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Analysis of Tax Planning Implementation for Tax Burden Reduction in CV ABC

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Abstract
Purpose: This study aims to identify how the implementation of tax planning strategies can help CV ABC legally and efficiently reduce its tax burden. This study examines the effectiveness of tax management practices in optimizing tax obligations while maintaining compliance with applicable regulations.
Research Methodology: This study employed a case study method with a descriptive qualitative approach. Data were collected through interviews, financial reports, and the company's tax data for 2023. The analysis techniques include data reduction, data presentation, and conclusion drawing to evaluate the effectiveness of the tax planning implementation.
Results: The findings revealed that CV ABC successfully reduced its tax burden by implementing several strategies, including the completed contract method, optimization of fiscal reconciliation, utilization of SBU-based tax incentives, and input VAT management. These strategies contributed to a significant reduction in taxes payable while ensuring regulatory compliance..
Conclusions: Tax planning implementation has proven effective in legally reducing CV ABC's tax burden. However, improvements in administrative management and certification utilization are required to further optimize the tax planning outcomes.
Limitations: This research is limited to a single case study of CV ABC and covers only the 2023 fiscal year, limiting the generalizability of the findings to other construction companies.
Contributions: This study provides practical insights and solutions for construction companies to implement legal and efficient tax-planning strategies, optimize tax management, and improve compliance.

Keywords: *Construction Company, Tax Burden Reduction, Tax Efficiency, Tax Incentives, Tax Planning*

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1. Introduction

Taxation is a fundamental pillar of public finance and a key mechanism through which governments mobilize resources to fund public services, infrastructure, and social programs. Taxes are compulsory contributions imposed by law without direct compensation and play a crucial role in achieving macroeconomic stability and equitable income distribution. In modern economies, an efficient and fair tax system not only performs a fiscal function but also serves as a regulatory instrument to influence economic behavior and support national development goals (Bouncken, Czakon, & Schmitt, 2026). In

Indonesia, the tax system is governed by Law Number 7 of 2021, concerning the Harmonization of Tax Regulations, which aims to simplify compliance, enhance voluntary participation, and strengthen legal certainty for taxpayers.

For business entities, taxation obligations encompass several types of taxes, including Corporate Income Tax (CIT), Value-Added Tax (VAT), and other withholding obligations, all of which must be calculated, paid, and reported in accordance with applicable regulations (Bell, 2023). However, many Micro, Small, and Medium Enterprises (MSMEs) still face challenges in meeting tax compliance due to limited resources, poor documentation, and fluctuating revenues. Such constraints often lead to inefficiencies in tax management, potentially increasing tax exposure and reducing financial sustainability (Helmy, 2019). To mitigate these challenges, companies often employ tax planning as a legitimate strategy to minimize tax liabilities within the bounds of the law (Kouroub & Oubdi, 2022). Tax planning involves structuring financial and operational activities to achieve tax efficiency through proper revenue recognition, expense management, incentive utilization, and accurate record-keeping. Unlike tax evasion, tax planning operates within legal parameters and serves as a proactive measure to enhance fiscal efficiency and improve corporate performance.

In the construction sector, studies have primarily focused on general compliance or incentive utilization; however, limited research has specifically analyzed the practical application of tax planning in small-scale contractors. This study bridges this gap by examining CV ABC, a certified small construction company based in Bandar Lampung, which experienced a significant tax burden during the 2023 fiscal year. Under Government Regulation Number 9 of 2022, the company was eligible for a final income tax rate applicable to certified small businesses. In response, CV ABC implemented several tax planning strategies, including the Completed Contract Method for revenue recognition, fiscal reconciliation to adjust non-deductible expenses, and optimization of input VAT credits based on valid documentation (Suarningrat & Setiawan, 2013). In addition to utilizing this incentive, the company implemented various tax planning strategies such as the application of the Completed Contract Method for revenue recognition in accordance with accounting standards and tax laws, conducting fiscal reconciliation to identify and adjust non-deductible expenses, and maximizing the use of input VAT credits where eligible documentation was available (Kurniawati, Leiwakabessy, & Saroan, 2021).

Therefore, this study aims to analyze how tax planning strategies can be effectively implemented to legally reduce the corporate income tax burden of CV ABC. Using a descriptive qualitative approach and a case study method, this study compares the company's tax position before and after tax planning implementation. The novelty of this research lies in its focus on a real construction-based MSME, its integration of current tax harmonization policies, and its contribution to understanding practical tax planning implementation in Indonesia. This study aims to analyze how tax planning strategies can be effectively applied to legally reduce the income tax burden faced by CV. ABC. Using a descriptive qualitative approach and a case study method, this research examines the company's tax position before and after implementing tax planning measures (Rosyadhi, Sanjaya, Pahala, & Wahono, 2025). The findings of this study are expected to provide practical insights for other construction-based MSMEs and offer academic value to the broader discourse on tax compliance and efficiency within Indonesia evolving tax system (Helmy, 2019).

