

ANALYSIS OF IMPLEMENTATION CORPORATE SOCIAL RESPONSIBILITY TOWARD THE RATE OF INCOME TAX PAYABLE OF CORPORATE TAXPAYERS

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Abstract - After reformation, there are negative events strike down company, the companies are protested, sacrilegged or destroyed by the people around the location of factories. It should be valuable experience for the owner and management of the company to pay better attention and responsibility to society, especially, who live around the location of company. The government attention as the regulator party has accommodate social demands in order that the company parties play a role in keeping harmonic social environment which is stated in Law of Republic of Indonesia Number 40 year 2007 concerning to Limited Liability Company, on Article 74 stating that companies which are running their business in the field and/or concerning to natural resources are obliged to do social and environmental responsibilities. Concerning to above matter, Directorate General of Taxation issues incentive tax which allows expenditures (funds of scholarship, apprentice and training along with contribution for overcoming national disasters, conducting research and development, building social infrastructures, education facilities and sport development) social responsibility as the alleviation of income tax. The expenditure as alleviation of income tax has been ruled in article 6 subsection 1 The Law of Income Tax Number 36 year 2008.

The object of this research is the financial report applying Corporate Social Responsibility. The main topic is how far the application of Corporate Social Responsibility is able to economize the expenditure of income tax payable of corporate taxpayer. To find out the solution of the main topic above, this research applying hypothesis that the rate of income tax payable of corporate taxpayer which is counted before the application of Corporate Social Responsibility is higher than after the application of Corporate Social Responsibility. The verification is carried out

by comparing income tax payable before the application Corporate Social Responsibility to after the application of Corporate Social Responsibility.

Based on the result of analysis, it can be proved that the application of Corporate Social Responsibility is able to give tax-saving for seven years as much as Rp. 121,224,800 or about 2.7% per year.

Keywords : Corporate Social Responsibility, Income Tax Payable, Corporate Taxpayer, Tax Saving.

I. INTRODUCTION

Tax has a pivotal role in national life, especially in the implementation of development because the tax is a source of state revenue to finance all the expenditure including the expenditure of development.

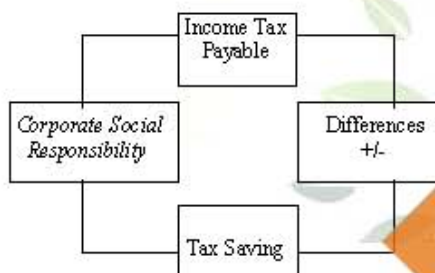
In an effort to secure increased state revenue, create a neutral tax system, a simple, stable, give it more justice, and more can create the necessary legal certainty and transparency of Law Number 36 Year 2008. With this law is expected to provide legal certainty for investors to meet tax obligations. One of them is the arrangement fee in the fulfillment of corporate social responsibility.

The concept of corporate social responsibility has been recognized since the beginning of 1970, which is generally defined as a set of policies and practices relating to the *stakeholders*, the values, the fulfillment of the provisions of law, respect the community, environmental, and business commitment to contribute to sustainable development. CSR is not only a company of creative activities and not limited to mere legal code compliance.

In accounting, the social responsibility expenditure are charged as expenses. This is in accordance with the Law of Limited Liability Company No. 40 Article 74 paragraph (2). While the cost of taxes which may be

recognized as expenses provided for in Article 6 paragraph 1 of the Income Tax Act No. 36 of 2008. There is recognition that costs are expenditures of corporate social responsibility are recognized by the tax. These costs can reduce corporate profits which in turn would reduce the amount of tax owed. Therefore, the author is interested in conducting research on corporate social responsibility and the calculation of the amount of tax payable after the application of such corporate social responsibility. The results are prepared in the form of articles entitled "Analysis of Implementation of Corporate Social Responsibility Toward The Rate of Income Tax Payable of Corporate Taxpayers"

Furthermore, based on the description above chart frame of mind in this research is described as follows:



II. LITERATURE REVIEW

Understanding Taxation

Definition of tax raised by experts include the following. According to Prof. Dr. H. Rochmat Soemitro SH, taxes are the dues to the people of the State Treasury under the law (which can be enforced) with the service received no lead (contra achievement) which can be shown directly and used to pay for general expenses. Tax is the transition of wealth from the people of the State Treasury to finance routine expenditure and the surplus was used for public saving which is the main source for financing public investment.

