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Tax Planning for Corporate Income Tax at PT Lippo General Insurance, Tbk

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Abstract

The main objective of this study is to investigate and analyze the practice of implementing tax planning as a strategy to improve the efficiency of Corporate Income Tax Expense at PT Lippo General Insurance. This research adopts a descriptive and quantitative approach and utilizes a case study as the main research method. Through data collection and analysis, the results confirmed that PT Lippo General Insurance has significant potential to reduce the tax burden payable in 2023 through effective corporate income tax saving strategies. The findings of this study highlight that the company still has room to minimize its payable tax by utilizing the benefits of tax savings. One of the suggested strategies is to conduct special purpose billing to reduce the company's annual tax burden, especially by using the gross up method to calculate the weight of ITA 21. Thus, this study makes an important contribution in providing a more in-depth view of the effectiveness of tax planning strategies in the context of insurance companies such as PT Lippo General Insurance.

1. Introduction

Tax is one of the sources of state revenue that comes from the community, either personal or corporate. Soemitro (2012) says that taxes are contributions from the community to the state treasury based on laws and can be imposed which can be shown directly without receiving reciprocal services, used to pay for public expenditures. However, the burden on taxes in the company will affect the profit obtained by the company. The performance of a company is actually inseparable from the tax in question. The ability of a company to manage taxes is also one of the important points considered by stakeholders in decision making.

The financial statements of a company can be divided into two, namely commercial financial statements and fiscal financial statements. Commercial financial statements describe the amount of profit earned by a company for its achievements, while fiscal financial statements are used for the calculation of corporate taxes that aim to be submitted to the government.

One type of Indonesian state tax is income tax (PPh), which is an obligation imposed on persons or entities for salaries received or earned in a fiscal year. Paying taxes is a burden for taxpayers, so the less tax paid, the more profit is generated. Tax is an expense that will reduce the net profit of a company (Saputra, 2020). The latest Minister of Finance Regulation discusses the Income Tax Treatment of Reimbursement or Reward in Connection with Work or Services Received or Obtained in the Form of Natura and / or Enjoyment regulated in PMK No. 66 of 2023.

In practice, every company tries to maximize corporate tax management so that the amount of tax paid is not more than the amount owed and minimize the risk of tax debt that may arise in the future. In addition, companies always try to reduce costs to a minimum in order to generate the specified profit. One of the company's efforts to minimize the tax burden and optimize effective and efficient company resources is tax planning.

Chaezahranni's research (2016) at PT RSA which has made cost arrangements argues that the assessment arrangement using the gross up method affects the amount of PT.RSA's annual corporate tax in the form of efficiency, as well as research by Pusparini, et al (2013) who conducted tax planning Case study of PT. Citra Perdana Kendedes Malang, shows that after the cost arrangement there is a considerable difference in the individual tax rate (cost reserve fund) which is additional money that can be used as additional capital for the company's progress. The same thing was also conveyed by Hanifah (2019) who conducted tax planning at PT SCI, showing that the assessment arrangements made were proven to save the cost burden to be paid.

To find out the tax planning methods that can be used by companies in an effort to reduce the amount of income tax payable and the effect of tax planning on income tax savings for the company PT Lippo General Insurance is the purpose of this study.

2. Literature Review

The first step in developing a tax saving strategy to improve income tax efficiency is tax planning (Kartikasari, et al., 2018). According to Pohan (2013), tax planning is a process that regulates the affairs of citizens so that tax obligations, both annual fees and other fees, regardless of the amount, as long as they do not ignore the statutory arrangements. According to Adiman (2020), in tax planning there are 3 kinds of ways that people can do to reduce their tax rates, namely: 1) Tax Avoidance (Tax Avoidance), 2) Tax Evasion, 3) Tax Saving. Strategies that can legally reduce the tax burden include those outlined in Pohan (2016):

1) Tax saving
2) Tax avoidance
3) Delay / shift payment of tax obligations
4) Optimizing the tax credit allowed
5) Avoiding tax audits by avoiding overpayments
6) Avoiding violations of tax regulations

3. Research Methods

Descriptive research is used to explain the tax planning strategy of PT Lippo General Insurance in reducing corporate income tax. The financial statements obtained in the annual report in 2022 are the data used. Tax preparation is done by assessing the calculation of ITA 21 by looking at the gross up method. Employers use the gross up method, which is a tax reduction strategy in which they provide tax benefits to their employees based on the amount of tax to be paid. In this system, representatives get additional benefits according to the amount of Income Tax Article 21 (Kartikasari, et al, 2020).

