 experienced an increase in development of 8.0 percent per year. Nominal state revenue realization also increased from Rp1,555,934.2 billion in 2016 to Rp1,960,633.6 billion in 2019. Tax revenues and PNBP contribute greatly to state revenues with average percentages of 80.0 percent and 19.4 percent. Apart from these two sources of income, grant receipts also contributed with an average of 0.6 percent during the 2016-2019 period.

Tax revenues in the period 2016-2019 consist of Income Tax, Value Added Tax (VAT) and Sales Tax on Luxury Goods, land and building tax, and Other Taxes account for an average of 85.4 percent of total tax revenue. Nominal tax revenue increased from Rp1,105,974.0 billion in 2016 increased to Rp1,332,666.4 billion in 2019. In that time period, tax revenues increased by an average of 6.4 percent with the highest percentage occurring in 2018 of 13.0 percent in line with the high prices of world oil and other mining commodities. In 2019, taxation growth slowed to 1.8 percent. Income tax revenue, consisting of oil and gas income tax and non-oil and gas income tax, increased by an average of 5.0 percent in the period 2016-2019. In detail, oil and gas income tax increased by an average of 17.9 percent in the period 2016-2019 and non-oil and gas income tax increased by an average of 4.2 percent per year.

One of the tax collection systems adopted by Indonesia gives tax payers the freedom to calculate, deposit, and report the amount of tax owed. Of the three stages of self assessment system, the stage of calculating the amount of tax owed is the most difficult stage. Taxes owed must also be based on the provisions stipulated in tax laws and tax regulations, but in its implementation there are sometimes some differences in the recognition of income and expenses according to tax laws and tax regulations with Financial Accounting Standards (SAK). Therefore, in determining the taxes owed, the company needs to make fiscal corrections to make adjustments to the difference in recognition principles between tax laws and tax regulations with SAK. Therefore, companies usually conduct tax reviews as a tax management strategy carried out by companies in an effort to minimize the occurrence of tax shocks.

Research on the application of the Tax Review on Corporate Income Tax has been conducted in recent years. One of them was carried out by Oktavian and Apriliawati (2021)² who stated that the research object had not made optimal recognition of income and costs, but in its deposits and reporting was in accordance with applicable tax regulations.

Research on the application of Tax Review on Corporate Income Tax was also conducted by Saridewi and Noviari (2017)³, mentioning in the results of his research that the obligation to deposit and report taxation is in accordance with tax provisions
but in the calculation of the preparation of the Annual Tax Return of Corporate Income Tax there are several errors in the imposition of costs on fiscal income statements so that the taxes owed according to tax provisions are greater.

This research is a replication of Oktaviani and Apriliawati's research (2021). The difference between this study and previous research is that researchers conducted research on tax review on the type of annual corporate income tax conducted for 2017, 2018 and 2019 at PT. X.

Based on the background and research gap that has been described above, this Research Formulation is as follows:

1. How to Apply Tax Review on Fiscal Correction in PT. X for 2017-2019 based on the Tax Law and Tax Regulations applicable in Indonesia?
2. How to Apply Tax Review on the calculation of Corporate Income Tax owed by PT. X 2017-2019 based on tax law and tax regulations that apply in Indonesia?
3. How to Implement Tax Review as an effort to manage Corporate Income Tax owned by PT. X?

Based on the formulation of the problems that have been described above, the purpose of this research is to analyze the Application of Tax Review on Fiscal Correction, Calculation of Income Tax of Outstanding Entities and Implementation of Tax Obligations at PT. X for 2017-2019 based on the Tax Law and Tax Regulations applicable in Indonesia.

