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EVALUATION OF TAX PLANNING AT EDUCATIONAL FOUNDATION "A"

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ABSTRACT

This study evaluates tax planning at the Education Foundation "A". The analysis uses tax management theory, including the tax planning, tax implementation, and tax control which non-profit organizations haves implemented. In addition, the thesis also analyzes problems in the implementation of non-profit organization tax planning and provides recommendations for improvements. Descriptive qualitative analysis is used, with thematic analysis of the results of documentation analysis and interviews with the Education Foundation "A", DGT, and tax consultants. The results of the study indicate that there is still a lack of tax planning by Education Foundation "A", which has resulted in a large tax burden faced by the non-profit organization. Therefore, good tax planning efforts are needed, including the use of tax facilities and opportunities according to the applicable tax regulations. In addition, it is necessary to increase human resource capacity at the foundation, especially in the accounting and finance division, with increased knowledge in the field of taxation.

Keywords: educational foundations, remaining budget, tax facilities, tax planning.

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1. INTRODUCTION

The term 'non-profit organization' (NPO) has long been recognized in Indonesia. At first, the purpose of establishing an NPO was seen as an effort to overcome social problems; the sectors that were usually involved in such organization were those in health and education. However, along with the development of today's business world, many NPOs in Indonesia would not be able to survive if they only relied on sources of funds obtained from public donations.

NPOs therefore need other sources of funds obtained through business activities that can provide profits. However, the era of information disclosure has provided great opportunities for the development of the social sector, so the role of community-driven NPOs is important. With this opportunity, the service area for such organizations has widened. Several NPOs in Indonesia can already be categorized as giants in the business world. For example, several engaged in education already have assets of billions of rupiah (Nainggolan, 2005).

The main topic discussed in this case study is NPOs in the field of education. An educational foundation is a non-profit legal entity whose financial transactions cannot be separated from taxation aspects. The flow of money goes to the foundations; for example, self-help funds, government funds, or other funding sources. In addition to incoming funds, there are also outgoing ones used by the organizations for goods, services, capital, and personnel expenditures. Therefore, their wealth management and financial reports need to be prepared using the right strategy by considering the applicable regulations and utilizing information technology to support transparency. According to the law, all NPOs, including educational foundations, can conduct business activities to support their goals and objectives by establishing or participating in a business entity. Therefore, such foundations are included in legal entities whose financial transactions cannot be separated from taxation.

If viewed from on the tax aspect, educational foundations are unique if compared to corporate taxpayers. The government provides facilities for making exceptions that do not include tax objects in the remaining budget residual income, so they can can be exempted from corporate income tax under certain conditions (Tansuria, 2009). This facility is written in the Regulation of the Minister of Finance Regulation No. 68/PMK.03/2020 concerning the treatment of income tax on scholarships that meet specific requirements. The remaining budget is received or obtained by non-profit bodies or institutions engaged in education, research, and development. In addition to these regulations, the remining budget facility is also regulated in the regulation of the Director-General of Taxes No. PER-44/PJ./2009 concerning the remaining budget balance received or obtained by non-profit bodies or institutions engaged in education and/or research and development fields exempt from income tax objects.

The regulation states that the remaining budget received or obtained by corporate taxpayers or NPOs engaged in education and/or development is reinvested in facilities and infrastructure for educational and/or development activities within a maximum period of 4 years. Therefore, the provisions further regulated in the Ministry of Finance Regulation are exempt from tax objects. However, the remaining budget of educational foundations that receive exemptions from income tax still have requirements that must be met. If these requirements cannot be met, the remaining budget will be taxed according to the applicable provisions.

In line with the discussion above, this study is entitled *Evaluation of Tax Planning at Educational Foundation "A"*. This title was chosen considering the importance of the role of tax planning in an NPO in order to minimize the tax burden faced by educational foundations. The research questions are: How has tax planning been made by Education Foundation "A"? Are there any problems with the tax planning implemented? and What are the recommendations for dealing with tax planning problems at Education Foundation "A"? The research evaluation uses the theoretical framework of tax management, which consists of tax planning, tax implementation, and tax control.

The topic of tax planning at educational foundations was chosen because this is become an important point that the government pays attention to the world of education in Indonesia. By complying with the provisions of tax planning regulations, NPOs can be more comfortable in using their tax rights and obligations. Furthermore, the research was conducted because Education Foundation "A" has not previously implemented good tax planning to prepare its financial activities. Therefore, it is hoped that this case study will contribute to the foundation's understanding of the importance of utilizing tax facilities. Furthermore, by implementing effective tax planning, it is hoped that it can streamline the burden of corporate income tax to be paid. In addition, it is hoped that this research will be helpful for all educational foundations in Indonesia that have not included tax planning in their financial activities.

2. LITERATURE REVIEW

2.1 Tax Management

Tax management is practised by taxpayers to fulfill the necessary obligations on the one hand, and on the other to look for opportunities to reduce the tax burden payable in the most efficient possible way. It consists of planning, implementation, and control, with the aim that taxpayers can exercise their rights and obligations in the field of taxation effectively and efficiently by following the applicable tax provisions and avoiding wastage. According to Martani (2019), such management can be achieved through the following functions: (a) tax planning, (b) tax implementation, and (c) tax control.

