

## **CORPORATE SOCIAL RESPONSIBILITY (CSR) IN INDONESIA TAX REGULATIONS**

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### **ABSTRACT**

*Corporate Social Responsibility is company moral responsibility to society. Corporate Social Responsibility is company moral responsibility to society. Responsibility moral to society of where company runs its activity. Moral responsibility to society of where company runs its activity. Corporate not only should concern about their achievement on profit, but also concern about their responsibility to their people and environment. CSR is the program that provide a lot of contributions in solving social problems in job opportunities, health, education, economy and the environment. Furthermore, the have to obey the rules and regulations set by government. The different types of social responsibility programs need different treatment of their taxation. Corporate should not only concern about their achievement on profits, but also concern about their responsibility to their people and environment. CSR is the program that provide a lot of contributions in solving social problems in job opportunities, health, education, economy and the environment. Furthermore, the have to obey the rules and regulations set by government. The different types of social responsibility programs need different treatment of their taxation. This paper described the various types of CSR program and its treatments according to tax regulation in Indonesia This paper described the various types of CSR programs and its treatments according to tax regulations in Indonesia*

**Key words:** *corporate social responsibility, tax regulations*

### **INTRODUCTION**

In the traditional sense, each company is responsible only to the primary stakeholders (stockholders, creditors, customers, suppliers, distributors and workers). Yet today and into the future, the concept of primary stakeholders' perceived lack of community needs in a broad sense, so each company also claimed responsibility for the secondary stakeholders. Last stakeholders, meaning each company accountable to civil society organizations, the general public, local, government, and other business support groups.

Businesses are not only required to make a profit from the field of business, but they were also asked to provide a positive contribution to the social environment. Changes in level rises public awareness about the importance of new implement what we know as Corporate Social Responsibility (CSR). Understanding that provides guidelines that the corporation no longer an entity that only selfish, but to a business entity must perform a cultural adaptation to the social environment. CSR is the basis of theories about the need for a company to build a harmonious relationship with the community.

The term CSR (*Corporate Social Responsibility*) or corporate social responsibility first arose in the writings of *Social Responsibility of the Businessman* of 1953. Howard initiated the concept Rothmann was answered unrest Brown business world. Later CSR adopted immediately, as it can be a bad impression bidder company, which already in the public mind. Employers can be labeled by society as a hunter who does not care about money at the impact of poverty and environmental degradation.

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.

CSR provides a different concept where the company voluntarily donates something for the sake of a better society and environment cleaner. CSR is based on all relationships, not only by society but also with customers, employees, communities, owners, governments, suppliers and even competitors. In practice, CSR refers to the form of community development, for example, in the field of education through scholarships as an effort to empower and improve the quality of human resources. Another example is in the areas of health, namely through the creation of clean water facilities and potable, and the provision of venture capital to SMEs. In carrying out these CSR programs, the company certainly requires funding and the cost to make it happen, the amount of costs incurred for the CSR program depends on the size of the programs to be implemented. The bigger the program will be implemented will certainly be the greater the amount of fees to be issued, and vice versa. This also will affect the profit will be obtained by the company as this will reduce the income of a company.

The problem is further complicated when the perpetrators still and investors based on the assume. They tend to want instant, direct a big *profit*, without regard to external affairs of the company. In addition, investors also too need their investments for the realization of the real sector in terms of really direct impact on increasing income. However, many companies do not want to run CSR programs as seeing it as an expense (*cost center*). CSR did not give the financial results in the short term, but the CSR will give good results directly or indirectly on the company's financial future. Investors also want the public trust invested companies. Needed so that a good image in the eyes of the general public. Thus, if the companies do CSR programs are expected to sustainability, so that the company will go well. Therefore more appropriate CSR program if classified as an investment and should be a business strategy of a company.

