Evaluating the Efficiency of Tax Liability Calculations under PP No. 23/2018: A Tax Planning Perspective for PT. X

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ABSTRACT

This study examines the tax planning strategies implemented by PT. X in 2023, focusing on the extent to which these strategies enhance efficiency by minimizing taxes payable. The research employs a descriptive qualitative approach, utilizing a case study model that centers on a single taxpayer, PT. X. Data collection involves documentation, with the company's financial reports serving as the primary source of secondary data. The analysis involves calculating the tax payable under applicable tax regulations and comparing it to the tax liability in the absence of a business split. This comparison allows for an evaluation of the effectiveness of the tax planning measures adopted by the company. Findings indicate that the tax planning strategy of undertaking a business split aligns with the spinoff provisions outlined in Law No. 40/2007. This approach has demonstrated tangible efficiency in reducing tax liabilities, as the newly formed entities can leverage the favorable tax rate provided under PP No. 23/2018. The results underscore the strategic value of adhering to regulatory frameworks to achieve tax efficiency.

Keywords: Tax Planning; Efficiency of Tax Amount Due.

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Efisiensi Perhitungan Pajak Terutang Dengan PP No. 23/2018 Sebagai Alat Tax Planning Bagi PT.X

ABSTRAK

Penelitian ini bertujuan untuk mengetahui bagaimana tax planning yang dilakukan PT. X tahun 2023 dan seberapa besar efisiensi PT. X dengan melakukan tax planning untuk meminimalkan pajak terutang. Jenis penelitian ini deskriptif kualitatif dengan model pendekatan studi kasus pada satu wajib pajak saja yaitu PT. X. Teknik pengumpulan data dengan dokumentasi berupa laporan keuangan PT. X sebagai data sekunder. Metode analisis yang digunakan adalah menghitung jumlah pajak terutang dengan menggunakan peraturan perpajakan yang berlaku dibandingkan dengan jika perusahaan tidak melakukan pemecahan usaha. Hasil penelitian menunjukkan bahwa tax planning dengan melakukan pemecahan usaha sudah berpedoman pada aturan spinoff sesuai UU No.40/2007 dan strategi pemecahan usaha ini terbukti menghasilkan efisiensi jumlah pajak terutang karena diantara perusahaan yang baru dibentuk masih memungkinkan menggunakan tarif PP No.23/2018.

Kata Kunci: Tax Planning; Efisiensi Jumlah Pajak Terutang

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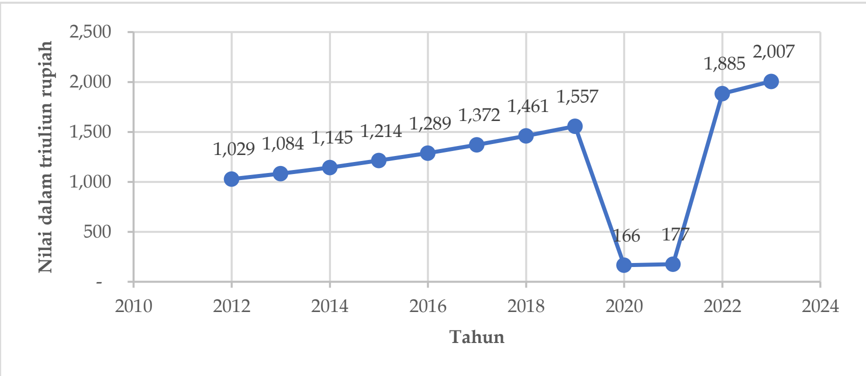
INTRODUCTION

Finance Minister Sri Mulyani announced that by the end of 2023, total tax revenues are projected to reach IDR 1,869.2 trillion, surpassing the 2023 State Budget (APBN) target of IDR 1,718.0 trillion (Ministry of Finance Public Information Center, 2024). Tax remains a primary source of state revenue, functioning as a critical mechanism for funding government expenditures (Mardiasmo, 2019). Taxpayers, categorized as Individual Taxpayers (WP OP) and Corporate Taxpayers (WP Badan), are required to register for a Taxpayer Identification Number (NPWP) to fulfill their tax obligations, which include calculating, depositing, and reporting taxes. Naturally, taxpayers aim to minimize their tax liabilities, often engaging in tax planning strategies to optimize their compliance while reducing the amount owed.