2. Literature Review

2.1 Theories of Tax Compliance and Tax Efficiency

Tax compliance refers to the willingness and behavior of taxpayers in fulfilling their tax obligations according to applicable regulations. According to Pradnyanitasari, Sutrisno, Mardiati, and Baridwan (2025), tax compliance consists of four key aspects: registering as a taxpayer, accurately calculating and paying tax liabilities, Submitting Tax Returns (SPT) in a timely manner, and maintaining proper supporting documentation. A high level of tax compliance reflects a taxpayer's awareness and sense of responsibility to contribute to state revenue through lawful and consistent adherence to tax regulations. On the other hand, tax efficiency is the ability of taxpayers to manage their tax burden optimally without violating tax laws. According to Sahara and Putri (2025), tax efficiency can be achieved through proper tax management, including the use of tax incentives, appropriate income recognition methods and accurate tax documentation. Efficient tax management enables companies to optimize their cash flow and profitability while maintaining full legal compliance.

In the context of CV ABC, tax compliance and efficiency are interrelated dimensions that influence a company's ability to minimize tax burdens while ensuring legal conformity. Appropriate tax planning contributes to both efficiency and compliance (Mareta, Damayanti, Anggraini, & Nuha Alfani, 2026). Thus, tax efficiency serves as a measurable outcome of strategic tax planning practices applied by corporate taxpayers, such as CV ABC. Appropriate tax planning contributes to both efficiency and compliance. By strategically understanding and utilizing legal provisions, companies can reduce tax expenses without facing legal risks while maintaining a good standing with tax authorities.

2.2 Tax Concepts

Tax is a mandatory contribution imposed by the government on individuals or entities through statutory regulations. It is non-reciprocal in nature and serves as the primary source of state revenue to finance public expenditure and development (Wijaya, 2020). According to Law Number 7 of 2021 on the Harmonization of Tax Regulations, the Indonesian tax system aims to promote legal certainty, fairness, administrative efficiency, and a broader tax base for the tax system. Corporate taxpayers are subject to various types of tax obligations, including Corporate Income Tax (CIT), Value Added Tax (VAT), and other withholding or collection responsibilities (Muhaimin, Arman, Wahid, Putriani, & Yunus, 2025). A comprehensive understanding of the tax system and applicable regulations is essential for companies to manage their fiscal obligations effectively and avoid unnecessary financial burdens (Choirunnisa & Pohan, 2023). For CV ABC, understanding these concepts is fundamental in identifying which tax components, such as VAT credits or final tax rates, can be optimized through lawful planning.

2.3 Tax Management

Refers to the process of planning, organizing, and controlling a company's tax-related activities to achieve optimal efficiency while remaining compliant with applicable tax laws. According to Thancy, Fionasari, Zahra, and Herlina (2024), tax management does not aim to avoid tax obligations, but rather to manage them strategically in order to minimize inefficiencies and reduce potential legal risks. Effective tax management involves identifying taxable objects and understanding the associated liabilities, adjusting accounting records to align with prevailing tax regulations, and evaluating the company's income and expenses from a fiscal perspective (Azizah, Sitti, & Ashari, 2022). By implementing sound tax management practices, companies can minimize administrative errors, avoid penalties, and develop long-term tax strategies that support overall business sustainability (Pranaja & Hendayani, 2025). In this study, tax management serves as the managerial foundation upon which CV ABC designs and implements tax planning strategies.

2.4 Tax Planning

Tax planning is a strategic component of tax management that aims to minimize a company's tax burden lawfully and efficiently. According to Suarningrat and Setiawan (2013), tax planning is the process of organizing business operations and financial transactions to reduce tax obligations without violating prevailing tax laws. For construction service companies, one of the primary strategies involves selecting the appropriate method of revenue recognition, such as the Completed Contract Method, which allows revenue and related taxes to be deferred until the project is fully completed, thereby offering timing advantages in terms of tax payments (Barker, Penman, Linsmeier, & Cooper, 2020). Another critical aspect is the implementation of fiscal reconciliation, which aligns commercial accounting records with tax regulations. Through this process, companies identify and separate expenses that are non-deductible for tax purposes, such as entertainment costs, undocumented expenses, or over-limit allowances, from those that are allowed to be deducted (Nurwita, 2025). By doing so, they ensure that the net taxable income is calculated accurately in accordance with fiscal requirements (Karlos, Wangkar, & Pangerapan, 2023).

In the context of CV ABC, tax planning is applied through the selection of revenue recognition methods, optimization of fiscal reconciliation, and utilization of government incentives, such as the reduced Final Income Tax rate for companies with Standard Business Certificates (SBU). These strategies are expected to enhance the firm's overall tax efficiency. In addition to timing strategies and reconciliation, tax planning encompasses the utilization of tax incentives provided by the government (Na, Yuliansyah, & Oktavia, 2025). One relevant regulation is Government Regulation No. 9 of 2022, which grants a reduced Final Income. This allows eligible companies to legally decrease their tax liabilities based on gross revenue rather than net profit, offering a simpler and often more beneficial taxation mechanism (Barker et al., 2020). Moreover, effective tax planning includes optimizing input VAT credits, where companies ensure that purchases related to taxable transactions are supported by valid tax invoices (e-faktur). In cases where input VAT cannot be credited such as when documentation is incomplete or unavailable taxpayers may face higher costs, making documentation accuracy essential (Supriadi, Risa, & Mundianah, 2022).

Therefore, the theoretical connection between tax planning and tax efficiency lies in the extent to which strategic planning reduces the effective tax burden while maintaining compliance, which this study aims to demonstrate through the CV ABC case. In summary, tax planning integrates several approaches including income recognition methods, fiscal reconciliation, incentive utilization, and VAT management that collectively enable businesses to control tax costs, improve cash flow, and maintain full legal compliance (Cahyoginarti, Bangun, Pakpahan, & Tarigan, 2025). For project-based entities, such as construction firms, these strategies are particularly valuable in supporting long-term financial sustainability while meeting the dynamic demands of tax regulations.