4. Results and Discussion

PT Lippo General Insurance Tbk (LPGI) is a company that focuses on providing general insurance services. The company has obtained a business license from the Minister of Finance on June 17, 1992, which was previously named PT Asuransi Brawidjaja in 1963. There are various types of insurance offered, namely health insurance, both individuals, families, and employees of a company, motor vehicle insurance, fire insurance, transportation insurance and so on. PT Lippo General Insurance, whose share ownership consists of PT Inti Anugerah Pratama 65.79%, PT Star Pacific Tbk by 19.80% and the public (under 5%) by 14.41%, has assets of Rp 2.9 Trillion and a net profit of Rp 73.84 billion in 2022. In carrying out its activities, LGI is supported by supporting ecosystems, namely the Digital Ecosystem which focuses on service development and innovation in the Company's operational activities, and the Sales Ecosystem which focuses on value delivery to customers. The number of employees that LGI has in 2022 is 451 employees.

In this study, the cost of anticipating the company's personal duties was carried out at PT Lippo General Insurance based on information obtained from the annual report in 2022. Analysis of Income Tax Article 21 allowances for employee medical expenses, telephone credit allowances, and food and beverage expenses is used as the basis for tax planning. The audit aims to determine the amount of corporate personal tax rate at PT Lippo General Insurance at the time of billing in 2022.

4.1 Corporate Income Tax Expense Before the Implementation of Tax Planning at PT LGI.

Credit replacement costs that are used as credit allowances are one tax planning. Medical expenses paid directly to the hospital and billed as health benefits are part of tax planning for employee medical expenses. The cost of anticipating food and beverage costs, especially holiday pay, which is determined as a premium for workers' wages in ITA 21. In accordance with PMK 66 No. 2023, the value of

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coupons excluded from the object of income tax is IDR 2 million / employee / month. Researchers explained the quantitative descriptive method of calculation data before and after tax planning. The difference in profit in the commercial and fiscal financial statements is the existence of several expenses that are recognized / not recognized and different treatment between commercial and fiscal, so that if there is a negative fiscal expense correction, it will affect profit before tax and affect the tax debt. Financial statements obtained from PT LGI as the basis for calculating corporate income tax. The commercial financial statements used in the research are the commercial income statement on December 31, 2022, calculation of 2022 expenses.

Based on the commercial financial statements of PT Lippo General Insurance used as the basis for tax calculations in the 2021 and 2022 Annual Reports, the commercial Income Statement as of December 31, 2021 and 2022 of PT LGI in Table 1:

Tabel 1. Income Statement for 2021 and 2022 (in million rupiah)

	2021	2022
REVENUE	Rp 1.708.878	Rp 2.076.116
EXPENSES		
Gross Claims	Rp 1.440.777	Rp 1.978.037
Claims Reinsurance	Rp (253.959)	Rp (331.315)
Expenses Clean Commission	Rp 83.865	Rp 106.651
Expenses/(Income) underwriting Others	Rp 51.483	Rp (35.249)
Operating Expenses	Rp 266.022	Rp 222.973
PROFIT BEFORE TAX INCOME	**Rp 76.296**	**Rp 98.598**
Tax Expense	Rp (43.141)	Rp (24.759)
NET PROFIT/(LOSS)	**Rp 33.154**	**Rp 73.838**

Source : PT LGI

The following are the operating expenses as of December 31, 2021 and December 31, 2022 used for PT LGI's corporate income tax return as follows:

Table 2. Operating Expenses for 2021 and 2022 (in million rupiah)

	2021	2022
Salary and Wages	Rp 117.661	Rp 107.990
Marketing	Rp 51.587	Rp 40.423
Welfare Employees	Rp 8.447	Rp 10.504
Depreciation Fixed Assets	Rp 8.440	Rp 9.631
Transportation	Rp 6.690	Rp 9.070
Repair and Maintenance	Rp 4.466	Rp 6.173
Employee Benefits	Rp 5.593	Rp 5.930
Communication	Rp 3.896	Rp 4.733
Education and Training	Rp 4.043	Rp 4.636
Professional Services	Rp 3.131	Rp 3.014
Amortization of intangible assets	Rp 2.029	Rp 2.312
Depreciation of right-of-use assets	Rp 1.793	Rp 1.811
Office Supplies	Rp 1.181	Rp 1.260
Office Rent	Rp 396	Rp 767
Provision for loss Impairment	Rp 26.457	Rp (5.688)
Miscellaneous	Rp 20.203	Rp 20.401
Total	**Rp 266.022**	**Rp 222.973**

Source : PT LGI

Marketing expenses are expenses that have been positively corrected by IDR 93,308,218,879 in 2021 and IDR 26,357,303,699 in 2022. In addition, employee welfare in 2021 was not expensed because it was in the form of in-kind, but in 2022 it was corrected to IDR 12,218,835,457. Transportation costs were also made a positive fiscal correction of IDR 3,703,402,688 in 2021 and IDR 4,282,961,789 in 2022, etc. After that, the reconciliation calculation is carried out, here are the details of the reconciliation calculation of fiscal expenses in 2022.