In accounting expense of social responsibility is charged as an expense. This is in accordance with Law No. 40 about 'Perseroan Terbatas' (Act of PT), Article 74 paragraph (2). While the tax cost can be recognized as expenses provided for in Article 6 paragraph 1 of Act of Income Tax. There is recognition that the cost of expenditure on corporate social responsibility is recognized by the tax. These costs can reduce corporate profits, which in turn will reduce the amount of tax payable.

The greater the amount spent for the CSR would be greater the CSR program to be conducted, the greater the CSR program, it also expanded the reach of people who feel the CSR program, so that the broad reach of the community will affect the company's image in the eyes of consumers and society. Improving the image of the company is

expected to support their operational activities and helps achieve the objectives of the company, derives profits or income.

CSR implementation by the company would be very useful, not only for people affected by the company's business activities, but the company itself would benefit indirectly. And that needs to be considered is, in determining the CSR program and its costs will be included in it, whether such programs can be done well, or instead, can disrupt and negatively affect the condition of the financial statements.

## DISCUSSION

### **History of Corporate Social Responsibility**

Social responsibility began to emerge in the 1060s during which the countries had recovered from World War II. At that time, the problem of underdevelopment and poverty began to receive attention from various circles. This encourages the development of social responsibility as a way to eradicate poverty and under development age. In the 1960s many attempts were made to provide a definition of CSR. Davis was known for his work providing in-depth view of the relationship between CSR with business power. Davis expressed "*Iron Law of Responsible*" which states that the social responsibility of entrepreneurs with a social status they have. Thus, in the long run, employers who do not use power responsibly in accordance with public opinion will lose the power they have today. *Corporate* words listed in the beginning of this. This could be due to the contribution that Davis has shown a strong relationship between social responsibilities by corporations.

In the 1070s, came the notion that the earth we inhabit has a limited carrying capacity in which men continue to grow and grow densely. Therefore, exploitation needs to be done carefully (Wibisono, 2007). In the unconscious emergence of social responsibility with the idea that to increase the production sector should be supported by increased public demand. The increase is one of them can be obtained by changing the poor people be able to. These changes may be done with the help from the outside such as the improvement of education and health facilities

In 1971 *Committee for Economic Development (CED)* published the *Social Responsibility of Business Corporate*. Publishing can be regarded as a *Code of Conduct* the business triggered the belief that business activity has a purpose to provide a constructive service to meet community needs and satisfaction.

In the 1980s there is a change of form of social activity in the form of an activity toward community empowerment. Elkingto according to the Wibisono (2007) if the company wants to survive it is necessary to consider 3P, which is not only *profit* the hunted, but also to contribute positive to the community (*people*) and actively preserve the environment (*planet*).

This era was marked by efforts more focused to better articulate exactly what is *Corporate Responsibility*. Although CSR has raised the question in 1954, Lord of management theory of Peter F. Drucker just begun to seriously discuss the field of CSR in 1984, Drucker argues:

*"But the proper 'social responsibility' of business is to Tame dragon, that is to turn a social problem into economic opportunity and economic benefit, into productive*

*capacity, into human competence, into well-paid jobs, and into wealth" (Drucker, 1984, pp. 62)*

In this case, Drucker has stepped further by providing new ideas in order to manage corporate CSR activities are done in such a way that Etap will become a profitable business opportunities.

In 1992, Earth Summit held in Rio de Janeiro. Attended by 172 countries with the main theme "Environment and Sustainable Development." Produce Agenda 21. The end result of these meetings generally emphasized the importance of eco-efficiency be the primary principle of doing business and running government.

Significant development of social responsibility companies in Indonesia, marked by the existence of the Law No. 40, Act of PT, enacted on July 20, 2007 which requires companies to implement social responsibility (CSR). In article 74 of law states that PT who run their business activities in the field and / or related to natural resources must implement social and environmental responsibility. The Company is not carrying out these obligations will be sanctioned in accordance with the provisions of legislation. With this, the company limited especially in the field and / or related to natural resources to carry out its social responsibility to the community.