2.5 Conseptual Framework and Propositional Statementss

Based on the reviewed theories, tax planning is conceptually linked to tax efficiency through the mediating role of tax management and compliance. The conceptual framework of this study proposes that well-implemented tax planning, encompassing income recognition, fiscal reconciliation, incentive utilization, and VAT optimization, leads to a lower Effective Tax Rate (ETR) and higher tax efficiency for CV ABC.

2.6 Effective Tax Rate (ETR)

The Effective Tax Rate (ETR) is a financial ratio that reflects the proportion of tax expense relative to a company's pre-tax income over a specific period. This indicator is widely used to evaluate the actual tax burden borne by taxpayers after considering various tax planning strategies, adjustments, and available incentives (Firasati, Janiman, & Maulana, 2023). In other words, the ETR measures how efficiently a company manages its tax obligations in practice (Fatikasari, Kuntadi, & Pramukty, 2025). The ETR is a critical analytical tool for assessing tax planning effectiveness. A lower ETR if achieved through legal and compliant means indicates a higher level of tax efficiency, as it shows that the company has successfully minimized its tax liability (Putri, Setiawati, Putri, Yasmini, & Setiani, 2024). Conversely, a higher ETR may suggest that the company has not effectively utilized available tax incentives or has incurred non-deductible expenses that increase its tax burden (Fatikasari et al., 2025). In line with the conceptual framework, the ETR functions as the main indicator used to assess how CV ABC tax planning strategies contribute to improved tax efficiency (ETR). ETR is calculated using the following Formula 1.

$$ETR = \frac{\text{Total Tax Expense}}{\text{Income Before Tax}} \times 100\% \tag{1}$$

3. Research Methodology

This study employs a qualitative descriptive approach using a case study method to analyze the application of tax planning strategies in reducing the corporate income tax burden of CV ABC during the 2023 fiscal year. The qualitative approach was chosen to provide a detailed and contextual understanding of the company's financial and tax conditions, including how various tax planning strategies were implemented and their impact. To ensure the credibility of the findings, this study also applies data triangulation and validation procedures throughout the research process. Triangulation was achieved by cross-verifying the interview data with supporting financial documents, while validation involved confirming the accuracy of the interpretations with key informants (member checking) and maintaining an audit trail of all data sources used.

3.1 Sample

This study did not involve a statistical population, as it adopted a qualitative case study approach focused on a single research subject. Therefore, the concepts of population and sample are replaced by informant selection, which involves choosing individuals who are directly relevant to the research objectives (Bouncken, Czakon, & Schmitt, 2026). The key informants in this study include the owner of CV ABC, who is responsible for overall financial decision-making, and the company's accounting staff, who handle tax reporting, fiscal reconciliation, and implement tax planning strategies. This approach is appropriate for qualitative research because it ensures that the data collected are rich, relevant, and directly aligned with the study's analytical focus. The selection of these informants was based on purposive sampling, ensuring that each participant possessed specific knowledge and direct involvement in the company's tax management process. This justification strengthens the reliability and relevance of the data collected. This approach is appropriate for qualitative research because it ensures that the data collected are rich, relevant, and directly aligned with the study's analytical focus.

3.2 Types and Methods of Data Collection

3.2.1 Types of Data Collection

This study utilizes both primary and secondary data to support a comprehensive analysis of the tax planning strategies implemented at CV ABC. Primary data were obtained through semi-structured interviews with key informants, including the company owner and accounting staff. These interviews were conducted to gain in-depth insights into the company's tax planning practices, the rationale behind the selected strategies, and the challenges encountered in the process. The semi-structured format allowed flexibility in exploring specific issues while maintaining a guided framework to ensure consistency across topics discussed (Budiman, Bandi, Widagdo, & Sudaryono, 2025).

Secondary data consist of documented financial and tax records related to the company's 2023 fiscal year. These include the income statement, balance sheet, asset depreciation schedules, input VAT documentation, fiscal reconciliation worksheets, and Tax Return Forms (SPT). This data served to verify and quantify the tax planning measures implemented and allowed for before-and-after comparisons of the company tax position. To enhance data validity, the researcher cross-checked the information obtained from the interviews with financial records and official tax documents. Discrepancies, if any, were clarified through follow-up discussions with the informants. This process ensured consistency and minimized subjectivity in the data interpretation.

3.2.2 Methods of Data Collection

This study employed two primary data collection methods: semi-structured interviews and document analysis. Semi-structured interviews were conducted with key informants, specifically the owner of CV ABC, and the accounting staff responsible for managing the company's financial and tax reporting processes. These interviews aimed to gain in-depth insights into the tax planning strategies applied by the company, the rationale behind the selected approaches, and any challenges encountered during their implementation. The semi-structured format allowed flexibility in exploring emerging themes while maintaining a structured line of inquiry to ensure the relevance and consistency of information collected.