II. THEORETICAL STUDIES

Tax Management

Tax Management (Suandy, 2020) is a means of properly fulfilling tax obligations, but the amount of tax paid can be reduced as low as possible to obtain the expected profit and liquidity. The purpose of tax management is divided into two, namely implementing tax regulations correctly and efficiency efforts to achieve profit and liquidity should be. Tax management objectives can be achieved through tax management functions consisting of tax planning (tax planning), implementation of tax obligations (tax implementation), Tax Control (tax control). One of the functions of tax management is tax planning which is Tax Planning (Suandy, 2020) is the first step in tax management. At this stage, the collection and research on tax regulations can be selected the types of actions and tax savings that will be carried out. In general, the emphasis of tax planning (tax planning) is to minimize tax liability. Tax planning (Suandy, 2020) is divided into two, namely National Tax Planning and International Tax Planning. The main difference between national tax planning and international tax planning is the tax regulations used. So for national planning based on the Law and Regulations of Taxation that applies in Indonesia. One of the national tax planning is tax review (Tax Review).

Tax Review (Tax Review)

According to (Suandy, 2020), tax review is an examination of all tax obligations in a company and the implementation of the fulfillment of these obligations both from the way of calculation, deposit, repayment and reporting to assess tax compliance (tax compliance) that has been carried out. In its implementation, the party who conducts the tax review will identify an aspect of taxation in the company including the rights and obligations contained in it. From these two things we will know the company's position in terms of tax compliance; whether the company has carried out all tax obligations correctly (full compliance), whether there are obligations that have not been or are not implemented (under comply), or whether there is excessive tax obligation fulfillment (over comply). In this case the common aspects of taxation in companies are Corporate Income Tax, Income Tax Article 21, Income Tax Article 23.22.26, Final Income Tax, Income Tax Article 24, VAT and Sales Tax on Luxury Goods.

In carrying out a tax review of corporate income tax are as follows:

1. Study the basis of income and cost recognition and calculation of taxable income
2. Reviewing the accuracy of calculations, the validity of the relevant documents and the timeliness of deposits and reporting monthly installments of Income Tax Article 25
3. Review tax credits that have been withheld by third parties
4. Reviewing the company's record keeping and bookkeeping
5. Reconcile between business circulation according to financial statements and according to the VAT Period Tax Return.

Corporate Income Tax

Corporate Income Tax is imposed on the taxable income received by the Corporate Tax payer after a fiscal correction is made. In Article 16 of Law No. 36 of 2008 concerning the Fourth Amendment to Law number 7 of 1983 concerning Income Tax, Taxable
Income (PKP) as a basis for calculation to determine the amount of income tax owed for a tax year, calculated by reducing gross income with deductible expenses and fiscal loss compensation. Based on the provisions of Law No. 36 of 2008 concerning the Fourth Amendment to Law number 7 of 1983 concerning Income Tax, the amount of tax owed on the Notification Letter (tax return) submitted by the Corporate Tax payer is the amount of tax owed according to the provisions of the Income Tax Law. The financial statements prepared by the company must be adjusted to the Tax Law and applicable tax regulations (fiscal) first, when the financial statements are to be used as a basis for tax calculations and the creation of income tax returns submitted to the tax office. This provision is known as fiscal reconciliation. Fiscal reconciliation occurs because the company's financial statements refer to financial accounting standards (SAK), which are not always in accordance with tax provisions. Generally, fiscal reconciliation is carried out because there is a difference in calculation between commercial profit (which is arranged under accounting provisions) and fiscal profit (which is prepared based on tax provisions).

According to (Sumarsan, 2015), the difference in commercial financial statements with fiscal financial statements is due to:

1. Differences in Accounting Principles
   a. Principles of Conservatism. Formed allowance or reserve of doubtful receivables or uncollectible receivables in commercial accounting. But it is not recognized in the calculation of fiscal profit and loss.
   b. The principle of acquisition price (cost). In commercial accounting, the determination of the cost of goods produced can be included in the element of cost in the form of natural pleasure provided by labor. In fiscal terms, expenditure in the form of natura is not recognized as a deduction/cost.