#### **Understanding 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."*

**Gray.et.al, (1987)** state that:

"Social responsibility are the responsibilities for action which do not have purely financial implication and which are demanded of and organization under some (implant or explicit) contract identifiable." (In Ahmad & Abdul Rahim, 2003)

**Feby Indirani (2008)** says that:

"CSR is a choice based on awareness of the company. In business, he not only has a duty to the *shareholders* (shareholder), he also must have hope to *stakeholders* (stakeholders) "

In addition, the ISO 26000 *Guidance on Social Responsibility*, quoted from [www.policy.hu/suharto](http://www.policy.hu/suharto) (2008) also provides definitions of CSR. Although CSR guidelines of this new international standard will be established in 2010, draft guidelines could be used as a reference. **According to ISO 26000**, CSR is:

"The responsibility of an organization effects of decisions and activities on society and environment in the form of a transparent and ethical behavior consistent with sustainable development and community; consider stakeholder expectations, in line with the established laws and norms -norms of international behavior; and integrated with the organization as a whole."

From the various definitions of the above it can be concluded that CSR is the company's efforts as part of the community to act ethically in order to balance the socio-economic aspects of the company in order to meet the demands of duty to *stakeholders* fairly and proportionately for the long-term sustainability.

#### **Corporate Social Responsibility objectives**

According **Hoesada January (2007; 2)** the purpose of CSR is:

1. To enhance corporate image and maintain and usually implicitly, the assumption that the behavior of firms is fundamentally good.
2. Organizational accountability for release on the basis of the assumption of a social contract between organizations and communities. The existence of this social contract requires the release of social accountability.
3. As an extension of the traditional financial reporting and its purpose is to information to investors.

That's why the corporate social responsibility (CSR) needs to be expressed reporting company as a form of social responsibility community.

#### **Benefits of Corporate Social Responsibility**

**Cunningham and Algag (1996:167-168)** identify the benefits of *Corporate Social Responsibility* is an enterprise can be used directly or indirectly from carrying out acts of social responsibility. One benefit is to increase the feeling of employees of the company. The workers tend to be more satisfied on the job and to work well if they believe their employers should do a good citizen.

Other benefits may arise in the market. By showing genuine concern for social problems. A company can become more sensitive to changes in consumer tastes and preferences. Can lead to opportunities to make new products. Companies that are socially responsible will reflect that the product of interest only because consumers know and appreciate that such firms. Along with consumer interest in products that will be socially

responsible, investors also will be more interested in the company's shares are socially responsible. In the U.S., a company with social programs well known will find that the shares are valued at the market. Therefore some "social investing mutual funds" are looking for companies with good social records.

**CSR issues include 5 (five) components:**

1. Human Rights  
How can companies address human rights issues and what strategies and policies undertaken by companies to avoid violations of human rights in the company concerned?
2. Labor  
How labor conditions in supply chain or in their own factory from the payroll system, welfare and safety, improving skills and professionalism of employees, to the use of underage labor.
3. Environment  
How strategies and policies related to environmental issues. How companies deal with environmental impacts of products and services ranging from procurement of raw materials to the waste problem, as well as environmental impacts caused by production processes and product distribution.
4. Social Community  
How strategies and policies in the social sector and local community development and the impact of operations on the social and cultural conditions of local communities.
5. Impact of products and services  
Anything done by the company to ensure that products and services free of such negative impacts, damage the health, safety threats, and forbidden products. Of five component could we know that the broad scope of CSR is enough, not just limited to mere social problems such as contribution to nursing homes, blood donors, contributions of natural disasters, or help to improve the standard of living of local communities.

**Benefits and Costs of Social Responsibility**

Is social responsibility good for business? Cunningham and Algag (1996; 167-168) to answer this question from the perspective of benefits and costs of the action taken by social responsibility. A company can be used directly or indirectly from carrying out acts of social responsibility. One benefit is the increased feeling of employees of the company. The workers tend to be more satisfied on the job and motivated to work well if they believe the company they should act good citizens.