Table 3 Fiscal Reconciliation Year 2022 PT LGI (In million Rupiah)

Profit before tax of the company		104.797
Fixed Differences		
Marketing Expenses	26.357	
Other Employee Welfare	12.218	
Transportation Expenses	4.282	
Education Expenses	4.106	
Convertible Notes Interest	2.367	
Maintenance Expenses	271	
Gain on Increase in	149	

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Value of Investment Property		
Tax Expense	2	
Gain on Sale of Securities	(12.518)	
Investment Expenses	355	
Interest	(7.737)	
Increase in value of mutual funds	(14.456)	
Rental Income	38	
Exchange Difference on Investments	(9.027)	
Fair value of trading securities	5.031	
Total Correction	11.442	
Temporary Differences		
Employee Benefits		5.172
Accrued Employee Expenses		(10)
Estimated self-retention claim		3.009
Bonus		(5.752)
Depreciation		1.006
Lease-PSAK 73		273
Decrease in unearned premiums		(94.002)
Allowance for premiums receivable		(4.862)
Allowance for reinsurance receivables		(300)
Total Correction		(95.467)
Profit After Fiscal Correction		20.772

Source : PT LGI

From the conclusion of the data obtained, the Commercial Financial Statements of Rp 104,797,916,552 is for profit in the current year before tax according to the company while the profit of Rp 20,722,841,334 is for taxable income after fiscal correction. To calculate the percentage of tax efficiency based on tax regulations as follows:

$$T = \frac{Po - P1}{Po} \times 100\ \% = 80\%$$

$$T = \frac{104.797 - 20.772}{104.797} \times 100\ \% = 80\%$$

So it can be concluded that there is tax efficiency in 2022 of 80%. The total income tax liability at PT LGI is different when the calculation is more effective based on applicable tax regulations, so the company succeeds in minimizing the corporate income tax burden.

In addition, the following is the calculation of PT LGI's corporate income tax before tax planning in 2021 and 2022:

Table 4. Calculation of Corporate Income Tax Before Tax Planning in 2021 and 2022 (In million Rupiah)

	2021	2022
Profit/(Loss) Before Tax	Rp 122.615	Rp 104.797
Positive Fiscal Correction	Rp 77.552	Rp 11.442
Negative Fiscal Correction	Rp(153.108)	Rp (95.467)
Fiscal Net Income	Rp 47.059	Rp 20.722
Fiscal Loss Compensation Income		
Taxable	Rp 47.059	Rp 20.722
Income Tax Payable	Rp 10.353	Rp 4.570
Tax Credits	Rp 9.722	Rp 4.339
Pph Underpayment Pay	**Rp 630**	**Rp 230**

Source : PT LGI

Corporate Income Tax Expense After Implementing Tax Planning at PT LGI

The Gross Up method is used for tax planning, where the company provides a tax allowance equal to the amount of tax that will be deducted from employees at the time of tax withholding. The estimated duty allowance is formed to compare how much assessment must be paid with the cost benefits provided by the company to its workers (Sitohang, 2017), so that the weight can be felt fiscally and reduce the tax rate payable. The Gross Up method is used to calculate Income Tax Article 21 as shown below. The sample calculated is a group of permanent workers in 2022 with a work history of 12 months and TK/0 status.

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Table 5. Calculation of Pph Article 21 in 2022 with Gross Up Method (In million Rupiah)

	2022	
Base Salary	Rp	1.620
Medical Allowance	Rp	300
Meal Allowance	Rp	250
Phone Credit Allowance	Rp	60
Bonus and THR	Rp	300
Total Income		
Gross Income per Year	**Rp**	**2.530**
Position Cost		
Pension Cost	Rp	120
JHT/Pension contributions	Rp	100
Deduction Amount	**Rp**	220
Net Income	**Rp**	**2.310**
PTKP	Rp	54
Annualized PKP/ Annualized	**Rp**	**2.256**
Income Tax Article 21 on Taxable Person for the year	Rp	112

Source: Data Processing Results 2023

The cost of ITA 21 of PT LGI in 2022 for K0 status using the method of ITA 21 borne by the organization is IDR 112,500,000. To pay ITA 21, the company spent more funds for its implementation amounting to Rp112,500,000. Because the cost of ITA 21 is not recognized as a financial expense (Non Deductible Expense), the adjustment will be made financially by making a positive correction and deducting it from the cost element used in the calculation of corporate income tax. so that this positive correction will have an impact on increasing fiscal profit and tax payments.