Document analysis was used to gather secondary data from the company's financial and tax records for the 2023 fiscal year. The documents analyzed included income statements, balance sheets, fixed asset depreciation schedules, input VAT documentation, fiscal reconciliation worksheets, and the company's annual corporate income tax return (SPT). This method supports the findings from the interviews and provides quantitative evidence of the effects of tax planning on a company's tax liabilities. Both methods were integrated through methodological triangulation, allowing qualitative insights from the interviews to be supported by documentary evidence. This strengthened the dependability and confirmability of the research results. The combination of these two methods enabled the researcher to obtain rich, contextual, and reliable data for the study. By implementing triangulation, member checking, and cross-source verification, this study ensured the overall validity and credibility of its findings.

3.3 Data Analysis Method

This research employs qualitative descriptive analysis to evaluate how tax planning strategies were applied at CV ABC during the 2023 fiscal year and how these strategies impacted the company's overall tax burden. The analysis is structured to interpret both the qualitative and quantitative aspects of tax planning by integrating document review and financial calculations. Data analysis followed Miles and Huberman framework, which includes data reduction, data display, and conclusion drawing. Throughout the process, researcher bias was minimized by documenting the analytical steps and cross-validating the results with the data sources, thereby enhancing reliability.

3.3.1 Data Reduction

Data reduction was performed by selecting, simplifying, and organizing financial and tax information relevant to the focus of this study. The researcher collected various documents from CV ABC, including the 2023 income statement, fiscal reconciliation worksheets, fixed asset depreciation schedules, input VAT records, and corporate income tax return (*Surat Pemberitahuan*/SPT). From these documents, only data related to tax planning were retained for further analysis (Neale, 2016). This includes revenue recognition using the Completed Contract Method, adjustments of non-deductible expenses in the fiscal reconciliation process, identification of input VAT that cannot be credited due to missing or invalid tax invoices, and the application of final income tax based on Government Regulation No. 9 of 2022. Irrelevant data or transactions unrelated to tax planning were excluded to maintain the clarity and focus of the analysis.

3.3.2 Data Presentation

After the data were reduced, the selected information was organized and presented to illustrate the impact of tax planning on CV ABC tax burden. The data were arranged in the form of descriptive explanations and comparative tables showing the company's tax position before and after the implementation of tax planning strategies. This includes comparisons of taxable income, fiscal adjustments, total tax payable, and uncredited VAT. Additionally, the Effective Tax Rate (ETR) was calculated for both scenarios to assess the level of tax efficiency achieved (Alfadin & Ernandi, 2024). By presenting the data in this format, the researcher was able to clearly demonstrate how each tax planning strategy contributed to reducing the company's tax obligations legally and efficiently (Darmawan & Angelina, 2021).

3.4 Tax Planing Strategy Analysis

The analysis of tax planning strategies in this study focuses on evaluating the specific actions taken by CV ABC to legally reduce its income tax burden during the 2023 fiscal year. Strategies were identified based on a review of financial documents, fiscal reconciliation, and relevant tax regulations. First, the company applied the Completed Contract Method for revenue recognition, which allowed the deferral of taxable income until project completion, thereby optimizing the timing of tax obligations. Second, the company performed fiscal reconciliation, adjusting accounting profits to determine taxable income in accordance with prevailing tax laws. This includes eliminating non-deductible expenses, such as entertainment costs, and correcting overstatements in depreciation.

Third, the company sought to maximize the crediting of input Value-Added Tax (VAT) by ensuring that supporting documents met the requirements for valid tax invoices (e-faktur). However, some input VAT was not creditable because of missing or informal receipts. Finally, the company utilized the Final Income Tax incentive under Government Regulation No. 9 of 2022, which is applicable to small-scale construction service providers holding a valid Standard Business Certificate (SBU). This regulation allowed the company to apply a lower final tax rate to the eligible gross revenue from construction projects. These four tax planning strategies were analyzed in terms of their effectiveness, legal compliance, and impact on the company's total tax burden. The results of the analysis were used to assess tax efficiency, which was also reflected in the changes to the company's Effective Tax Rate (ETR) before and after planning. Overall, this analysis provides a detailed overview of how targeted tax-planning measures can improve fiscal outcomes without violating applicable tax regulations.

3.5 Analysis of Tax Planning Effectiveness

The effectiveness of the tax planning strategies implemented by CV ABC was analyzed by comparing the company's tax position before and after the implementation of these strategies. This analysis aims to determine the extent to which the tax burden can be legally minimized through proper planning. A key indicator used to assess tax planning effectiveness is the Effective Tax Rate (ETR), which measures the proportion of total tax expense relative to income before tax. By calculating and comparing the ETR values for both conditions, the researcher quantified the efficiency of the implemented strategies. The results showed a significant reduction in the company's total tax burden after tax planning was applied, indicating that the selected strategies, such as revenue recognition adjustment using the Completed Contract Method, fiscal reconciliation for non-deductible expenses, VAT input optimization, and the use of final tax incentives under Government Regulation No. 9 of 2022, had a positive and measurable impact. A lower ETR reflects an improvement in tax efficiency, as the company can reduce its tax obligations without violating existing tax laws.

3.6 Analysis of Contraints and Solutions in Tax Planning

During the implementation of tax planning strategies at CV ABC, several constraints were identified that limited tax efficiency optimization. One of the main obstacles was the absence of valid tax invoices (e-faktur) for certain business transactions, particularly in procuring project materials. Some purchases were supported only by informal receipts or handwritten notes, which could not be credited as input VAT, thereby increasing the company's overall tax obligations. In addition, there were instances of inaccurate financial records, such as the misclassification of certain expenses and inadequate documentation of fixed asset depreciation, which complicated the fiscal reconciliation process. Another notable challenge was the limited understanding of tax regulations by the company's internal staff, particularly regarding the technical requirements for VAT crediting, income recognition, and the conditions for applying for final income tax incentives. To address these issues, researchers have proposed several practical solutions (Datrini, Yudha, & Wulandari, 2024). First, the company should improve its documentation practices by ensuring that all transactions are supported by valid and complete tax invoices that comply with applicable regulations.