Recent shifts in tax regulations have introduced significant changes in tax rates, beginning with Government Regulation No. 46 of 2013 (PP No. 46/2013), followed by Government Regulation No. 23 of 2018 (PP No. 23/2018), and culminating in Law No. 7 of 2021. Law No. 7 of 2021, known as the Harmonization of Tax Regulations Act, modernized the taxation framework by addressing outdated provisions and adapting to contemporary challenges. This legislative reform has provided new opportunities for taxpayers to explore legal avenues for tax planning to benefit from the lowest applicable tax rates, ensuring compliance while maximizing efficiency (Firmansyah & Wijaya, 2022).

The dynamic regulatory landscape has prompted taxpayers to strategically design tax plans to navigate these changes. Rasidin & Sulaiman (2023) emphasize that tax planning should ideally be integrated into a company's operations from its inception. This study focuses on a case involving PT. X, a sub-industry within the cosmetic goods manufacturing sector, during the period of 2022-2023. For research ethics, the company's real name has been anonymized. The case study examines how PT. X responds to evolving tax policies and employs tax planning to achieve compliance and efficiency.



Picture 1. Cosmetic Sales Chart In Indonesia 2012-2023

Source: tirto.id

Cosmetic sales in Indonesia have shown consistent growth annually, with a notable decline in 2020 and 2021 due to the Covid-19 pandemic. By 2022, sales had reached IDR 1.8 trillion, and in 2023, this figure increased to IDR 2 trillion, with projections suggesting continued growth in the coming years. PT. X, established in December 2019, operates in this industry, producing and selling cosmetic products such as body wash, face wash, toner, lip tint, serum, perfume, and offering cosmetic maklon (manufacturing services). Since its inception, PT. X has benefited from the reduced 0.5% tax rate under PP No. 23/2018, valid for the company's initial three years of operation. However, as the company transitions into its fourth year in 2023, it is required to apply the standard 22% corporate income tax rate as per Law No. 7 of 2021.

PT. X was still eligible to use the reduced 0.5% rate in 2022, as permitted by Government Regulation No. 55 of 2022, Article 61 Paragraph 1, which allows corporate taxpayers with gross turnover exceeding IDR 4.8 billion in the current tax year to continue using this rate until the end of that year. However, starting in 2023, the company must calculate its tax liabilities using the 22% rate, which is expected to significantly increase its tax burden compared to the 0.5% rate. Consequently, PT. X has sought strategies to minimize its tax liabilities through effective tax planning.

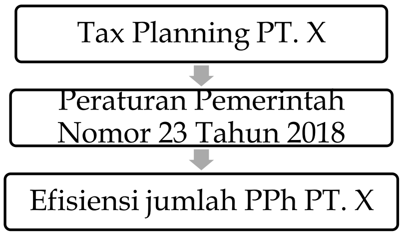
Tax planning encompasses a range of strategies that remain compliant with tax laws, including utilizing legal provisions to reduce tax liabilities. The Last Supper (2023) emphasizes that tax planning can range from approaches fully aligned with tax regulations to those that push the boundaries of compliance. This study aims to explore the tax planning strategies employed by PT. X in 2023 under PP No. 23/2018 and assess the efficiency of these strategies in minimizing the company's tax liabilities.

Tax planning is defined as the process of organizing a taxpayer's business activities to minimize tax liabilities, including income taxes and other taxes, while adhering to tax laws and established commercial practices (Zain, 2008). Previous research differentiates between tax avoidance, tax saving, and tax evasion (Pohan, 2013). Tax avoidance refers to lawful strategies that exploit loopholes in tax regulations, while tax saving involves reducing tax burdens through actions such as refraining from purchasing goods subject to value-added tax. Tax evasion, however, involves illegal practices such as concealing income or falsifying financial information.

Various tax regulations have influenced tax rates over time. Law No. 36 of 2008 Article 31E provides a 50% rate reduction for domestic corporate taxpayers with gross turnover up to IDR 50 billion. PP No. 46 of 2013 imposed a 1% rate for taxpayers with turnover up to IDR 4.8 billion, which was subsequently reduced to 0.5% under PP No. 23 of 2018. Most recently, Law No. 7 of 2021 introduced a standard corporate tax rate of 22% for domestic corporate taxpayers and permanent establishments (BUT), effective from the 2022 tax year.

A "business split" or "business spinoff," as defined in Law No. 42 of 2009 Article 1A Paragraph 2 Letter D, refers to the transfer of taxable goods during mergers, acquisitions, expansions, or business reorganizations. Law No. 40 of 2007 Article 1 Paragraph 12 further describes a business split as a legal act that divides a company's assets and liabilities between two or more entities. A previous research highlights key considerations for taxpayers using the PP No. 23/2018 rate who exceed the IDR 4.8 billion turnover threshold, suggesting a business split as a strategic measure (Sidarta, 2021). This involves ensuring proper turnover calculations, assessing administrative costs for creating new entities, consistently managing the split entities, and properly separating assets, liabilities, and inventory.