2.2 NPO Financial Statements

Indonesian Financial Accounting Standards, ISAK 35 was issued to guide non-profit entities in presenting financial statements. Its issuing, together with the process of revocation of PSAK 45, was ratified on April 11 2019, and was effective from January 1 2020. In ISAK 35, entities assess whether they are non-profit-oriented, regardless of their legal form. The interpretation in ISAK

35 is that the presentation of the financial statements of non-profit-oriented entities is prepared by taking into account the requirements, report structure, and minimum requirements set out in PSAK 1.

Examples of illustrative forms of financial statements presented in ISAK 35 include: (1) statements of financial position, which present comprehensive income items in the net assets section without restrictions and presents other comprehensive income items separately; (2) comprehensive income reports, which present information in a single column according to the classification of net assets; (3) statements of changes in net assets; (4) cash flow statements; and (5) notes to financial statements.

2.3 Tax Aspects of Educational Foundations

Based on Law of Republic Indonesia Number 28 of 2004, NPOs are legal entities consisting of separated assets designated as aiming to achieve specific social, religious, and humanitarian goals. They are legal entities considered able to take legal actions and face legal consequences, even though in reality those who act are employees at the foundation, supervisors, and administrators. In addition, based on the Foundation Law, in supporting the achievement of its aims and objectives, the foundation may carry out business activities by establishing a business entity and/or participating in a business entity.

NPOs can own wealth and assets, both fixed and current. Their wealth and assets, separated into money and goods. In calculating the income tax of educational foundations, the first issue to establish is their sources of income foundations which can become tax objects. Referring to Income Tax Law Article 4 Paragraph 1, it is stated that the object of tax is any additional economic capability obtained and received by the taxpayer, both income from Indonesia and from outside the country. Therefore, in educational foundations the sources of income included as tax objects are: (1) income derived from work, activities, or services; (2) rent and other fees related to the use of property; and (3) profits are derived from the transfer of assets, including those received through donations/grants.

However, not all the incomes of educational foundations are tax objects; for example grants from foundations or similar organizations, and donations or assistance from the Government. In general, the objects of income tax are reduced by deductible expenses in calculating taxable income. In educational foundations, gross income deductions can be grouped into three major types: (1) costs directly related to business activities, work, and provision of services; (2) depreciation or amortization of the expenditure of tangible assets to obtain assets that have a useful life of more than one year; (3) subsidies or scholarships given to underprivileged students by the NPO.

The definition of a remaining budget is the difference between the income earned by the foundation minus any expenses incurred. Therefore, the remaining budget is the taxable net income. However, because the foundation is an NPO, this budget can be excluded as an object of income tax. It is regulated based on Article 4 Paragraph 3 of the Income Tax Law, which is then regulated in more detail in the Minister of Finance Regulation No. 68/PMK.03/2020 and

Regulation of the Director-General Regulation of Taxes No. PER-44/PJ/2009.

2.4 Previous Research

Several previous studies have analyzed the application of tax planning of the remaining budget in educational foundations. Tansuria (2009) discussed the treatment of income tax for educational foundations. The results of this study indicate that the government as a policy maker makes special rules regarding income tax for educational foundations as an incentive to encourage the use of the surplus obtained for the benefit of improving the quality of facilities and infrastructure, with preferential income tax treatment for the excess remaining obtained by the foundation.

Another study was conducted by Kuncoro and Pratama (2017), which discussed tax optimization for foundations engaged in education. The results indicate that the provision in the form of excess that is excluded as an object of tax is given by the government with the aim of developing the quality of education.

Darmansyah (2021) discussed the financial management of educational institution foundations and the fulfillment of effective and efficient tax obligations. The results indicate that the implementation of the principles of accountability and transparency is the responsibility of such foundations. Referring to the provisions of these principles, foundation management in managing finances, assets, and implementing activities is required to prepare annual reports, and to make and keep records.

Further research was conducted by Heriyah and Himah (2021), who examined the use of tax facilities at educational foundations in relation to income tax efficiency. It is a case study that focuses on analyzing how many tax aspect facilities can be utilized by the "X" educational foundation. The results of the study show that the foundation had met its administrative obligations, but the utilization of its tax opportunities had not been performed optimally.

The four research conclude with opportunities for tax planning that the educational foundations can take without violating existing tax regulations. However, that four previous research did not describe the stages of good planning that can be implemented by educational foundations and only evaluated what they had done in their tax management.

Therefore, the difference between this research and previous studies is that this considers stages of tax planning that NPOs can follow, with recommendations for several alternative tax planning options that the educational foundation can implement without violating applicable tax regulations. In addition, this study also criticizes and provides recommendations to the DGT regarding supervision of educational foundations that utilize tax facilities. It is therefore hoped that the tax facilities provided by the government for special NPOs in the field of education can be used appropriately.