Meanwhile, according to Ray M. Sommerfeld, M. Herschel Anderson, & Horace R. Brock, a tax is a transfer of resources from the private sector into the government sector, not the result of violations of the law, but shall be carried out, based on the terms defined in advance, without obtaining a direct benefit and proportional, so the government can execute its tasks to run the government.

Tax is calculated using the information for financial reporting purposes, as for the interests of state revenue, commercial

information in the financial statements are adjusted first with tax rule. Income tax imposed on the accumulated total income net of income tax for one year. For companies, tax is levied on profits derived by an enterprise during a tax year.

Profit or loss is often used as a measure to assess achievement of the company or as a basis for assessing the size of others, such as earnings per share. The elements forming part of profit are income and expenses. By classifying the elements of revenue and costs, will yield different measurements of income are: gross profit, operating profit, profit before tax and net income.

One of the costs arising from its activities is the cost of corporate social responsibility (CSR), this cost arises due to awareness of the business sector or company to care about the environment around them. The problem is that when funding is needed in running a large CSR, because these costs will affect corporate profits earned.

Taxes have a function as a regulator (regulerend) by Erly Suandy (2005:14) regulated function that is used as a tool of tax to regulate society, both in the field of economic, social or political purpose. Tax treatment for the costs of social responsibility, which may be deducted is in Article 6 paragraph (1) Income Tax Act No. 36 of 2008. So the company is expected to conduct CSR programs, because the cost of CSR can be recognized by the tax and can deductible to tax owed.

Understanding Corporate Social Responsibility

Company should not always maximize profits for their shareholders, but they have to undertake activity that might be regarded as socially responsible with their environment where it place. Corporate social responsibility can be form as charity or community development. The law number 40 year 2007 of the amendment to law of limited liabilities companies in paragraph 74 about company obligation for corporate social responsibility.

CSR gives attention to environmental and social to the operations and interaction with stakeholders beyond the responsibility in law (Darwin, 2004). In the present industrial development, public pressure for companies to make corrections to their company's operating systems to become a system that has a caring and social responsibility is very strong, technological and industrial development is

rapidly required to contribute positively to the surrounding environment.

Here are various definitions of CSR which is collected from various sources. **World Business Council for Sustainable Development** in its publication entitled *Making Good Sense* (2002), citing **Lord Richard Holme & Watts (2000)** who defines CSR as follows:

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to development economics while improving the quality of life of the workforce and their families as well as of the local communities and society at large." (www.mallenbaker.net)

The World Bank in the International Finance Corporation (2008: 28):

"Corporate Social Responsibility (CSR) is the commitment of business to contribute to sustainable economic development working with employees and their representative, the local community and society at large to improve quality of life in ways that are both good for business and good for development."

World Council for Sustainable Development (2003: 1) called CSR as:

"Continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

Cost of tax-recognized CSR

The cost of CSR is not simply as expenses to cost centers but can be redirected into profit centers. The basic principle should be a reference in determining whether expenditure is charged as a deduction from gross income of business as has been adopted in Article 6 paragraph (1) Law No. 17 Year 2000 on Income Tax (Income Tax Act), namely the principle of 3 M (obtaining, collecting and maintaining the income) still just make a difference in interpretation between the tax authorities and taxpayers.

Theoretical concepts of the kinds of costs as a deduction from gross income proposed by Sommerfeld, Ray M, et.al, in his book, *An Introduction to Taxation*, (1969:145-146) that such expenditures meet the criteria, namely:

(1) Ordinary expense, that the component cost in general can be a deduction from gross income for all taxpayers.

- (2) Necessary, that the costs incurred are considered able to contribute to generate revenue.
- (3) Trade or business, that business costs are associated with the activities of the company business lines.
- (4) Reasonable in amount, that the cost is reasonable based on the number of business interests.

III. RESEARCH METHOD

Hypothesis test conducted to determine whether there is any difference or significant average differences between corporate taxpayers of tax payable before and after the implementation of Corporate Social Responsibility. So that the variables used in this study are:

1. The amount of tax payable corporate taxpayers, as the variables X1, which is measured by calculating the amount of tax payable before the implementation of Corporate Social Responsibility. Ratio measurement scale.
2. The amount of tax payable corporate taxpayers, as the variable X2, which is measured by calculating the amount of tax payable commencing after the implementation of Corporate Social Responsibility. Ratio measurement scale.

IV. RESEARCH RESULT

To determine the amount of tax payable PT X through the implementation of Corporate Social Responsibility should be analysis of corporate financial statements. Analysis is done by knowing how much expenses incurred by PT X as the cost of CSR. And identify whether the expenses incurred by the tax can be recognized as an expense that will reduce earnings.