Based on these theoretical frameworks, PT. X implemented tax planning measures to minimize its tax liabilities. By leveraging the provisions of PP No. 23/2018 and strategically splitting its business entities, PT. X aims to achieve tax efficiency while maintaining compliance with applicable regulations. The conceptual framework of this study builds on these strategies to evaluate the effectiveness of PT. X's tax planning initiatives as follows.



Picture 2. Conceptual Framework

Source: Research Data, 2024

Previous studies provide valuable insights into tax planning strategies and their effectiveness in minimizing tax liabilities. For example, The Last Supper (2019), in a study titled "Tax Planning Efforts Through Legal Entity Forms: A Case Study at UD XYZ," found that selecting a CV (Commanditaire Vennootschap) as the legal entity form was an optimal choice for reducing income tax burdens. This highlights the significance of legal entity selection in achieving tax efficiency.

Similarly, Wantah et al (2019), in their study "Tax Planning Preferences of Business Forms: A Case Study on Individual Taxpayers in Bitung City," observed that taxpayers consistently strive to leverage available regulations and situational opportunities to minimize their tax payments and reduce overall expenses. This finding underscores the proactive measures taken by taxpayers to optimize their financial outcomes within the bounds of tax laws.

Additionally, Salman & Irsan (2019), in their research titled "Implementation of Tax Planning in Minimizing Corporate Income Tax Liabilities at PT. Asam Jawa Medan 2020," demonstrated that adhering to established laws and regulations enabled PT. Asam Jawa Medan to effectively reduce its corporate income tax debt. This study further reinforces the role of compliant tax planning in achieving substantial tax savings.

RESEARCH METHODS

This research adopts a qualitative descriptive approach utilizing a case study method, focusing on PT. X, a sub-industry manufacturer of cosmetic goods, during the period 2022–2023. The study aims to address two primary objectives: understanding how tax planning is implemented by PT. X in compliance with Law No. 7 of 2021 and the spinoff provisions under Law No. 40 of 2007, and evaluating the efficiency of tax payable in accordance with applicable tax regulations.

Data collection methods include the analysis of documentation, specifically financial reports of PT. X from 2020 to 2023, which serve as secondary data. Additionally, literature review techniques are employed, drawing on relevant books and academic resources to provide theoretical grounding. As this study is confined to a single taxpayer, it does not utilize samples or populations, consistent with its case study design.

The documentation analysis focuses on examining PT. X's tax planning strategies by aligning financial data with relevant tax planning theories. The analysis includes the division of assets, debts, and equity into various business entities, such as PT (limited liability companies), CV (commanditaire vennootschappen), and UD (sole proprietorships). Furthermore, it evaluates the application of tax rates under PP No. 23/2018 for CVs and UDs, and the rates specified in Law No. 7 of 2021 and Law No. 36 of 2008 Article 31E for limited liability companies.

The objective of this analysis is to quantify the efficiency gained in income tax (PPh) obligations by comparing two scenarios: the hypothetical scenario where the company does not implement tax planning and the actual outcomes following the realization of tax planning strategies. This comparative approach provides insights into the effectiveness of tax planning in reducing the company’s tax burden.

RESULTS AND DISCUSSION

PT. X is a manufacturing sub-industry specializing in the production of cosmetic goods, including face wash, body wash, lip tint, perfume, and serum. The company also offers maklon services, allowing customers to create their own cosmetic products using PT. X’s manufacturing facilities tailored to their specific requirements. Established in December 2019, the company initially operated by producing cosmetics with simple formulations.

Over time, as the PT. X cosmetic brand gained recognition, demand for its products grew significantly. This growth was further accelerated by the Covid-19 pandemic in 2020–2021, during which online sales surged in popularity. PT. X capitalized on this trend, leading to a substantial increase in its online-based sales, contributing to the company's expansion and revenue growth.

The financial performance of PT. X from 2020 to 2022 is reflected in its profit and loss reports, which provide insight into the company’s operational and financial trajectory during its formative years and its response to market demands. These reports serve as a foundation for analyzing the company’s financial strategies, including tax planning and efficiency measures.