3. RESEARCH METHODS

3.1 Research Strategy and Approach

The study takes a research strategy in the form of case studies using qualitative methods. Qualitative case studies are descriptions, and holistic and intensive analysis of a phenomenon or event and have descriptive, particularistic, and heuristic characteristics (Meriam, 1998). This study uses such a qualitative approach. The data collected were qualitative and analyzed with a qualitative approach. Such an approach is used to provide a holistic and intensive description and analysis of the tax planning that has been implemented by taxpayers (in this case Education Foundation “A”). Therefore, evaluation of the implementation of tax planning can be made comprehensively. Furthermore, the results of a comprehensive evaluation can be used to formulate recommendations for future solutions to problems that may occur.

3.2 Data Collection

The study used secondary and primary data sources. The secondary data came from documents from the “A” Education Foundation; in addition, as a tool to support the analysis, from regulations issued by the Ministry of Finance Regulation and the Directorate General Taxes Regulation. In addition, primary data were sourced from interviews with the respondents, whose demographics are given in Table 1.

Table 1. Demographics of the Respondents

Interviewee	Interview type	Position	Education Level	Gender	Age
Respondent 1	Face-to-face	Finance Manager of Education Foundation “A”	S2	Female	49
Respondent 2	Face-to-face	Finance Staff Member of Education Foundation “A”	S1	Female	22
Respondent 3	Face-to-face	Chairman of the Foundation	S3	Male	59
Respondent 4	Zoom meeting	Tax Consultant	S2	Male	51
Respondent 5	Whatsapp voice call	Tax Auditor Directorate General of Taxes Ministry of Finance RI	S2	Male	31

The interview questions posed to the five respondents were arranged in a semi-structured manner and related to the tax regulations discussed in the study. Semi-structured questions were used so that the perceptions or answers of the respondents could be explored further without being limited to prepared questions. The list of interview questions can be seen in Table 2.

Table 2. Interview Questions

No	Respondents	Elements Researched	Indicator	Question Content
1.	Taxpayers	Tax planning by "A" Edu-Foundation	Tax management	a. Implementation of previous tax planning considering the form of business entity b. Problems that arise when not tax planning not implemented c. Recommendations to overcome existing problems d. Requirements to take advantage of tax facilities, especially for Edu-Foundation "A", which is managed by a Limited Liability Company (PT) e. Understanding of the Tax Law, Regulations of the Minister of Finance, and other details of the latest tax regulations to take advantage of tax facilities
			Correctly implementing tax regulations	a. The tax departement at foundation on handling taxation b. Differentiation of expenses that are deductible or non-deductible as expenses c. Consulting every transaction made by the NPO to the tax department at Education Foundation "A"
			Administrative aspects of tax planning	a. Ownership of TIN b. Reporting taxable entrepreneurs c. Submission of Annual and Periodic SPT d. Good consistent bookkeeping, following tax regulations
2.	Tax Consultant	Problems and solutions in the implementation of tax planning	Tax facility treatment on remaining budget	a. Tax planning treatment following applicable regulations that can be employed by Edu-Found "A" b. Tax planning recommendations that can be given to Edu-Found "A" to overcome existing problems c. The conditions that need to be fulfilled by Edu-Found "A" in utilizing the remaining budget
3.	DGT	Problems and solutions in the implementation of tax planning	Tax facility treatment on remaining budget	a. Treatment of tax planning on remaining budget which comply applicable regulations b. Tax planning recommendations that can be given to Edu-Found "A" c. DGT's view on the number of educational foundations that are not aware of the existence of tax facilities d. Treatment of Corporate Income Tax Articles 25 and 29 if associated with excess remaining facilities

3.3 Data Analysis

Data analysis was conducted using descriptive qualitative analysis techniques and thematic analysis. According to Margarete (2000), descriptive qualitative research combines sampling, data collection and information from respondents, both from interviews and documentation, and the analysis results are presented to describe the phenomenon under study.

Data analysis was first performed on the interviews with the three groups of respondents. Each participant question based on the formulation of the research problem. Analysis of the interview was made results using thematic analysis techniques. Furthermore, confirmation and comparison with the documentation data was made. The documents used were internal data of the foundation, applicable tax laws and regulations. The analysis results were then compiled descriptively to answer the research questions.

4. ORGANIZATIONAL PROFILE

Educational Foundation "A" is a national school with an international perspective that implements an educational spiritualization system in realizing its vision and mission. It has many foundation branches spread throughout Indonesia. This unique educational foundation, which pursues excellence through innovation, helps create an environment for students which maintains the culture and positive character of the Indonesian nation to support the development of a superior generation. The organizational structure of the foundation is as follows:

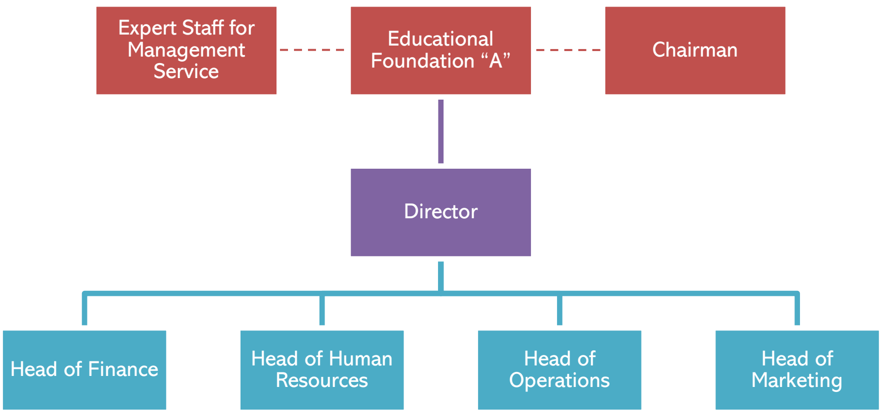

Figure 1. Organizational Structure Of "A" Educational Foundation

The person responsible for managing the foundation's funds and tax is the Head of the Finance Department. The financial statements of the foundation consist of a statement of financial position, a statement of comprehensive income, a statement of changes in net assets, and a statement of cash flows. In fulfilling its tax obligations, the foundation pays monthly tax installments according to Income Tax Article 25, which aims to ease the burden on taxpayers when there is an underpayment in the annual SPT report, so that the foundation does not have to pay a large amount of underpayment at once. In addition, the foundation pays Income Tax according to Article 25 for underpaid income tax listed in the Annual Tax Return, which is the remainder of the income tax payable in the relevant tax year, minus the income tax credit.

5. RESULTS AND DISCUSSION

5.1 Tax Planning at Educational Foundations "A"

In carrying out its activities, the “A” Education Foundation always considers its policy measures in line with the applicable tax provisions. All tax obligations are met as far as possible by following the applicable regulations. With the rationale of good tax management, the foundation meets all its tax obligations in the form of the obligation to collect, withhold, and deposit taxes payable on transactions made with other parties. The tax management implemented by the foundation, in the form of tax planning, implementation of tax obligations, and tax control, are described in sub-chapters 5.1.1 and 5.1.2.

5.1.1 Tax Planning and Implementation of Tax Regulations

Based on the documentation data, Education Foundation "A" has met its tax obligations by using the applicable tax regulations. However, from the analysis results, the amount of taxable income or excess remaining in the foundation is quite high compared to its commercial net income. The remaining budget "A" Education Foundation in the last 4 years can be seen in the Table 3.

Table 3. Net Income and Remaining Budget

No.	Year	Net Income (In Rp)	Tax Rate	Remaining Budget (In Rp)
1.	2018	864,129,172	25%	870,667,178
2.	2019	1,131,217,680	25%	1,398,049,449
3.	2020	775,050,468	22%	1,135,149,141
4.	2021	746,309,527	22%	860,554,847

Source: Processed Internal Data of Education Foundation “A”.

In Table 3 shows the remaining excess in the last 4 years. Based on the interview findings, the foundation has not performed its tax planning using tax avoidance opportunities and tax facilities for the excess. To date, Education Foundations “A” have only carried out their obligations in tax administration. However, the benefits of tax facilities have not been maximized. It can also be seen in Table 3 that the taxable income of the foundation is very high when compared to its net commercial income. Therefore, it is necessary to take several alternatives to use the applicable tax facilities, such as the use of funds for the construction of educational buildings and infrastructure from the excess; maximizing excluded income; maximizing fiscal costs by reducing those that are incurred; and minimizing tax rates by allocating income over several years.

After tax planning, the next step is to analyze the implementation of tax obligations (tax implementation) that the "A" Education Foundation has made. From the results of the analysis of the documentation data and interviews, it can be seen that the implementation of tax administration obligations that have been fulfilled by the foundation can be described as follows:

1. Educational foundations have a Taxpayer Identification Number (TIN)

The TIN, as a means of tax administration, is used as a form of identity or self-identification for taxpayers in exercising their tax rights and obligations. It can also maintain order for tax payments and supervise tax administration. Therefore, Educational Foundation "A" must have a TIN as a form of self-identity as a corporate taxpayer. As confirmed in the interviews, the foundation has fulfilled the formal and administrative requirements. Respondent 2 stated "*Yes, we already have a TIN* (*Respondent 2, 2022)".*

2. Educational foundation bookkeeping

As a corporate taxpayer, Educational Foundation "A" is obliged to keep books of business activities or work under Law 16 of 2009 concerning General Provisions and Tax Procedures. Based on the findings from the interviews and the documentation data regarding aspects of keeping books or records, information and data were obtained showing that the foundation had conducted its bookkeeping correctly, consistently and with reference to the applicable SAK, as confirmed by Respondent 2:

"Yes, since 2018 we have always kept the books well and followed PSAK" (Respondent 2, 2022).

In presenting its financial statements, the foundation refers to ISAK 35 regarding their presentation for non-profit-oriented entities. As can be seen in the statement of financial position and the statement of comprehensive income, the foundation has kept its account books properly, complying with the provisions in Article 28 of the Law on General Provisions and Tax Procedures.