The Gross Up method is one of the alternatives used in tax planning for the calculation and deduction of Income Tax Article 21. The following is the calculation of Income Tax Article 21 using the alternative Gross up method.

Table 6 Calculation of Pph Article 21 in 2023 with Gross Up Method (In million Rupiah)

	2022	
Base Salary	Rp	1.620
Income Tax Allowance	Rp	117
Medical Allowance	Rp	300
Meal Allowance	Rp	-
Phone Credit Allowance	Rp	-
Bonus and THR	Rp	300
Total Income		
Gross Income per Year	**Rp**	**2.337**
Position Costs/Pension Costs	Rp	120
JHT/Pension contributions	Rp	100
Total Deduction	**Rp**	220
Net Income	**Rp**	**2.117**
PTKP	Rp	54
Annualized PKP	**Rp**	**2.063**
Income Tax Article 21 on one year PKP	Rp	117

Source: Data Processing Results 2023

From Table 6 above, it tends to be seen that the amount of tax allowance of Rp 117,500,000 is equivalent to how much Income Tax Article 21 must be paid, so there is no decrease in Income Tax Article 21 to employees, on the grounds that the company bears the entire Income Tax Article 21 as a cost allowance. Nonetheless, in the gross up method, the additional costs incurred by the company as tax allowances cause all additional costs to be considered, both financially and commercially. The technique of grossing up Income Tax Article 21 that regulates the person in charge by providing credit allowances and meal allowances will cause a decrease in taxable income.

Table 7 shows the income statement after tax planning and estimated for the calculation of 2023 with the addition of employee benefit costs from the calculation of Article 21 borne by the company.

Table 7. Income Statement for 2022 and 2023 (In million Rupiah)

	2022		2023	
REVENUE	Rp	2.076.116	Rp	2.076.116
EXPENSES				
Gross Claims	Rp	1.978.037	Rp	1.978.037
Reinsurance Claims	Rp	(331.315)	Rp	(331.315)
Commission Expense Net	Rp	106.651	Rp	106.651
Underwriting Expense/(Income) Others	Rp	(35.249)	Rp	(35.249)
Operating Expenses	Rp	222.973	Rp	340.473
PROFIT BEFORE TAX INCOME	**Rp**	**98.598**	Rp	73.721
Tax Expense	Rp	(24.759)	Rp	(24.876)
PROFIT/(GAIN) NET	**Rp**	**73.838**	Rp	48.844

Source: Data Processing Results 2023

From table 7, it can be seen that the profit was Rp. 73,838,714,374 before tax planning was carried out and then there was an increase of Rp. 24,994,467,839 due to the take home pay of employees consisting of additional costs such as credit and meal allowances. The allowance is obtained from the company's profit as an element of cost and the amount of Income Tax 21 payable is now charged to the company in the amount of Rp 117,500,000. The total profit amounted to Rp 48,844,246,535 after applying a simpler cost arrangement compared to other profit calculations. The cost borne by the company is in the form of tax relief that can be used to reduce fiscal profit, company profit, and ultimately the amount of tax income that must be paid.

5. Closing

Based on the analysis and research results at the company PT Lippo General Insurance Tbk, managed to make tax efficiency in 2022 by 80%. The amount of income tax liability at PT LGI is different when calculating fiscal reconciliation effectively based on applicable tax regulations, so that it can make savings in corporate income tax expenses. In addition, the company can implement tax planning to save corporate income tax expenses by calculating the income tax expense article 21 using the gross up method. To save corporate income tax expense, companies can provide medical allowances, meal allowances, and telephone allowances to employees.

The company can save the payable corporate income tax expense of Rp. 24,994,467,839 for the year 2023 after implementing tax planning. The excess tax credit paid will not be excessive if there is a decrease in the company's fiscal profit. With the limited information obtained, this study can examine some of the costs that can be solved by project planning to save the company's personal cost burden that must be paid. The researcher believes that future researchers can examine costing arrangements for various costs that can save money on the company's personal tax rate.

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