Table 1. Profit and Loss Report of PT. X for 2020-2022

Information	2020	2021	2022
Sales (Turnover)	2,273,871,744	4,779,510,239	19,379,981,000
Cost of goods sold	424,348,505	1,260,874,734	5,798,884,000
Gross profit	1,849,523,239	3,518,635,505	13,581,097,000
Operational Expenses	310,914,752	702,590,710	1,409,031,585
Profit before tax	1,538,608,487	2,816,044,795	12,172,065,415

Source: Financial report of PT. X

In 2020, PT. X achieved a turnover of IDR 2,273,871,744. This figure doubled in 2021, reaching IDR 4,779,510,239, reflecting a significant year-over-year growth. The upward trajectory continued in 2022, with turnover surging fourfold to IDR 19,379,981,000 compared to 2021. This remarkable growth highlights the company's expanding market presence and operational scale over the three-year period.

For clarity and ease of analysis, the data is presented in graphical form, illustrating the trends in turnover, cost of goods sold, operating expenses, and profit before tax from 2020 to 2022. This visual representation facilitates a clearer understanding of the company's financial performance and operational efficiency during this period of rapid growth.

Picture 3. Graph of Profit and Loss Report Development of PT. X

Source: Financial Report of PT. X

The increase in turnover from 2020 to 2021 was modest, approximately doubling over the year. However, in 2022, the company's turnover experienced a remarkable surge, far exceeding the levels of both 2020 and 2021. Similarly, the rise in the cost of goods sold (COGS) between 2020 and 2021 was moderate, roughly tripling, which aligned with the increase in sales. Operating expenses also grew incrementally during this period, reflecting the company's expanded operational activities. The increase in profit before tax was most pronounced in 2022, showcasing significant growth in the company's profitability compared to earlier years.

It is important to note that profit before tax is calculated based on accounting principles and not tax regulations. For tax purposes, companies maintaining books of accounts must prepare fiscal corrections. These adjustments ensure only taxable income, as defined under Article 4 Paragraph 1, is included. Deductible expenses directly associated with earning, collecting, and maintaining taxable income are subtracted to determine taxable income (PKP), which is then multiplied by the applicable tax rate to calculate the tax payable.

The consistent growth in profit before tax from the company's inception in 2019, culminating in the substantial spike in 2022, highlights the lucrative nature of the cosmetic goods industry. This upward trajectory not only underscores the company's profitability but also suggests strong prospects for future business sustainability.

Given the sharp increase in turnover in 2022, exceeding IDR 4.8 billion, and projections of continued growth in 2023, the company's financial strategies, including tax planning, become increasingly critical. Before analyzing the tax planning measures implemented by PT. X, an overview of its financial position and balance sheet for the period 2020–2022 is presented for context.

Table 2. Financial Position Report of PT. X for 2020-2022

Information	As of 31 Dec 2022	As of 31 Dec 2021	As of 31 Dec 2020
Asset			
Current assets			
Cash and cash equivalents	9,974,871,722	2,695,592,300	1,600,000,000
Accounts receivable	6,012,541,800	1,423,757,223	602,000,000
Supply	2,000,525,691	512,261,235	110,575,049
Other Current Assets	849,422,710	-	-
Total Current Assets	18,837,361,923	4,631,610,758	2,312,575,049
Non-Current Assets			
Historical Value	1,753,305,625	1,668,540,000	1,668,540,000
Accumulated depreciation	-415,230,000	-138,410,000	-46,136,665
Total Non-Current Assets	1,338,075,625	1,530,130,000	1,622,403,335
Total Assets	20,175,437,548	6,161,740,758	3,934,978,384
Short Term Liabilities			
Accounts payable	1,426,967,500	1,665,589,513	-
Short Term Liabilities	1,347,115,668	11,566,540	-
Amount of Short Term Liabilities	2,774,083,168	1,677,155,963	-
Equity	17,401,354,380	4,484,584,795	3,934,,978,384
Total Equity and Liabilities	20,175,437,548	6,161,740,758	3,934,978,384

Source: Financial Report of PT. X

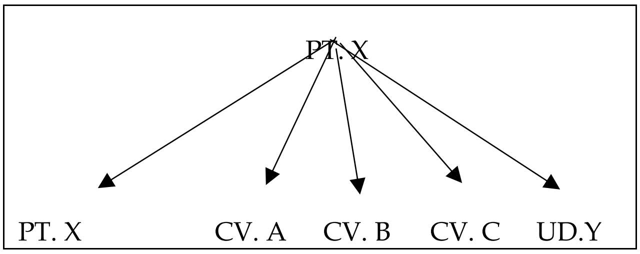
The total assets of PT. X experienced significant growth over the period 2020 to 2022. From IDR 3,934,978,384 in 2020, assets nearly doubled to IDR 6,161,740,758 in 2021. The increase was even more pronounced in 2022, with assets tripling to IDR 20,175,437,548, reflecting the company’s rapid expansion and operational growth.