Other benefits may arise in the market. By showing genuine concern for social problems. A company can become more sensitive to changes in consumer tastes and preferences. This can lead to opportunities to make new products. Companies that are socially responsible will find that their products simply because consumers demand to know and appreciate that such firms. Along with consumer interest in products from companies that social responsibility, investors also will be more interested in the shares of social responsibility. In the U.S., a company with social programs well known will

find that the shares are valued at the market. Hence arise some "social investing mutual funds" are looking for companies with good social records.

Although the costs arising from the actions of social responsibility can be lower than when controlled by the government, these actions still cause costs. According to Cunningham and Aldag (1996; 167) cost the most obvious is the cost incurred for social projects. \$ 50,000 to help local theater group may mean less funds available to finance the expansion of the plant the same amount. By diverting cash from a profitable investment opportunities. The Company does not directly maximize shareholder wealth. Further, the company's social objectives are often more difficult to define than financial objectives. Therefore, it may be difficult to distinguish between good management and bad. In the long run stock market prices that companies are socially responsible may be easily

Subsequent costs incurred related to competitiveness. A company may be kept equal to its competitors if the company supports social projects. But if there is only one company in the market that supports the project, the company probably would "lose" if the competitors who maintain a surplus of resources used to strengthen the position of competing.

Finally there is the possibility the government will manage the company for the provision of programs and social services. Private companies have traditionally provided goods, services, employment, and return on investment for shareholders. With the new areas in the "social product" of this, companies that are acting in good faith will probably find that this would create many new government policies.

### **Taxation aspects of CSR**

Although the debate had become of the stakeholders, Article 74 Amendment Act of PT-related corporate social responsibility (CSR) finally accepted. The businessmen had objected because it may consider CSR will reduce profits and increase the company's long-juridical obligation.

We recognize the primary motivation is the company's profitability is not identical with the welfare of communities where the company stands and their work. Although the public welfare is not a job, but in order mutuality's symbiotic relationship, the corporation may be asked to take a role in overcoming underdevelopment and poverty surrounding community through CSR.

Reviewed and tax law perspective, CSR programs implemented at companies can be related to the income Tax and Value Added Tax. From the point of income tax, companies generally have to choose a strategy so that all costs incurred for the selected CSR program can be charged as an expense that reduces taxable income (Ronny Irawan, 2008). From the perspective of VAT, companies usually choose strategies that goods or services provided to the recipient or the VAT is not payable if it is indebted to a minimum. This strategy was taken with the assumption that all the selected CSR by companies is truly for a noble purpose, improving the quality of natural resources, improving education, improving health services, as well as improvement in social and public welfare. Thus, should any form of program chosen by the company and the ease of getting relief in the tax aspects.

If you follow the supply-side of tax policy should be directed CSR are tax deductible, for example in order to promote the three pillars of economic and in order to

increase welfare (education sector and improving the quality of human resources, health and transport sectors general). Of course in tax policy decisions which will not easily be formulated to accommodate all the considerations in the formulation of regulations. Government through the Directorate General of Taxation to provide tax incentives to allow the expenses of social responsibility as a deduction from taxable income for companies that consistently applying social responsibility.

The following will discuss the various forms of CSR and how the treatment in the tax laws, either Value Added Tax and or the Income Tax.

### **In the field of Environment**

Companies in implementing CSR related to environmental and production processes, which include pollution control in running business operations, prevention and repair environmental damage due to natural resource processing and conversion of natural resources. Viewed from the aspect of the Income Tax Act No 36 Article 6, paragraph 1 reads' fees for obtaining, collecting and maintaining income, including material purchase costs, costs related to employment and services, including wages, salaries, honorarium, bonus, gratuity, and benefits provided in the form of money, interest, rents, royalties, travel expenses, the cost of waste processing, administrative costs, and taxes except income tax "can reduce the gross income.