2. Differences in Accounting Methods and Procedures
   a. Inventory Assessment Method. In commercial accounting can choose the method of calculation / determination of the price of acquisition of inventory, such as average, FIFO, LIFO, gross profit approach, retail selling price approach, and others. In fiscal it is only allowed to choose two methods, namely average and FIFO. The difference in this method will result in the calculation of gross profit which in turn results in a different net profit between commercial profit and fiscal profit.
   b. Methods of shrinkage and amortization. Commercial accounting has many depreciation methods such as the straight line method, the sum of the years digits method, the declining balance method or the double declining balance method, the machine clock method, the method of number of units produced, methods by type and group and others for all types of tangible property. In fiscal, the depreciation method used is the straight line method (GL), the decreased balance method (SM).
   c. The method of allowance of receivables is not collectible. In commercial accounting the form of allowance of receivables is doubtful but in tax accounting the burden of uncollectible receivables cannot be deducted as expenses. Receivables that are completely uncollectible after new active billing can be recognized as expenses in the calculation of fiscal profit and loss. But the establishment of uncollectible receivable reserves for the bank industry, leasing, with option rights, insurance can be recognized as a burden in the Tax Law and applicable tax regulations.

The cause of the difference in commercial financial statements with fiscal financial statements is due to permanent differences (Permanent Differences) and time differences (Timing Differences), which are explained as follows:

1. Permanent Different
   a. Income that has been subject to the final income tax
   b. Income that is not the object of income tax
   c. Expenses that are not allowed as a deduction for income,
2. **Time Difference**

The time difference occurs due to differences in income recognition and expenses between SAK and tax provisions caused by a shift in income recognition or expenses from one tax year to another tax year. This difference is temporary because the difference will be closed in later periods. Basically, the time difference means that there is no difference in the recognition of income and expenses in total, but because of the difference in recognition divided into several reporting periods, there will still be differences in each period. As for the conditions that cause time differences in general, among others, because of the following differences between commercial and fiscal record keeping of the company:

a. Differences in depreciation methods
b. Differences in inventory valuation methods

d. Expenses related to income that are not tax objects.
e. Expenses related to income that has been taxed are final.

Therefore, the company must make fiscal corrections to change the recorded figures in accordance with accounting / commercial provisions into numbers that are in accordance with taxation / fiscal provisions. Fiscal corrections can be both positive and negative fiscal corrections, which are described as follows:

1. **Positive Fiscal Correction**

Fiscal corrections that lead to an increase in taxable income, thus making the income tax owed becomes greater. A positive fiscal correction generally includes two actions, namely reducing costs or increasing revenue. In general, a positive fiscal correction is made to costs with the following criteria:

a. Costs that are not directly related to the company's business activities to earn, collect, and maintain revenue.
b. Fees that are not allowed as a deduction for taxable income.
c. Recognized costs are smaller under tax provisions, such as depreciation, amortization, as well as deferred expenses that according to taxpayer calculations (commercially) should be charged higher.
d. Expenses related to income that are not tax objects.
e. Expenses related to income that has been taxed are final.

2. **Negative Fiscal Correction**

Fiscal corrections that cause reduced taxable income, thus making the income tax owed becomes smaller. Negative fiscal correction includes two actions: reducing revenue or increasing costs. In general, negative fiscal corrections are made to income or expenses with the following criteria:

a. Income that is not a Tax Object (article 4 paragraph 3 of the Income Tax Law)
b. Income whose taxation is final (article 4 paragraph 2 of the Income Tax Law
c. Fewer Cost of Inventory Principal

Depreciation Costs that are less;

The Research Framework in this study is that researchers want to conduct research analysis of the application of tax review on corporate income tax on PT. X Period 2017-2019 with the following frame of mind:

**Figure 1 Frame of Mind**

In the figure above, researchers conducted an analysis of the implementation of the Tax Review on Corporate Income Tax in 2017-2019 at PT. X to find out the fiscal correction, the calculation of corporate income tax that has been carried out by PT. X has been in accordance with the Income Tax Law and other applicable tax provisions as well as the fulfillment of tax obligations by PT. X.
III. METHODOLOGY