In early 2023, PT. X undertook tax planning by reorganizing its business structure into five distinct entities: one Limited Liability Company (PT), three Commanditaire Vennootschappen (CVs), and one Trading Unit (UD). The new entities were established as PT. X, CV. A, CV. B, CV. C, and UD. Y. This strategic division was guided by principles outlined by Siddartha (2021), which emphasize critical considerations such as accurately projecting future turnover, estimating administrative costs for establishing new entities, ensuring the sustainability of the new businesses, collaborating with suppliers who are Taxable Entrepreneurs (PKPs), and correctly segregating assets, liabilities, and equity. Additional focus was placed on the management of inventory, production goods, bank accounts, and sales targets to ensure smooth operational continuity.

Among various tax planning strategies, PT. X selected the division of its business into multiple legal entities as a means to optimize its tax obligations by leveraging the favorable 0.5% tax rate under PP No. 23/2018. Each new entity was formalized through a deed of establishment approved by the local government.

However, the precise administrative costs incurred for the preparation of these establishment deeds could not be determined due to limitations in the available data.

This division represents a strategic effort by PT. X to align with regulatory frameworks while achieving greater tax efficiency. The approach underscores the company's commitment to optimizing its financial and operational strategies within the bounds of prevailing tax laws.



Picture 4. Business Separation of PT. X in 2023

Source: Research Data, 2024

The profile of each taxpayer resulting from the business split conducted by PT. X is as follows: PT. X retains the original company name but has allocated a portion of its assets, liabilities, and equity to newly formed entities. PT. X now focuses on cosmetic manufacturing while managing its own distribution and sales activities. CV. A, CV. B, and CV. C were established as separate entities from the original PT. X, each with distinct ownership. These CVs operate exclusively in the distribution of cosmetic goods and do not engage in manufacturing activities like the newly restructured PT. X. UD Y, the fifth entity created from the split, functions as a private trading unit solely focused on direct cosmetic distribution to customers.

Despite the restructuring, all the new business entities remain part of the same corporate group, maintaining a special relationship among them. PT. X is the sole entity responsible for production, selling its manufactured goods to CV. A, CV. B, CV. C, and UD Y, as well as directly to agents and other consumers. Financial statements for each entity demonstrate their independent status, with transactions conducted at market prices to ensure compliance with tax regulations governing special relationships.

The split undertaken by PT. X aligns closely with the spinoff provisions outlined in Law No. 40 of 2007. The division involves reallocating current assets, liabilities, and equity to the new entities. However, non-current assets such as land, buildings, and production equipment remain with PT. X, as all manufacturing operations are centralized within this entity. Taxation implications related to the division of assets, liabilities, and equity are outside the scope of this study due to research limitations.

The creation of separate entities with differing business activities and ownership structures introduces specific tax implications. The CVs and UD entities resulting from the split can utilize provisions under two distinct tax regulations as the basis for calculating their tax liabilities, reflecting the strategic advantage of this business restructuring.

Table 3. Tax base

No	Company name	Tax Base	Regulation
1	PT.X	Profit according to accounting standards that have been corrected fiscally; income Article 4 Paragraph 2 and Paragraph 3 are deducted, and non-deductible costs are also deducted in Article 9 dsan or other tax regulations that may not be expensed.	Law No. 7 of 2021 along with the facilities of Article 31E of Law No. 36 of 2008
2	CV. A	(Turnover) and is final	PP No. 23 of 2018
3	CV. B	(Turnover) and is final	PP No. 23 of 2018
4	CV. C	(Turnover) and is final	PP No. 23 of 2018
5	UD.Y	(Turnover) and is final	PP No. 23 of 2018

Source: Law No. 7 of 2021 and PP No. 23/2018

Before carrying out the business split, PT. X has been guided by the terms and conditions put forward bySiddartha (2021).

Table 4. Terms and Conditions of Business Separation

No	Terms and Conditions	Information
1	Separation of assets and profits	Separation of assets and profits is necessary because they are no longer in one entity and have different ownership.
2	Separation of inventory and storage of inventory	Separation of inventory is necessary so that it is not mixed with previous entities and to facilitate the stock taking process.
3	Separation of sales and purchases	Separation of sales and purchases is necessary to avoid mixing purchases and sales with each new entity.
4	Separation of bank accounts	Separation of bank accounts is necessary so that incoming and outgoing money is not mixed up with each entity.
5	Separation of Taxpayer Identification Number	When tax reporting can be calculated according to each entity and does not violate tax regulations.

Source: Sidarta (2021)

The financial position report of PT. X is restated before the business split.