Thus, when the company issued a waste treatment costs and pollution control in business operations and costs incurred to prevent and repair environmental damage related to procurement, to collect and maintain the income can be deducted from gross income.

Need noted that costs incurred by the company for pollution control or environmental contamination may be highly related to income tax and VAT. For example, a company must make a bath for treating waste water treatment waste production, then all costs incurred for the payment processing services and all materials can be charged to the gross income. But please note that the payment services or rewards to be indebted Article 11/26 Income Tax Act or Article 23/26 Income Tax Act, whereas the material procurement VAT payable to be paid by the company.

### **CSR on the results and Consumer Products**

CSR involves qualitative aspects of a product or service, such as usability, durability, service, customer satisfaction, honesty in advertising, clarity or completeness of the contents on the packaging, and others. Companies should provide quality products and good services to the public. The Company does not merely seek profit but there is an ethical responsibility to the community for products and services provided. Society demands honesty in advertising or products and services offered and provide good service to the community.

Companies are faced with several options to provide their social responsibility to the community. There are several companies that set aside part of the income and product sales for CSR programs. Several other companies choose to give their products free of charge to the public. If companies choose to set aside part and proceeds to program aspects of CSR from VAT so any increase in prices and sold products for outstanding

CSR, VAT registration and the prices of these products. Reviewed and aspects of income tax, increased income for its CSR program adds taxable gross income.

When the funds generated are distributed, it must be considered in the form of whether the program will be distributed. In what form the income is shared, it will be different this activity. Treatment companies typically a lot of money for advertising or promotion. Expenses incurred by the company which should be separated completely advertising or promotional activities and which are not.

Referring to the explanation of Article 6 paragraph 1 of Income Taxes Act, states that the expenditure for promotion, necessary to distinguish between the costs actually incurred for the campaign with essentially the cost is donated. The costs actually incurred for the promotion be deducted from gross income. Companies in the promotion and advertising activities can distribute the company's products or provide certain prizes to encourage sales of the company.

Companies promoting, distributing its products as a sample in the community, in terms of income tax costs are not costs that can be deducted from gross income because it is giving pleasure or loans as provided for in Income Taxes Act, article 9 paragraph 1 letter e. From the aspect of corporate VAT is also payable on the products provided free of charge to the Tax Base for the sale price minus the gross profit.

Companies also can implement programs of social responsibility by providing services to customers to increase customer satisfaction by providing service after the sale (after sales service). E.g. product improvement or replacement of defective products or spare parts. Service costs incurred by these companies can be deducted from gross income because it includes the cost categories for obtaining, collecting, and maintaining the income.

### **Employment**

Activities that can be done in these CSR programs are all activities aimed at companies that people in their own company. Activities include recruitment, training programs, salaries and benefits, transfer and promotion, and others. Employees are an important resource in achieving corporate objectives, therefore the company is obligated to pay attention and improve the quality and welfare of employees. Improving the quality of human resources is often done by companies is the provision of good training conducted by the company and include employees in training or seminars held by other parties.

Aspects of taxation if the employee training conducted by the company, such as bringing speakers from outside, it is here related to the particular object article 21/26 or article 23/26 Income Tax Act. Training provided by individual companies will have to pick article 21/26 Income Tax Act provided for an honorarium. If the training provided by the agency, the company is required to cut article 23/26 Income Tax Act provided for an honorarium. From the point of the Value Added Tax, for professional services provided by a private person or entity indebted to the Value Added Tax, Tax Base for the value of the requested reimbursement for services provided. Companies also may include employees to improve the quality of their employees through the training include conducted outside the company. The cost for this training can be deducted from corporate gross income, as set forth in the Income Tax Act article 6 paragraph 1 letter g.