The research method used in this research is qualitative research method. According to (Sugiyono, 2020) qualitative research methods are called as new methods, because of their popularity not long ago, called postpositivistic methods because they are based on the philosophy of postpositivism. The data analysis used in this study is descriptive data analysis. According to (Sugiyono, 2020), descriptive analysis / (describe) is done by selecting data related to the formulation of problems or research questions. Then, this study uses a case study strategy. According to (Mawardi, 2019)7 Creswell explained that case studies are an exploration of a system that is bound or a case / variety of cases that over time through in-depth data collection and involve various sources of rich information in a context. The role of researchers in qualitative research is the main instrument, which is a planner, data collector, analyst until finally as the originator of research. The company used as an analysis unit in this research is PT. X. The reason researchers chose PT. X as a unit of analysis is because researchers have been able to obtain the data needed to conduct this study, another factor that makes researchers choose PT. X is a problem experienced by PT. X will be discussed in this study. The research place is PT. X is located in South Jakarta, Indonesia. The data collected from this study comes from two sources, namely primary data and secondary data. The data collection methods and techniques used in this study are interviews, observations, document review and online research. The data analysis technique used in the research is to use the steps as stated by (Sugiyono, 2020) which are as follows:

1. Data Collection
2. Display Data
3. Comparing fiscal corrections in determining taxes owed for 2017–2019 conducted by PT. X with Researchers based on the analysis performed
4. Conclusion Drawing and Verification is the final activity of data analysis. Draw conclusions in the form of interpretation activities, namely finding the meaning of the data that has been presented.

In this study PT. X does not allow company names to be disclosed to maintain data confidentiality, only the necessary information that will be written and included in this research is done to prevent losses that may lead to the dissemination of confidential data.
IV. RESULTS AND DISCUSSIONS

The results of the research on the analysis of the application of tax review of Corporate Income Tax on PT. X period of 2017-2019 is as follows:

Fiscal Correction

There are several fiscal corrections made by PT. X against the commercial income statements for 2017, 2018, and 2019 that are not in accordance with the Tax Law and Tax Regulations applicable in Indonesia, with the following details:

1. In 2017, PT. X makes neither positive nor negative fiscal corrections to earnings accounts and expense accounts. After the analysis again, there was a positive fiscal correction of temporary different amounting to Rp. 472,828,499 and permanent different of Rp. 232,630,446,697 and a permanent negative fiscal correction of Rp. 143,317,545,162.

2. In 2018, PT. X made fiscal corrections to some income and expense accounts but there are still income and expense accounts that do not make fiscal corrections. After the analysis again, there was a temporary different positive fiscal correction of Rp. 3,062,156,563 and a permanent different of Rp. 56,564,803,474 and a permanent negative fiscal correction of Rp. 121,908,045.

3. In 2019, PT. X also made fiscal corrections to some income and expense accounts but there were still accounts that were not corrected, so that after reanalyzing there was a temporary different positive fiscal correction of Rp. 863,481,584, permanent different of Rp. 47,447,887,445 and a temporary negative fiscal correction of Rp. 1,673,702,741, permanent different of Rp. 14,858,308,977.

So that the results of research on the Fiscal Correction Tax Review in 2017-2019, PT. X has not fully made fiscal corrections for 2017-2019 in accordance with the Tax Law and Tax Regulations in force in Indonesia.

Calculation of Income Tax of The Outstanding Body

The calculation of Corporate Income Tax for 2017, 2018 and 2019 is as follows:

1. In 2017, the 2017 Corporate Income Tax DPP amounted to Rp. 78,334,892,000 multiplied by a rate of 25%. So that the Corporate Income Tax owed in 2017 was Rp. 19,583,723,000 minus the tax credit of Rp. 19,468,480,764 and caused 2017 to experience underpayment of Rp. 115,242,246.

2. In 2018, the DPP PPh Of The Agency in 2018 was Rp. 221,707,625,000 by multiplying the corporate income tax rate by 25% then the Corporate Income Tax Owed for 2018 was Rp. 55,426,906,250 minus the tax credit of Rp. 22,038,540,992 so that the Underpayment Income Tax for 2018 was Rp. 33,388,365,258.

3. In 2019, PT. X suffered a fiscal loss of Rp. 21,967,083,645, so for this reason there is no outstanding Corporate Income Tax or NIHIL.

So that the results of the Tax Review research on the Calculation of Corporate Income Tax for 2017 and 2018 have not been in accordance with the Tax Law and Tax Regulations that apply in Indonesia while for 2019 it is in accordance with the Tax Law and Tax Regulations that apply in Indonesia.