Table 5. Financial Position Report of PT. X Before the Business Split

Information	As of 31 Dec 2022
Asset	
Current Assets:	
Cash And Cash Equivalents:	9,974,871,722
Accounts Receivable	6,012,541,800
Supply	2,000,525,691
Other Current Assets	849,422,710
Total Current Assets	18,837,361,923
Non-Current Assets	
Historical Value	1,753,305,625
Accumulated Depreciation	-415,230,000
Total Non-Current Assets	1,338,075,625
Total Assets	20,175,437,548
Liabilities And Equity	
Short Term Liabilities	
Accounts Payable	1,426,967,500
Other Short Term Liabilities	1,347,115,668
Amount Of Short Term Liabilities	2,774,083,168
Equity	17,401,354,380
Total Liabilities And Equity	20,175,437,548

Source: Financial Report of PT. X

As for the realization of the distribution of assets, debts and equity.

Table 6. Summary of Initial Financial Position Statement of Business Split

No	Company name	Current assets	Non-Current Assets	Total Assets
1	PT. X	8,127,269,323	1,391,720,000	9,518,989,323
2	CV. A	3,139,698,271	-	3,139,698,271
3	CV. B	3,139,698,271	-	3,139,698,271
4	CV. C	3,139,698,271	-	3,139,698,271
5	UD.Y	1,237,353,412	-	1,237,353,412
Total				20,175,437,548

No	Company name	Liabilities	Equity	Total Liabilities and Equity
1	PT. X	332,654,255	9,186,335,068	9,518,989,323
2	CV. A	60,995,357	3,078,702,914	3,139,698,271
3	CV. B	60,995,357	3,078,702,914	3,139,698,271
4	CV. C	60,995,357	3,078,702,914	3,139,698,271
5	UD.Y	30,497,679	1,206,855,733	1,237,353,412
			Total	20,175,437,548

Source: Financial Report of PT. X, CV. A, CV. B, CV. C and UD. Y

Non-current assets, such as land, buildings, and production equipment, remain exclusively with PT. X, as all manufacturing operations are centralized within this entity. This strategic allocation ensures that the operational activities critical to production remain under the direct control of PT. X.

Before proceeding to the calculation of tax payable for the five newly established taxpayers, the profit-and-loss statements for each entity for 2023 are presented to provide a comprehensive financial overview. These statements serve as the foundation for assessing the tax obligations of each entity within the framework of applicable tax regulations.

Table 7. 2023 Profit and Loss Report of Each Taxpayer

Information	PT. X	CV. A	CV. B	CV. C	UD.Y	Total
Sale	15,461,532,442	4,131,738,000	4,007,100,000	4,016,100,000	1,911,995,000	29,528,465,442
HPP	8631,555,349	910,813,262	757,669,290	744,351,604	392,789,800	11,437,179,305
Gross profit	682,977,093	3,220,924,738	3,249,430,710	3,271,748,396	1,519,205,200	18.091.286.137
Operational Expenses	4858,398,193	193,004,916	166,073,500	163,844,700	211,059,619	5,592,380,928
Non-Operational Income and Expenses	12,611,260	-	-	-	-	12,611,260
Profit before tax	1984,190,160	3,027,919,822	3,083,357,210	3,107,903,696	1,308,145,581	12,511,516,469

Source: Financial Report of PT. X, CV. A, CV. B, CV. C, and UD. Y

The calculation of tax payable begins with the income statement, adjusted through fiscal corrections. This process involves excluding income specified under Article 4 Paragraphs 2 and 3, as well as disallowing expenses outlined in Article 9 and other applicable tax regulations. After these adjustments, the Taxable Income (PKP) amounts to Rp3,945,122,570.

Table 8. Calculation of Tax Payable by PT. X New Year 2023

Calculation of Tax Payable with the Rates of Article 17 Paragraph 2 of Law No. 7 of 2021 and Article 31E of Law No. 36 of 2008

The amount of taxable income from the portion of gross circulation receives facilities:

= x Taxable Income$\frac{\text{Rp4.800.000.000}}{\text{Omzet tahun 2023}}$

= x$\frac{\text{Rp4.800.000.000}}{\text{Rp15.461.532.442}}$Rp3,945,122,570

= 1,224,754,946 (PKP that can receive facilities)

The amount of taxable income from the portion of gross turnover that does not receive facilities

= Taxable Income – Taxable Person for VAT purposes who can receive facilities

= (3,945,122,570)–1,224,754,946)

= 2,720,367,624 (PKP that does not receive facilities)