4. Depreciation of assets

Based on the interview results, "A" Education Foundation used the straight-line method to depreciate its assets. The selection of this method is a practical step for the foundation to take, as it is easier to use to determine depreciation expenses, which are always the same every financial year. Another reason is that the straight-line method must be used for assets, so the foundation used this to calculate all its assets. This is shown in the following quote:

"Because in the tax provisions, there are assets that must use the straight-line method, so we use the straight-line method for calculating the depreciation of all assets" (Respondent 2, 2022).

Based on the analysis results, the calculation of the straight-line method chosen by the foundation to help minimize the tax payable due to higher depreciation costs. It can therefore be concluded that the depreciation method using the straight-line method is the right step taken by the management of the "A" Education Foundation.

5. Deductible burden

In performing the institution's activities, the foundation also tries to use the deductions permitted by the tax regulations to minimize the amount of income tax payable. The expense accounts contained in the commercial activity report of the foundation include operational expenses, activity expenses, general administration, and depreciation expenses.

It can be seen in the cost accounts that the foundation incurs high costs in its operating activities. However, increasing costs will result in lower residuals, which will indirectly minimize tax obligations. For more details, the nominal will be explained in the sub-chapter on the depositing and reporting of income tax by Education Foundation "A".

6. Reporting of Income Tax by Education Foundation “A”

The foundation has obtained the remaining excess which is net income, meaning that in the current year it is obliged to pay income tax installments in line with Income Tax Article 25 and Income Tax Article 29. To calculate the amount of tax payable, Table 4 shows an analysis of the calculation regarding the activities of the foundation in 2020.

Table 4. Net Fiscal Income of Education Foundation “A” (In Rp)

No.	Information	Commercial Profit	Fiscal Correction		Fiscal
			Positive	Negative	
1	Total Revenue	12,502,143,483			
2	Total Income Expenses	11,430,817,602	382,180,011		
3	Total Other Income	45,523,411		27,601,697	17,921,714
4	Total Other Expenses	341,789,824	5,520,359		336,278,465
Net Fiscal Income Prior to the Establishment of the Development Fund		**775,050,468**	**769,880,381**	**27,601,697**	**1,135,149,141**

Source: Processed Internal Data of Education Foundation “A”.

Table 4 shows that the commercial profit of Education Foundation "A" is Rp775,050,468. This is often occur, because of course there are different calculations of income and costs in accounting and taxation. Income tax calculation is a form of implementation of the theory of tax aspects on educational foundations, as regulated in Law No. 36 of 2008, in which foundations need to calculate the sources of income that are tax objects and expenses that may be deducted.

The fiscal reconciliation described shows that Educational Foundation “A” must determine whether the difference in income and expenses meets the tax criteria or not. Freedom in determining income and expenses that meet the tax requirements will be re-examined when an inspection is made by the tax authorities. This freedom involves the implementation of the principle of the self-assessment system, in which the taxpayer has full authority in calculating, depositing, and self-reporting the amount of tax debt. The amount of tax recapitulation payable according to Income Tax Article 25 and Article 29, paid monthly and annually by the foundation in the last four years, can be seen in Table 5.

Table 5. Recapitulation of Taxes Payable by Education Foundation "A" (In Rp)

Year	Remaining Budget	Taxable Income	Income Tax	
			Article 29	Article 25
2018	864,129,172	870,667,178	221,152,852	18,429,404
2019	1,131,217,680	1,398,049,449	285,132,275	20,909,706
2020	775,050,468	1,135,149,141	201,966,237	16,816,026
2021	746,309,527	860,554,847	157,261,959	16,593,235

Source: Processed Internal Data of Education Foundation “A”.

Table 5 shows that the tax payable from Income Tax Article 29 and Income Tax Article 25 since 2019 has continued to decline, but it is still fairly high compared to the remaining excess generated in the current year. The amount of income tax payable is an obligation that must be met by the foundation as a form of good tax planning. The annual income tax return for corporate taxpayers is reported no later than four months after the end of the tax year. At the time of depositing the tax return (SPT), the foundation must attach a financial report in the form of a balance sheet and calculation of profit or loss.

5.1.2 Tax Control

The final step in tax management is tax control, which involves re-examining the tax planning that has been made to ensure that tax obligations are met following both formal and material provisions. Based on the analysis of documentation and the interview information, the tax management conducted by Education Foundation "A" comprises tax planning, the implementation of tax obligations and tax control following the tax laws and regulations, and in line with company objectives, ensuring that it does not interfere with the foundation's operations. But on the other hand, the "A" Education Foundation has not maximized the opportunities and tax facilities that can minimize the burden of the tax payable. Therefore, the analysis of tax planning that the foundation has carried out if it is associated with the characteristics of tax planning can be seen in table 6 as follows:

Table 6. Education Foundation “A” Tax Planning

No.	Tax Planning Characteristics	Yes	No
1.	Taxpayers need to understand the applicable tax laws and regulations	✓	
2.	Tax planning makes sense in business (business activities)		✓
3.	Tax planning needs to be supported by accounting treatment and adequate supporting evidence	✓	

5.2 Problems in the Implemention of Tax Planning by Education Foundation "A"

In the sub-chapter on tax management, Education Foundation "A" has been shown to have met its tax obligations according to regulations. Despite

this, after the interviews with the foundation, it was indicated that to date the foundation felt that the tax burden owed was excessive due to the lack of good tax planning. It had also not used the tax opportunities or tax facilities related to an excess surplus provided by the government for special foundations in the field of education. According to Respondent 1:
"We are unaware of any tax facilities on excess surplus, so we only follow the existing tax regulations in paying taxes" (Respondent 1, 2022).