Expenses as deductions from income set out in Article 6 of Law of the Republic of Indonesia number 36 year 2008 concerning income tax. Then note that there were five loads can be categorized as an expense of CSR, namely:

- a. donations within the framework of the national disaster management
- b. donations within the framework of research and development society conducted in Indonesia
- c. social infrastructure development costs
- d. contribution of educational facilities
- e. donations in order to develop sports
- f. scholarship

Then known donations, training, scholarships, and research given by X company is as follows:

Table 1
Donations, Training, Scholarships and Research Expense

Year	Donations	Training, Scholarships and Research
2008	Rp62.105.000.000	Rp39.443.000.000
2007	Rp26.764.000.000	Rp33.273.000.000
2006	Rp15.787.000.000	Rp28.879.000.000
2005	Rp19.494.000.000	Rp39.124.000.000
2004	Rp20.645.000.000	Rp30.673.000.000
2003	Rp5.847.000.000	Rp28.743.000.000
2002	Rp3.040.000.000	Rp33.051.000.000

The Difference between Income Tax Payable Before and After Implementation of Corporate Social Responsibility

Based on fiscal reconciliation report, carried out the comparison between taxes owed before and after the implementation of CSR. The differences are:

Table 2
Differences of Income Tax Payable Before and after Implementation of CSR

Year	Income Tax Payable Before Implementation of CSR	Income Tax Payable After Implementation of CSR	Differences	%
2008	Rp391.841.000.000	Rp363.406.960.000	Rp28.434.040.000	7,26
2007	Rp802.216.000.000	Rp785.390.560.000	Rp16.825.440.000	2,10
2006	Rp591.745.000.000	Rp579.180.880.000	Rp12.564.120.000	2,12
2005	Rp711.672.000.000	Rp695.245.280.000	Rp16.426.720.000	2,31
2004	Rp676.251.000.000	Rp661.881.560.000	Rp14.369.440.000	2,12
2003	Rp2.728.189.000.000	Rp2.713.382.960.000	Rp14.806.040.000	0,54
2002	Rp724.694.000.000	Rp711.533.720.000	Rp13.160.280.000	1,82
Σ	Rp6628.803000.000	Rp6500.026920000	Rp128.776080000	1,927

Based on comparative analysis carried out against taxes owed before and after the implementation of CSR in X company, it can be proved that the income tax payable after the implementation of CSR is smaller than before the implementation of CSR.

1. Year 2008

In the year 2008, income tax payable X company prior to implementation of CSR Rp391.841.000.000, but if the company applied to CSR, the amount of income tax payable Rp363.406.960.000, therefore there is a decrease of 7.26% or Rp28.434.040.000. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

2. Year 2007

In the year 2007, income tax payable owed before the implementation of CSR X company Rp802.216.000.000, but if the company applied to CSR, the amount of income tax payable Rp785.390.560.000, therefore there is a decrease of 2.10% or Rp16.825.440.000. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

3. Year 2006

In the year 2006, income tax payable X company prior to implementation of CSR Rp591.745.000.000, but if the company applied to CSR, the amount of income tax payable Rp579.180.880.000, therefore there is a decrease of Rp12.564.120.000 amounted to 2.12%. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

4. Year 2005

In 2005, income tax payable X company prior to implementation of CSR Rp711.672.000.000, but if the company applied to CSR, the amount of income tax payable Rp695.245.280.000, therefore there is a decrease of Rp16.426.720.000 or 2.31%. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

5. Year 2004

In 2004, income tax payable X company prior to implementation of CSR Rp676.251.000.000, but if the company applied to CSR, the amount of income tax payable Rp661.881.560.000, therefore there is a decrease of Rp14.369.440.000 or equal to 2.12%. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

6. Year 2003

In 2003, income tax payable X company prior to implementation of CSR Rp2.728.189.000.000, but if the company applied to CSR, the amount of income tax payable Rp2.713.382.960.000, therefore there is a decrease of Rp14.806.040.000 or

0.54%. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

7. Year 2002

In 2002, income tax payable X company prior to implementation of CSR Rp724.694.000.000, but if the company applied to CSR, the amount of income tax payable Rp711.538.720.000, therefore there is a decrease of Rp13.155.280.000 or equal to 1.82%. Thus the tax burden should be borne by the company after the implementation of CSR will be smaller.

Overall X company can save on taxes for seven years for Rp116.581.080.000 or an average of 2.61% per annum.

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