4. Results and Discussions

4.1 Financial Performance Before Tax Planning

As a corporate taxpayer and VAT-registered entrepreneur (*Pengusaha Kena Pajak*/PKP), CV ABC is obligated to comply with all prevailing tax regulations, including the calculation, payment, and reporting of both Income Tax (PPh) and Value Added Tax (VAT). However, based on financial data from 2023, the company had not yet fully utilized the available tax incentives or implemented efficient tax management practices. Consequently, the company faced an excessive tax burden. In addition, several miscalculations and a limited understanding of applicable tax laws further contributed to these inefficiencies, indicating that tax management had not yet been treated as a key aspect of the company's operations. Table 1 presents the company's profit and loss statement prior to the application of any tax-planning strategies.

Table 1. Profit and loss statement of CV ABC in 2023

Description	**Amount (IDR)**
Revenue	
Project Revenue	1,586,607,000
Jack Hammer Rental Income	3,350,000
Scaffolding Rental Income	500,000
Air Compressor Piston Rental Income	5,850,000
Total Revenue	**1,596,307,000**
Direct Operating Expenses	
Material Purchases, Equipment Procurment	1,156,978,800
Labor Wages	157,580,000
Total Direct Operating Expenses	**1,314,558,800**

Description	Amount (IDR)
Gross Profit	**281,748,200**
Operating Expenses	
Salaries Expense	65,000,000
Transportation Expense	6,540,000
Total Operating Expense	71,540,000
Other Expenses	
Electricity, Telephone, and Water	3,500,000
Certification and Pre-qualification Fees	5,500,000
Office Supplies Expense	4,500,000
Depreciation Expense	1,425,000
Security and Miscellaneous Expense	5,500,000
Total Other Expenses	**20,425,000**
Total Operating and Other Expenses	**91,965,000**
Profit Before Tax	**189,783,200**
Income Tax	**175,593,770**
Net Profit	**14,189,430**
Rounded Net Profit	**14,189,000**

As a corporate taxpayer and VAT-registered business entity (PKP), CV ABC is required to fulfill all tax obligations in accordance with applicable laws, including the calculation, payment, and reporting of Income Tax (PPh) and Value Added Tax (VAT). However, based on the 2023 financial data, the company had not yet implemented effective tax management or made use of the available tax incentives. Consequently, the company bore an excessive tax burden due to both calculation errors and a limited understanding of tax regulations. The income statement for the 2023 fiscal year shows a total revenue of IDR 1,596,307,000, consisting of IDR 1,586,607,000 from construction services and IDR 9,700,000 from the rental of equipment such as jack hammers, compressors, and scaffolding. After deducting direct expenses of IDR 1,314,558,800, the company recorded a gross profit of IDR 281,748,200. Operational and administrative expenses amounted to IDR 91,965,000, resulting in a pre-tax profit of IDR 189,783,200. Nevertheless, CV ABC calculated its income tax by applying an 11% tax rate to the total revenue, leading to a tax liability of IDR 175,593,770. This method contradicts tax provisions, as the 11% rate based on Article 31E of Law No. 36 of 2008 is intended to apply to taxable income (PhKP), not gross revenue. Additionally, the company failed to separate revenue subject to final income tax from that subject to regular corporate taxes. As a result, net income after tax was significantly reduced to just IDR 14,189,000.

4.2 Application of Tax Planning Strategies

4.2.1 Revenue Recognition Using the Completed Contract Method

CV ABC applied the Completed Contract Method (CCM) for recognizing income from construction projects. This method aligns income recognition with the actual completion of work, deferring tax obligations until revenue is realized. This approach complies with Article 19 of Law No. 36 of 2008 on Income Tax, which allows taxpayers to determine the most appropriate income-recognition method based on the nature of their business. By using the CCM, the company avoided early taxation on projects that were not yet completed or fully invoiced, thereby reducing taxable income in the current period.

4.2.2 Utilization of Final Income Tax Incentive under PP No. 9 of 2022

CV ABC operates in the construction services sector and holds a valid Standard Business Certificate with a small-scale qualification under the category of construction work. According to Government Regulation No. 9 of 2022, construction service providers with such qualifications are eligible for a final income tax rate of 1.75%. This regulation provides a legal foundation for CV ABC to optimize its tax burden through compliant tax planning. Throughout 2023, CV ABC engaged in various construction activities, primarily consisting of repair and maintenance work, such as asphalt road repairs, ceiling replacements, roof repairs for waste tanks, and equipment installations, as well as new construction projects, such as chiller foundation work. Based on project classifications, most of these should have been subject to a final tax rate of 1.75%, as stipulated in the regulation.