In addition, because the foundation was established by a Limited Liability Company, it also assumes that it cannot take advantage of the tax facilities on excess to build facilities and infrastructure. However, educational foundations managed by other forms of business, such as limited liability company can take advantage of the remaining budget facilities as regulated in Minister of Finance Regulation No. 68/PMK.03/2020 and Regulation of the Director General of Taxes No. PER-44/PJ./2009. As stated by the tax consultant and the DGT:

"...then even if the foundation is managed or owned by a limited liability company, the rest of the proceeds will still receive facilities..."(Respondent 4, 2022).

"...foundations and limited liability company can be classified into one type, namely the subject of corporate tax. So there is no difference in treatment [...]. If the agency in charge of it allows it as a PT, then there is no problem" (Respondent 5, 2022).

Based on the two quotes, the remaining facilities concerning the educational foundation established by the limited liability company can still be utilized according to what is stated in the applicable tax regulations. This is because Education Foundation "A" has a legal entity foundation, while the limited liability company is only the foundation's founder. It can therefore be concluded that Education Foundation "A" and the PT that established it are different entities. Therefore, the foundation can implement tax planning on the excess as regulated in Minister of Finance Regulation No.68/PMK.03/2020 and Regulation of the Director General of Taxes No. PER-44/PJ./2009 in order to increase corporate income tax efficiency.

In addition, another problem faced by the foundation is the lack of ability of its financial department, especially in the field of taxation. It does not have a special section in charge of managing all the administration and tax issues of the foundation. Neither does the foundation have a permanent tax consultant to assist in tax administration matters. Consequently, this also results in the lack of good tax planning at the foundation

5.3 Recommendations on Tax Planning for the Remaining Budget

Based on the problems that have occurred, in Minister of Finance Regulation No. 68/PMK.03/2020 and Regulation of the Director General of Taxes No. PER-44/PJ./2009 it is stated that the remaining budget received or obtained by educational foundations is excluded from the object of income tax if it is equal to the amount the excess used for the construction and/or procurement of facilities and infrastructure for educational and/or research and development activities. The foundation can consider use of this tax facility because in addition to the efficiency of the tax burden, physical investment in the form of construction and/or procurement of facilities and infrastructure will be beneficial for its future growth.

Since Educational Foundation "A" is engaged in education, it can reserve a nominal of the remaining budget to the amount of Rp1,135,149,14. for the construction of educational buildings and infrastructure, so that this amount can be deducted from the calculation of taxable income. There is no limit to the amount of the excess remaining that can be utilized by the foundation as long as the nominal is the total remaining excess of the foundation in one tax year. As stated by the tax consultant and DGT:

"…This means that all the excess will be fully utilized. It also means that the next Rp1,135,149,141 will not become a tax object" (Respondent 4, 2022).

"…in Minister of Finance Regulation No. 68 of 2020, as seen in the appendix, there is an example of the use of excess remaining 100% of which is used for the construction of facilities and infrastructure" (Respondent 5, 2022).

This means that the foundation can develop a policy to carry out development on the basis of all the remaining budget obtained. In addition, Minister of Finance Regulation No. 68/PMK.03/2020 also states that educational foundation "A" would be able to use the accumulated surplus received or earned from the previous year. Therefore, foundations can take advantage of the tax facility on excess by constructing and procuring infrastructure facilities using net income funds in the current year and accumulated net income earned in the previous year. The procedure for utilizing the tax facility on the excess is based on Minister of Finance Regulation No. 68/PMK.03/2020 and Regulation of the Director General of Taxes No. PER-44/PJ./2009, as explained in the following subpoints.

5.3.1 Preparing a Physical Plan

Based on the discussion above, the first step to making it easier for foundations to utilize the remaining facilities is to prepare a simple physical plan. Investment costs. As regulated in the Regulation of the Director General of Taxes No. PER-44/PJ./2009 Article (2), one of the conditions for the use of this facility is that the foundation is required to submit a simple physical plan and cost plan for the construction of facilities and infrastructure for educational and/or research activities and sent to the Head of the Tax Service Office where the taxpayer is registered, accompanied by a copy to the agency in charge of it.

Based on the results of an interview regarding such a simple physical plan with the Chairman of Education Foundation "A", information was obtained that the construction of the building which is being built on the Education Foundation "A" began in 2022, with a budget plan of Rp6,809,000,000. The development funds come from the accumulation of excess remaining from operating results from 2018. The development being carried out is for educational development infrastructure buildings, with contractors or external parties to the foundation being used for the construction.