Implementation of Tax obligations

The results of research on tax review fulfillment of tax obligations in 2017, 2018 and 2019 are in the Deposit Obligation for 2019 has been carried out in accordance with the Tax Law and Taxation Regulations that apply in Indonesia while in 2017 and 2018 PT. X is late in depositing underpaid income tax this is not in accordance with the Tax Law and Tax Regulations that apply in Indonesia. Meanwhile, the reporting of the Annual Tax Return of The Agency Tax in 2017-2019 PT. X late reported the Annual Tax Return of The Agency's Income Tax on this matter is also not in accordance with the Tax Law and Tax Regulations that apply in Indonesia.

Based on the above explanation, that the results of previous research according to Yuni, Sudiana, and Nuratama (2020)⁸, Leny Rismawaty and Indra Wijaya (2017)⁹, Saridewi and Noviari (2017) mentioned that the Tax Review on Fiscal Correction and Calculation of Corporate Income Tax has not been carried out in accordance with the Tax Law and Tax Regulations in force in Indonesia, however, for tax obligations deposits and reporting have been carried out in accordance with the Tax Law and Tax
Regulations that apply in Indonesia. Meanwhile, according to Oktaviani and Apriliawati (2021) and Rukmanah, Syafi’I and Pudjowati (2017)\(^{10}\), the fiscal correction and calculation of Corporate Income Tax and the implementation of tax obligations on Corporate Income Tax has been carried out in accordance with the Tax Law and The Regulation of Immigration in force in Indonesia. For this reason, nothing is in line with the research conducted by researchers, although there are three previous research results that state that fiscal corrections and calculations of Corporate Income Tax have not been or are not carried out in accordance with the Tax Law and Tax Regulations that apply in Indonesia which also occurs in this study, but for Tax obligations in the form of deposits and reporting in the results of this study is not carried out in accordance with the Law on Taxation and Taxation Regulations that apply in Indonesia which also occurs in this study, but for Tax obligations in the form of deposits and reporting in the results of this study is not carried out in accordance with the Law. Taxation and Taxation Regulations that apply in Indonesia.

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

Conclusions on the research on the Analysis of the Application of Tax Review on Corporate Income Tax at PT. The X Period of 2017-2019 is as follows:

1. *Results of Tax Review* on Fiscal Correction of Income and Expense Accounts for 2017, 2018 and 2019 PT. X has made fiscal corrections but there are still accounts that have not been corrected by PT. X is in accordance with the Tax Law and Tax Regulations that apply in Indonesia.

2. The results of the *Tax Review* on the Calculation of Corporate Income Tax in 2017, 2018 and 2019 are the calculation of Corporate Income Tax conducted by PT. X is not yet in accordance with the Tax Law, which for 2017 and 2018 corporate income tax is owed less according to the company than according to the Tax Law and Tax Regulations that apply in Indonesia. As for 2019, the Corporate Income Tax is owed according to PT. X is in accordance with the Tax Law and Tax Regulations that apply in Indonesia.

3. The results of the *Tax Review* on the fulfillment of corporate income tax obligations for 2017, 2018 and 2019 state that PT. X has not fully carried out its tax obligations in accordance with the Tax Law and Tax Regulations that apply in Indonesia both in terms of depositing income tax of underpaid entities and reporting annual tax returns of PT. X for Years 2017, 2018 and 2019.

Recommendations

Based on the results of the research analysis of the application of *tax review* on corporate income tax on PT. X Period 2017-2019, recommendations that can be made by PT. X is as follows:

1. Correcting the Annual Tax Return of The Agency Income Tax in 2017, 2018 and 2019 by paying attention to fiscal corrections to all income and expense accounts.

2. Depositing all underpayment taxes along with administrative sanctions due to the correction of the Annual Tax Return of Corporate Income Tax in 2017, 2018 and 2019 to avoid increasing the number of administrative sanctions received by PT. X.

3. Complete the *payment voucher* with supporting evidence of all transactions made by PT. X, in order to prove the correctness of the transaction in the event of a tax check at a later date.

4. Providing training to all tax staff from various levels regarding the Tax Law and Tax Regulations to minimize errors in the field of taxation.

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