Income tax payable that can be facilitated

= (50%-22%) × PKP that can receive facilities

= (50%-22%) × 1,224,754,946

= 134,723,044.06

Income tax payable that does not receive facilities

=22% × PKP that does not receive facilities

= 22% × 2,720,367,624

= 598,480,877.28

Amount of PPh owed in 2023

= 598,480,877.28 + 134,723,044.06

= Rp733,203,921

Source: Financial Report of PT. X for 2023
with data processed in accordance with applicable tax regulations

Table 9. Tax Payable by Each Taxpayer in 2023

No	Taxpayer Form	Basic Value of Tax Imposition	DPP	Tax Rates	Taxes Due
1	PT. X	3,945,122,570.00	(Taxable income)	22% Article 17 paragraph 1 b and Article 31E	733.203.921
2	CV. A	4,131,738,000	(Turnover)	0.5% PP No. 23 of 2018	20,658,690
3	CV. B	4,007,100,000	(Turnover)	0.5% PP No. 23 of 2018	20,035,500
4	CV. C	4,016,100,000	(Turnover)	0.5% PP No. 23 of 2018	20,080,500
5	UD.Y	1,911,995,000	(Turnover)	0.5% PP No. 23 of 2018	9,559,975
			Total Tax Payable		803,538,586

Source: Financial report of PT. X

In 2023, the tax payable for the new business entities established by PT. X is as follows: CV. A owes Rp20,658,690, CV. B owes Rp20,035,500, CV. C owes Rp20,080,500, and UD Y owes Rp9,559,975. These entities benefit from the tax rate outlined in PP No. 23 of 2018. For the CVs, this favorable 0.5% final tax rate is applicable for four years, from 2023 through 2026, provided their annual turnover does not exceed Rp4,800,000,000. UD Y, as a trading unit, can apply the same 0.5% rate for seven years, extending from 2023 through 2029, under the same turnover condition.

PT. X, classified as a Corporate Taxpayer, calculates its tax liabilities under Law No. 7 of 2021 in conjunction with Article 31E of Law No. 36 of 2008. This calculation is performed after making fiscal corrections to its profit-and-loss accounts for 2023, as the company operates on a "bookkeeping" basis. In contrast, the CVs—CV. A, CV. B, and CV. C—are Corporate Taxpayers in the form of limited partnerships and continue to use the 0.5% final tax rate for the next three years. UD Y, as an Individual Taxpayer (OP), also applies the 0.5% rate but can do so for an additional six years, reflecting the different tax treatments based on entity type and regulations.

A comparison with the findings highlights a key distinction (Dewi et al., 2021). Dewi et al. reported that CV business units not maintaining proper bookkeeping were ineligible to apply the PP No. 23 of 2018 tax scheme. However, the CVs and UD in this study comply with the bookkeeping requirement, supported by profit-and-loss statements and financial position reports, enabling them to utilize the favorable tax rates.

The efficiency of the tax planning strategy is assessed by comparing the tax payable under the implemented business split with the hypothetical scenario where no tax planning was conducted. Without the business split, the income statements of all five business units for 2023 would be consolidated, resulting in a higher overall tax liability. This comparison underscores the effectiveness of PT. X's tax planning approach in reducing the total tax burden while adhering to applicable regulations.

Table 10. Assumption If PT. X's Profit and Loss Report is Combined with All New Taxpayers (1 Jan-31 Dec 2023)

Information	1 Jan - 31 Dec 2023
Income	
Total Income	29,528,465,442
Cost Of Goods Sold	
Total Cost Of Goods Sold	11,437,179,305
Gross Profit	18.091.286.137.
Operating Expenses	
Total Operating Expenses	5,592,380,928
Operating Income	12,498,905,209
Non-Operating Income And Expenses	
Total Non-Operational Income	16,150,331.
Non-Operational Expenses	
Total Non-Operational Expenses	-3,539,071.
Total Non-Operational Income And Expenses	12,611,260.
Net Profit	12,511,516,469.

Source: Financial Report of PT. X (processed data)

The profit calculated under accounting standards is Rp12,511,516,469. However, for the purpose of determining tax payable, fiscal corrections are applied to the profit-and-loss statement in compliance with applicable tax regulations. After these adjustments, the Taxable Income (PKP) amounts to Rp14,472,448,880.