However, discrepancies were identified in the application of the final income tax rate. Despite the fact that CV ABC SBU was already used as an administrative requirement in project bidding and contract execution, the tax withholding parties still applied a final income tax rate of four%. Interviews with company representatives revealed that clients or counterparties treated the SBU solely as a procedural requirement for contract purposes, not as a basis for determining the applicable tax rate. Moreover, because the SBU was not explicitly included in tax-related documents such as contracts, invoices, or tax withholding slips, the reduced tax rate was not applied to the SBU. Consequently, CV ABC bore a higher tax burden than necessary, despite being legally eligible for a reduced final tax rate of 1.75% or 2.65%, depending on the service classification. This reflects a misinterpretation of tax regulations, likely due to a lack of understanding by both the service provider and the withholding party. The withholding agent confirmed in an interview that the 4% rate was used because the SBU was not considered relevant for tax purposes, only for project administration.

This misunderstanding resulted in the loss of potential tax savings that CV ABC could have obtained through the proper documentation and enforcement of its SBU status. In accordance with Government Regulation No. 9 of 2022, the determination of final income tax rates in the construction sector must be based on the contractor's qualification classification, as proven by the SBU. Therefore, the SBU should be clearly stated in supporting documents, such as contracts, invoices, or tax withholding slips, to ensure correct tax treatment. The absence of such documentation not only prevented the company from utilizing a lower tax rate but also highlighted the need for improved coordination and tax awareness between construction service providers and clients. A proper understanding and implementation of tax provisions are essential for achieving legal tax efficiency. In addition to services subject to the final income tax, CV ABC also receives revenue from equipment rental services, which fall under Article 23 of the Income Tax Law. Based on prevailing regulations, these rental activities are subject to a 2% withholding tax on the gross income. The company's revenue breakdown is categorized based on applicable tax treatment, as shown in Table 2.

Table 2. Details of final-taxed construction revenue of CV ABC in 2023

No	Description	Amount (IDR)
1.	Construction of Chiller Foundation	28,000,000
2.	Construction of Chiller Foundation	12,000,000
3.	Construction of Spare Parts Room (Fermentation) and Ceiling Replacement Lab Wash Room	100,000000
4.	Ceiling Replacement for Raw Material Warehouse	215,000,000
5.	Repair of Wastewater Tank Roof (Curdlan Area)	30,000,000
6.	Ashpalt Road Repair (Chiller-Cogen Main Gate 7)	364,000,000
7.	Ashpalt Road Repair (Chiller-Cogen Main Gate 7)	156,000,000
8.	Ashpalt Road Repair (Chiller-Cogen Main Gate 7)	153,000,000
9.	Ashpalt Road Repair (Chiller-Cogen Main Gate 7)	357,000,000
10.	Repair of Wastewater Tank Roof (Curdlan Area)	25,153,500
Total		**1,440,153,500**

CV ABC, a construction service company holding a Small Business Entity Certificate (SBU), should be eligible for a Final Income Tax rate of 1.75% under Government Regulation No. 9 of 2022, for new construction and renovation projects. However, because of the omission of SBU details in tax documents, the company was instead subject to a 4% Final Income Tax, the rate applied to contractors without an SBU, as stated in Article 3(1) (b) of the regulation. This oversight has resulted in a higher tax burden than necessary. Additionally, CV ABC received income from non-construction services, such as equipment installation and light maintenance, which should have been taxed under Article 23 Income Tax at 2%. However, these were incorrectly grouped with construction income and treated as subject to Final Income Tax. These misclassifications highlight the importance of proper tax planning, particularly disclosing the SBU in contracts and tax documents and segregating income based on applicable tax rules. This not only reduces the tax burden legally and efficiently, but also improves the company's compliance, legal certainty, and administrative professionalism. A detailed comparison between the income subject to Final Income Tax and Article 23 is presented in Tables 3 and 4.

Table 3. Comparison of tax savings for CV ABC

Type of Income	**Gross Revenue (IDR)**	**Final Income Tax Rate (With SBU)**	**Payable Final Tax (IDR)**	**Final Tax at 4% (Without SBU) (IDR)**	**Tax Savings (IDR)**
	(2)	(3)	(4) = (2)x(3)	(5) = (2x4%)	(6) = (4) - (5)
Construction Project	1,440,153,500	1.75%	25,202,685	57,606,140	32,403,455

Table 3 presents a comparison of the Final Income Tax calculations for the construction service income received by CV ABC during the 2023 fiscal year. The comparison is based on two scenarios: the application of the appropriate tax rate in accordance with applicable tax regulations and the use of the 4% rate imposed on construction service providers who do not possess or fail to state a Business Entity Certificate (SBU) in their tax documentation. CV ABC earned a total gross income of IDR 1,440,153,500 from construction projects that fall under the final tax category. According to Article 3, paragraph (1) (a) of Government Regulation No. 9 of 2022, construction services performed by providers holding a small-scale SBU or individual competency certificate are subject to a 1.75% Final Income Tax rate. Accordingly, the correct amount of Final Income Tax payable is IDR 25,202,685. However, if the same income were taxed using the 4% rate applicable to providers without an SBU, the payable tax would amount to IDR 57,606,140. The comparison demonstrates that by applying the proper tax rate, CV ABC would pay only IDR 25,202,685, resulting in a tax saving of IDR 32,403,455. This highlights the importance of properly including and utilizing the SBU in tax documents to benefit from lower tax rates. Further details regarding non-final service income are provided in Table 4.