Table 7. Details of a Simple Physical Investment Plan

Use of Remaining Budget	Estimated Cost	Information
1. Development and procurement of infrastructure for educational activities, including classrooms, laboratory, libraries, teachers' room, and extracurricular rooms 2. Procurement of facilities for educational and/or research and development activities, including goods/equipment such as desks, chairs, stationery, projectors, televisions, and sports and extracurricular equipment	Rp 6,809,000,000	All construction started in January 2022

Source: Processed Internal Data from Education Foundation "A".

From the details shown in Table 6, the foundation has met the criteria for constructing facilities and infrastructure as described in Minister of Finance Regulation No. 68/PMK.03/2020. Moreover, in carrying out the construction, the foundation has also prepared a budget (estimate) for the total cost of the construction.

5.3.2 Providing a Report on the Use of the Remaining Budget

Minister of Finance Regulation No. 68/PMK.03/2020 Article 6 Paragraphs (1) to (4) states that educational institutions must compile a report on the remaining budget amount used for the development and/or procurement of facilities and infrastructure in the remaining budget facilities. This report should be submitted in an attachment to the Annual Tax Return to the Head of the Tax Service Office. In addition, Education Foundation "A" is required to make notes regarding the details of the use the remaining budget, which should be accompanied by supporting evidence. An example of reporting the use of the remaining budget is shown in Table 8.

Table 8. Report on Use of Remaining Budget Funds 2018 to 2022 (In Millions of Rupiah)

Remaining Budget Received/Gained		Use of Remaining Budget		Use of Remaining Budget
Year	Number	Year	Amount of Remaining Budget Used	
2018	1,000	2019 2020 2021 2022	0 0 600 400	Embedded in facilities and infrastructure according to the provisions
2019	1,100	2022	1,100	Embedded in facilities and infrastructure according to the provisions

Remaining Budget Received/Gained		Use of Remaining Budget		Use of Remaining Budget
Year	**Number**	**Year**	**Amount of Remaining Budget Used**	
2020	1,600	2022	1,600	Embedded in facilities and infrastructure according to the provisions
2021	2,500	2022	1,800	Embedded in facilities and infrastructure according to the provisions
2022	1,500			Not yet invested in facilities or infrastructure

Source: Author (Using Minister of Finance Regulation No. 68/PMK.03/2020 literature).
*) The written nominal is only an assumption.

In addition, the format of the report on the use of any remaining budget that must be submitted in the attachment of the Annual Tax Return to the Head of the local Tax Service Office is shown in Table 9.

Table 9. Report on the Use of the Remaining Budget (In Millions of Rupiah)

Fiscal Year	Provision of Remaining Budget to be Reinvested for 4 years	Form of Remaining Budget Investment	Use of Remaining Budget Remainder for Development and Procurement of Facilities and Infrastructure for Educational and/or Research Activities and Development, Allocation into an Endowment Fund or Provision of Remaining Budget for Other Agencies or Institutions				Amount of Use of Remaining Budget	Remainder Uninvested	Period Within 4 Years
			1st Year	2nd Year	3th Year	4th Year			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(4+5+6+7)	(9) =(2)-(8)	(10)
2018	1,000	Own Facilities	-	-	600	400	1,000	-	-
2019	1,100	Own Facilities	-	-	1,100	-	1,100	-	-
2020	1,600	Own Facilities	-	-	1,600	-	1,600	-	-
2021	2,500	Own Facilities	-	-	2,500	-	2,500	-	-
2022	1,500							1,500	-
Total	7,700				5,800	400	6,200	1,500	
Remainder which can still be reinvested									1,500

Source: Author (Using Minister of Finance Regulation No. 68/PMK.03/2020 literature).
*) The written nominal is only an assumption.

5.3.3 Providing a Statement Regarding the Remaining Budget in the Balance Sheet

After the report on the use of the remaining budget is prepared, the next step is to present the reserve fund for the development of facilities and infrastructure in the balance sheet. Based on the theory of the remaining budget, submitting a report on the balance sheet is one of the conditions for using tax facilities on this budget. Therefore, the foundation must make a statement regarding the remaining budget and a separate recording of the remaining budget received and used every year, as referred to in Director General Tax Regulation Article 5 PER-44/PJ./2009. Table 10 shows an example of the placement of assets and cash reserves for the development of facilities and infrastructure in the format of a commercial financial report.