CSR who choose to increase the company's employee benefits through the provision of certain benefits or facilities, the company must be more careful with the relevant aspects of taxation. If these benefits increase the employee's gross salary or given in the form of money, it is the object of Income Tax article 21/26, so the cost of these benefits can be deducted from corporate gross income. Conversely, if these benefits do not increase the employee's gross salary or in the form of pleasure or 'natura' not object article 21/26, then the costs incurred by the company for these benefits can not be deducted from gross income. This is in accordance with the principles of taxability and deductibility. But if the shape of the program providing employee housing such facilities, then these costs are costs that can not be deducted from gross income because it is a reimbursement or compensation provided in kind or pleasure, as regulated in Income Tax Act article 9 paragraph 1 letter e which reads as follows "reimbursement or compensation in connection with work or services provided in kind and enjoyment, except the provision of food and beverages for all employees as well as reimbursement or compensation in kind and the pleasure in certain areas and relating to the implementation of their assigned jobs with Decree of the Minister of Finance "; not be deducted from gross income.

### **CSR education and health (Society)**

Companies can implement social responsibility programs to the community in the form of activities in education and health. In the field of education, which can be given by the company for the provision of scholarships for outstanding students or students who are unable, or donations for the provision of facilities and school building? In the health sector, the company usually provides assistance and provision of health infrastructure such as health centers, mass circumcision programs, immunizations for the general public and other programs.

Expenses incurred for the purpose of scholarships, internships, and training in order to improve the human resource costs can be charged as a company with reasonable consideration, including costs that can be charged as expenses are scholarships given to students, students and others.

Provisions on scholarships provided for in article 6 letter g of the Income Tax Act. For sponsoring, scholarships can be a deduction from income (deductible expense). And for the scholarship recipient is not a tax object. Scholarships are not restricted only to the parties as a company employee but to the outside and Management. Provisions regarding scholarship that is not a tax object and then set back in the Regulation of the Minister of Finance of the Republic of Indonesia Number 246/PMK.03/2008

If the CSR program for the provision of scholarships, then from the corner of the Income Tax is a cost incurred by the company can be charged to the profit of the company. The provision of this scholarship program helps students excel or students of economic backgrounds are not capable. Therefore, companies that will implement CSR programs, provision of scholarships is one of the best options that can be run on a regular basis. With this scholarship program is helping communities in the world of education directly.

Companies that choose to contribute to the provision of school infrastructure and health, the cost of these donations can not be deducted on corporate gross income (non-deductible expenses), in accordance with Income Tax Act article 9 paragraph 1 letter g. As for the beneficiaries of contributions income is not included as tax object as regulated

in Income Tax Act article 4 paragraph 1 letter a. Contribution to the giver should not a charge that can be recognized as an expense that may reduce earnings. This is in accordance with the principles of deductibles Taxable – Deductible and Non Taxable Non-Deductible but to support the CSR program, there are contributions that are categorized as an expense that can be categorized as a deduction from income (deductible expense). This is stipulated in article 4 paragraph 3 of Income Tax Act.

Contributions include:

- a. contribution in the national disaster management framework that its provisions shall be regulated by Government Regulation;
- b. donations in order to research and development carried out in Indonesia that its provisions shall be regulated by Government Regulation;
- c. social infrastructure development costs of its provisions shall be regulated by Government Regulation;
- d. contribution to educational facilities of its provisions shall be regulated by Government Regulation and
- e. contribution to sports coaching in the context of the conditions set by Government Regulation

It is unfortunate if the donations are also assist countries in eliminating ignorance and improving people's health can not therefore be deducted from gross income. The government should allow these costs to be deducted gross income, provided that clear to whom a donation is given. The Government may provide the institution / organization or a government owned non-government that can accommodate such contributions. Can occur in the form of corporate contributions of goods produced by companies, such as computers, tables, chairs, or cabinets. In terms of income tax point of view is fixed costs are costs that can not be deducted from the gross income of the company. While viewed from the aspect of the Value Added Tax in the form of donations of goods such as an object on the Value Added Tax.