Table 4. Details of non-final service income of CV ABC in 2023

No	**Description**	**Amount (IDR)**
1.	Boiler Cleaning OH (500 kg capacity)	25,153,500
2.	Prourement of Two Handheld Communication Devices	1,200,000
3.	Street Light Replacement and AC Service	5,200,000
4.	Cleaning and Repainting of New Air Liquide Logo on PVSA	56,000,000
5.	CCTV Set Installation	17,000,000
6.	Modem Installation	1,500,000
7.	Alumunium Tray Installation	16,250,000
8.	Street Light Replacement and AC Service	5,600,000
9.	Alumunium Tray Installation	16,250,000
10.	Modem Installation	2,300,000
Total		**146,453,500**
Income Tax Article 23 (2%)		**2,929,070**

Table 4 presents a detailed breakdown of the income received by CV ABC in 2023 that does not fall under the category of construction services, as defined in Government Regulation No. 9 of 2022. These earnings were derived from activities more accurately classified as general or miscellaneous services, such as cleaning, procurement of communication equipment, streetlight maintenance, CCTV and modem installation, logo repainting, and aluminum tray installation. Substantively, these activities do not qualify as construction work because they do not involve comprehensive development, renovation, expansion, or structural maintenance of buildings. Rather, they represent light maintenance services, equipment installations, and procurement activities. According to prevailing tax regulations, particularly Article 23 of the Income Tax Law, income derived from services other than construction when paid to domestic taxpayers is subject to a withholding tax at a rate of 2% of the gross amount.

In this case, the total gross income from non-construction activities received by CV ABC in 2023 amounted to IDR 146,453,500. Consequently, the correct tax liability under Article 23 should be IDR 2,929,070. However, in practice, CV ABC recorded all such income as construction service revenue and treated it as subject to Final Income Tax, resulting in a misclassification. This error in classification not only leads to inaccurate tax reporting but may also pose the risk of tax audit adjustments and administrative sanctions if identified by tax authorities. Therefore, it is crucial for CV ABC to distinctly and accurately separate final taxable construction income from non-final service income subject to Article 23. Proper classification and documentation not only reflect compliance with applicable tax regulations but also form a fundamental part of sound and lawful tax-planning strategies. Accurate tax treatment enables companies to calculate, report, and pay taxes correctly while minimizing potential fiscal risks that could negatively impact future operations.

4.2.3 Fiscal Reconciliation

Adjustments between commercial profit and loss and prevailing tax regulations must be conducted through fiscal reconciliations. This process is essential to ensure that the calculation of tax liabilities accurately reflects the applicable tax framework. In the case of CV ABC 2023 financial statements, fiscal reconciliation plays a crucial role because of the presence of certain components that are recognized for accounting purposes but require different treatment under tax law. Table 5 presents the fiscal reconciliation results for CV ABC compiled by the researcher. It includes classifications of income and expenses, fiscal corrections, and the calculation of both final and non-final income tax liabilities, in accordance with relevant tax provisions.

Positive fiscal adjustments were made to expenses that were non-deductible under tax rules, such as those lacking valid supporting documents, personal expenses, entertainment costs, or donations that were not legally deductible. These adjustments increase taxable income. On the other hand, negative fiscal adjustments arise from income that is not yet subject to tax under fiscal treatment, deferred revenues, or allowable deductions that were not previously commercially recorded, which reduces the taxable base. This reconciliation process also involves the segregation of income subject to Final Income Tax and income subject to Article 23 Income Tax, thus avoiding double taxation on overlapping income categories. In the case of CV ABC, income from non-construction services, such as equipment installation and general cleaning, must be separated and subjected to Article 23 withholding tax, while income from certified construction services qualifies for Final Income Tax under Government Regulation No. 9 of 2022.

Furthermore, fiscal reconciliation ensures that each income and expense item is aligned with the correct tax treatment, preventing misclassification that could lead to underreporting or overpayment of tax obligations. This step is not only critical for compliance with the Corporate Income Tax Law but also forms part of a broader strategy to optimize tax efficiency in the long run. By conducting fiscal reconciliation, CV ABC can identify administrative errors and omissions in financial records that could trigger tax audits or sanctions. Thus, reconciliation acts as a preventive and corrective measure, strengthening a company's overall tax governance. Ultimately, this fiscal reconciliation serves not only as a technical requirement for preparing the 2023 Annual Corporate Income Tax Return but also reflects the company's commitment to responsible tax planning and compliance. It contributes to financial transparency, accurate tax reporting, and minimization of tax-related risks while reinforcing the integrity of the company's financial management system.

Table 5. Fiscal reconciliation of CV ABC in 2023 (researcher's proposal)

Description	Commercial (IDR)	Fiscal Adjustment (IDR)	Fiscal (IDR)
Revenue			
Project Revenue	1,586,607,000	1,440,153,500	146,453,500
Jack Hammer Rental Income	3,350,000		3,350,000
Scaffolding Rental Income	500,000		500,000
Air Compressor Rental Income	5,850,000		5,850,000
Total Revenue	**1,596,307,000**		**156,153,500**
Direct Operating Expenses			
Material Purchase, Equipment	1,156,978,800	1,143,343,100	13,635,700
Labor Wages	157,580,000	157,580,000	
Total Direct Operating Expenses	1,314,558,800		13,635,700
Gross Profit	**281,748,200**		**142,517,800**
Operating Expenses			
Salary Expenses	65,000,000	65,000,000	
Transportation Expenses	6,540,000	6,540,000	
Total Operating Expenses	71,540,000		
Other Expenses			
Electricity, Telephone, Water	3,500,000		3,500,000
Certification, re-qualification	5,500,000	5,500,000	
Office Supplies Expense	4,500,000	627,500	3,872,500
Depreciation Expense	1,425,000	1,425,000	
Security and Miscellaneous Expense	5,500,000	5,500,000	
Total Other Expenses	**20,425,000**		**7,372,500**
Total Operating and Other Expenses			
Profit Before Tax	**91,965,000**		**7,372,500**
Income Tax	**189,783,200**		**135,145,300**
Net Profit	**175,593,770**		**36,945,599**
Rounded Net Profit	**14,189,430**		**98,199,701**
Other Expenses	**14,189,000**		**98,200,000**