Table 10. Example Format of Balance Sheet

Education Foundation “A” Balance Sheet Report **Balance Sheet** **December 31, 20XX**			
ASSETS		PASSIVES	
Assets		**Current Liabilities**	
Cash	xxxx	Payable Salaries	xxxx
Equipment	xxxx	Income Taxes Payable	xxxx
Receivables	xxxx		xxxx
	xxxx	**Long-term Liabilities**	
		Pension allowances	xxxx
Assets for investment			
Cash (Reserve funds for infrastructure development)	xxxx		
	xxxx	**Education Foundation Capital “A”**	xxxx
Fixed Assets			
Land	xxxx		
Buildings	xxxx		
Vehicles	xxxx		
Total Assets	**xxxx**	**Total Liabilities and Capital**	**xxxx**

5.3.4 Providing Remaining Budget Information in the Annual Tax Return

Corporate taxpayers are obliged to report any remaining budget amount used for the construction and/or procurement of facilities and infrastructure to the Head of the Tax Service Office. This report fulfills the requirements for using tax facilities in relation to the remaining budget. The income tax return must be submitted when the remaining budget is obtained or before the construction and procurement of facilities and infrastructure begin; i.e., within 4 years of the remaining budget being obtained.

Regarding the provisions of the remaining funds in Minister of Finance Regulation No. 68/PMK.03/2020, it is stated that if Education Foundation "A" does not use its development funds with 4 years of obtaining the remaining budget, it is recognized as an object of income and reported as income in the annual corporate income tax return. In addition, Article 6 Paragraph (4) of the Director-General Tax Regulation No. PER-44/PJ./2009 states that:

> *“The imposition of Income Tax on the excess as referred to in paragraph (1), paragraph (2), and paragraph (3) is added with sanctions in accordance with the applicable tax provisions.”*

Sanctions that can be imposed include administrative sanctions in the form of interest, based on Article 14, paragraph (3) of the Law on General Provisions and Tax Procedures. However, the sanction would not apply if Education Foundation "A" has correctly reported its remaining budget funds.

Reporting the remaining budget in the annual tax return made by the foundation is a form of tax control. This is the last step in tax management theory, which functions to ensure that the implementation of tax obligations follows the plan and has met the formal and material aspects; complies with applicable tax regulations; and evaluates the tax planning made. This means that after the tax planning is prepared, Education Foundation "A" needs to re-examine it to ensure that tax obligations are met following the provisions of tax regulations, both formally and materially.

The Directorate General of Taxes (DGT) also acts as a supervisor and examiner for educational foundations that use remaining budget facilities at the tax control stage. Supervision needs to be conducted because if the foundation does not act within 4 years, there is a significant potential for tax revenue. Likewise, with the audit, the DGT will examine the type of tax for the annual tax refund.

5.3.5 Other Tax Planning Recommendations

In addition to taking advantage of the tax facilities on excess balance regulated in Minister of Finance Regulation No. 68/PMK.03/2020 and Regulation of the Director General of Taxes No. PER-44/PJ./2009, the subsequent recommendation is that foundations can use alternative tax avoidance opportunities by taking the following steps.

1. Maximizing excluded income
   Income is an effort to optimize non-tax objects by being based on non-taxable income variables.
2. Planning Income Tax Article 21
   Calculating Income Tax 21 for employees can be made using various methods: charged directly from the employee's salary (gross method); borne by the company or employer (net basis); and using Income Tax Article 21, which is gross-up. Based on the results of several previous studies, the gross-up method can provide savings compared to the application of other methods. Therefore, this method can be used as an appropriate tax planning approach if the foundation wants to facilitate Income Tax Article 21.
3. Minimizing tax rates
   This can be achieved by imposing taxes at a minimum rate, by allocating income over several years or using several companies that are in one group.
4. Improving human resources
   Improvement can be made by establishing a special section for employees who are in charge of and manage all the administrative and tax issues of foundations. As a result, management of the foundation will not take wrong policies, because with this special section, those in charge of it will understand the development of quickly changing tax regulations.

6. CONCLUSION AND RECOMMENDATIONS

Based on the results of the study, it can be seen that the tax management conducted by Education Foundation "A", comprising tax planning, implementation of tax obligations and tax control, follows the applicable tax laws and regulations; follows company objectives; does not interfere with the foundation's operations. However, the foundation has not taken advantage of the tax avoidance opportunities and tax facilities provided by the government for educational foundations. Therefore, it feels that the tax burden faced is high due to the lack of effective tax planning.

Based on the analysis and discussion, the recommendations for improvement in Education Foundation "A" are as follows. (1) It should immediately take advantage of the tax facility on the remaining excess budget results in line with Minister of Finance Regulation Number 68/PMK.03/2020, Regulation of the Director General of Taxes No. PER-44/PJ./2009, and other related tax regulations. (2) Educational Foundation "A" should immediately implement good tax planning and use alternative tax avoidance opportunities by following every development and the latest tax regulations. (3) The foundation needs to improve its human resources, especially the accounting and finance department, who need up-to-date knowledge in the field of taxation.

Furthermore, the recommendations for the Directorate General of Taxes (DGT) are that (1) It should socialize the implementation of tax planning on remaining budgets with the latest tax regulations, considering that many educational foundations in Indonesia still do not practise or even know about tax planning; (2) It should make provisions or regulations governing exceptional bookkeeping for foundations on assets funded from any excess. This exceptional bookkeeping aims to facilitate DGT in controlling and supervising foundations that build facilities and infrastructure using remaining funds.

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