Viewed from the benefits gained by public donations in the form of provision of educational facilities and great health. In accordance with the mandate of the Constitution of 1945 to the intellectual life of the nation and provide social welfare, the government has not been able to provide facilities and adequate infrastructure to achieve that goal. Need to intervene so that the private sector to help achieve these goals. But the dilemma for the company itself because if they want to contribute with a sincere intention that their contributions were not given recognition as an expense that reduces their gross income.

### **Government Regulation and Taxation in CSR**

Back to the Article 74 of Act of PT which became the beginning normative CSR in Indonesia (Jamal Wiwoho, 2007) where there are less obvious and overlapping with the company's obligations to the Government in the form of taxes. On one hand government wants companies implement CSR, but on the other side of the government's desire to implement CSR with a regulation that is expected to encourage CSR performance. In principle the government can encourage the implementation of CSR in the company without any regulation. Government can do many activities that promote

non-regulation CSR such as, coordinating policy on CSR between departments, improving CSR research, funding CSR, providing tax incentives for companies that have good CSR performance and provide real penalties for companies that do not have programs / provide CSR. Thus the government could motivate companies to make CSR a future for the good of the company itself, in accordance with the principles of CSR to enhance the company image (image building).

Has proven to European countries (Fadimin Concerned Malau, 2009) where the government encouraged companies to implement CSR that does not begin from the regulation (or not to make regulations) on CSR, but encouraged companies with non-regulation. It may be because the regulation may have the potential to move what is the government's burden to companies (private).

Thus the government should not ask the company set aside funds for education, health, etc. because the government has an obligation to fund education, health, etc. in the State Budget and Budgets. Can imagine that made it so that when the project is finished, the government can claim that the project was financed by the state budget or budget. This is great opportunity for the corruption that resulted in CSR's blur and disappear because CSR is part of a corporation to grow, grow with the community about the efforts to create prosperity.

## CONCLUSION

The company currently required not only for profit, but also demanded social responsibility to the community and the surrounding environment. On the other hand, especially limited liability companies must comply with applicable regulations if you want to continue to operate. Adoption of the Act of PT on July 20, 2007 requires that a limited liability company in the field and / or related natural resources to carry out its social responsibility to society and the environment. If the company does not comply with it will get sanctions in accordance with applicable regulations.

Companies in implementing CSR programs must take into account the prevailing tax aspects, both from the aspect of Income Tax and VAT. An unfortunate thing if the aid or donations given by companies that aim to improve the quality of life and the environment it can not be recognized as a deduction from the gross income of the company. On the other hand the government is not able to meet all the needs to improve the quality of community life both in the field of education, health, and welfare. Indeed there is a possibility the company would misuse tax laws concerning social responsibility such as: help or donations to reduce taxes payable. But by clarifying the rules concerning the form and type of deductible contributions, nominative list, or other provisions do not hinder the company to fulfill its social responsibility.

The Government should clarify the tax rules relating to the expenses of the CSR program, so that the government gets a lot of companies that want to be involved in this program.

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### **III. Legislation**

Law No. 40 of 2007 regarding Limited Liability Company

Law number 28 of 2007 on the provisions of the General and Tax Procedures

Law number 36 of 2008 on Income Tax

Government Regulation Number 138 Year 2000

Government Regulation Number 130 Year 2000

Government Regulation Number 130 Year 2000

Regulation of the Minister of Finance No. 246/PMK.03/2008

Regulation of the Minister of Finance No. 245/PMK.03/2008

Directorate General of Taxes Decree No. 395/PJ/2001

Director General of Taxes Circular No. 19/PJ.43/2201

### **IV. Website**

[www.pajak.go.id](http://www.pajak.go.id)

[www.google.com](http://www.google.com)

[www.wikipedia.com](http://www.wikipedia.com)

[www.csreurope.com](http://www.csreurope.com)