Table 11. Calculation of Tax Payable by PT. X Merged in 2023

The amount of taxable income from the portion of gross circulation that receives facilities:

= x Taxable Income$\frac{\text{Rp4.800.000.000}}{\text{Omzet tahun 2023}}$

= x$\frac{\text{Rp4.800.000.000}}{\text{Rp29,528.465.442}}$Rp14,472,448,880

=Rp2,352,569,074 (PKP that can get facilities)

The amount of taxable income from the portion of gross turnover that does not receive facilities

= Taxable Income – Taxable Person for VAT purposes who can receive facilities

= Rp. 14,472,448,880-Rp. 2,352,569,074)

= Rp12,119,879,806 (PKP that does not receive facilities)

Income tax payable that can be facilitated

= (50%-22%) × PKP that can receive facilities

= (50%-22%) × IDR 2,352,569,074

= Rp258,782,598

Income tax payable that does not receive facilities

=22% × PKP that does not receive facilities

= 22% × Rp12,119,879,806

= Rp2,666,373,557

Amount of PPh owed in 2023

= IDR 2,666,373,557+ IDR 258,782,598

= Rp2,925,156,155

Source: Financial report of PT. X with data processed in accordance with applicable tax regulations

If PT. X engages in tax planning by splitting its business into new entities, the total tax payable, including the liabilities of the newly created business units, is Rp803,538,586 (refer to Table 9). This amount is significantly lower than the tax payable without tax planning, which totals Rp2,925,156,155.32. This represents a 72% reduction in tax liability, highlighting a nominal efficiency of Rp2,121,617,569 achieved through tax planning.

A comparison with previous research, such as The Last Supper (2019) in "Tax Planning Efforts Through Legal Entity or Business Forms (Case Study on UD XYZ)," revealed that for identical transaction figures, fiscal profits for commanditaire vennootschappen (CV) and trading units (UD) were equivalent, while limited liability companies (PT) produced smaller fiscal profits. This underscores the importance of entity type in determining fiscal outcomes.

Herwanto et al. (2021) noted that the company they studied was ineligible to apply PP No. 23 of 2018 due to exceeding the IDR 4,800,000,000 turnover threshold, and their analysis did not consider Article 31E of Law No. 36 of 2008. In contrast, this study incorporates Article 31E to calculate tax payable for PT. X, reflecting a more comprehensive tax planning strategy.

PT. X's ability to use PP No. 23/2018 is limited by time constraints defined under Article 5 Paragraphs 1 and 2 of the regulation. While PT. X, as a limited liability company, can no longer apply the 0.5% final tax rate in 2023, newly created CVs can use this rate for an additional four years, starting in 2023. UD Y, classified as an Individual Taxpayer (WP OP), can apply the 0.5% rate for seven years. PT. X, as the restructured primary manufacturing entity, must calculate its tax liability under Law No. 7 of 2021 at a 22% rate. However, due to a turnover below IDR 50,000,000,000, PT. X qualifies for the rate reduction facility under Article 31E of Law No. 36 of 2008.

It was observed that the application of PP No. 23/2018 led to increased tax burdens for the company studied, as it overlooked other factors impacting profits, such as the cost of goods sold and operational expenses (Tanuwijaya et al., 2022). In contrast, this study demonstrates that PT. X, by strategically dividing its business entities, reduced its tax burden significantly through the 0.5% rate under PP No. 23/2018.

Lastly, a prio study identified tax planning practices involving fictitious salaries and reductions in gross turnover, constituting tax evasion (Ronika et al., 2024). By comparison, this study shows that PT. X adhered strictly to tax regulations while implementing a business split strategy to utilize PP No. 23/2018. This approach ensured compliance with tax laws while optimizing tax efficiency.

CONCLUSION AND SUGGESTIONS

The business division undertaken by PT. X adheres to the principles and guidelines outlined by Sidarta (2021). This restructuring involved the creation of five distinct taxpayers, with assets, liabilities, and equity allocated to each entity in alignment with their respective business activities. The reorganization also ensured the availability of essential infrastructure, such as inventory warehouses, for each entity. The implementation of this tax planning strategy demonstrated significant efficiency, resulting in a 72% reduction in the company's overall tax burden compared to the scenario without tax planning.

It is recommended that companies proactively prepare for the expiration of PP No. 23 of 2018 by ensuring consistent compliance with applicable tax regulations. Maintaining alignment with regulatory requirements will support sustainable tax efficiency and mitigate potential risks.

For future research, the scope of tax planning strategies employing business division should be expanded to encompass a comprehensive examination of all tax implications. This includes not only corporate income tax but also value-added tax (VAT) considerations, particularly for the transfer of non-current assets classified as taxable goods (BKP). Additionally, the implications of land and building acquisition fees (BPHTB) and the administrative requirements for re-titling fixed assets distributed to newly formed entities should be analyzed. Such a holistic approach will provide deeper insights into the broader taxation impacts of business restructuring.

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