Fiscal reconciliation is a crucial step in aligning commercial profit and loss figures with the prevailing tax regulations. Based on Table 5, this reconciliation was carried out by the researcher as part of a tax planning proposal and was not derived from the company's internal reporting. The goal is to present a more accurate picture of taxable income by identifying the components that require fiscal adjustments. On the revenue side, a positive fiscal correction of IDR 1,440,153,500 was applied to construction income originally recognized as commercial revenue, as these incomes fell under final income tax objects. After adjustment, the taxable non-final income recognized amounts to IDR 146,453,500. For expenses, several items related to final income, such as project-related labor costs, materials, and administrative expenses, were adjusted positively, as they cannot be deducted when calculating taxable income. The total deductible direct operating expenses amount to IDR 13,635,700 after fiscal corrections. Other operating expenses, such as salaries, transportation, certification, and security costs, were also subject to positive corrections for being associated with final-income activities. In contrast, certain general expenses, such as electricity and water, are still considered deductible.

As a result, the adjusted taxable profit for CV ABC in 2023 is IDR 135,145,300. Applying the 11% corporate income tax rate based on Article 31E of the Income Tax Law due to the company's gross turnover being below Rp4.8 billion the payable non-final tax is IDR 14,865,983. Meanwhile, final construction income of IDR 1,440,153,500 is subject to a 1.75% final income tax, amounting to IDR 25,202,686. The company also earns non-construction service income amounting to IDR 146,453,500, which is subject to Article 23 Income Tax at a rate of 2%, resulting in a creditable tax of IDR 2,929,070. Hence, the total tax liability for CV ABC in 2023 is IDR 36,945,599 after crediting the applicable Article 23 withholdings. The final net profit after tax amounts to IDR 98,200,000. This fiscal reconciliation process ensures legal tax compliance and supports transparency and efficiency in tax management. This further enables the company to adopt a structured and sustainable tax planning strategy for future fiscal periods.

4.2.4 Optimalization of Input VAT Credit

CV ABC, as a construction service provider and registered Taxable Entrepreneur (PKP), is obligated to collect, deposit, and report Value Added Tax (VAT) for every delivery of Taxable Services. In accordance with Article 9 of Law No. 42 of 2009 on VAT, the company also has the right to credit the Input VAT paid on the acquisition of taxable goods or services, provided that the administrative requirements are met. In 2023, CV ABC recorded an Output VAT totaling IDR 174,526,770, while the Input VAT that could be credited amounted to IDR 85,531,830, as evidenced by valid tax invoices. This resulted in a VAT underpayment of IDR 88,994,940, which must be settled with the state treasury (Appendices 15 and 16).

However, further analysis of supporting documents, such as receipts and purchase notes, revealed that certain purchases were made from registered PKP vendors but lacked electronic tax invoices. Consequently, the Input VAT worth IDR 29,123,723 could not be credited due to the use of simplified or summary invoices, which are non-creditable under Article 9 of the VAT Law. This situation reflects the importance of ensuring compliance with invoice documentation requirements to fully optimize VAT crediting. Failure to do so results in a higher VAT burden and reflects inefficiencies in tax management.

Table 6. Recapitulation of output VAT and Input VAT of CV ABC in 2023

No	Information	Amount (IDR)
1.	Output VAT	174,526,770
2.	Actual Input VAT Creditable	85,531,830
	Underpaid VAT	88,994,940

Table 6 presents the recapitulation of Output VAT and Input VAT of CV ABC during the 2023 fiscal year. CV ABC is a construction service company that has been registered as a Taxable Entrepreneur, thus it is obligated to collect, deposit, and report Value Added Tax (VAT) on every taxable service transaction. Under the VAT collection system, the company also has the right to credit Input VAT paid on the purchase of taxable goods or services, as long as it meets the requirements stipulated in Article 9 of Law No. 42 of 2009 concerning Value Added Tax. Based on 2023 data, CV ABC recorded a total Output VAT of IDR 174,526,770, while the actual Input VAT that could be credited was IDR 85,531,830, derived from a compilation of tax invoices provided by the company. The difference between the two resulted in an underpaid VAT obligation of IDR 88,994,940.

However, an analysis of transaction documents such as receipts, invoices, and payment slips revealed that there were purchases from suppliers already registered as PKP, but no electronic tax invoice (e-Faktur) was issued for them. These transactions fulfilled the criteria to be credited as Input VAT; however, the VAT amounting to IDR 29,123,723 could not be credited due to the use of aggregated (non-e-Faktur) invoices. According to VAT Law No. 42 of 2009, aggregated invoices are not valid for crediting purposes. This condition reflects the company's lack of understanding of the applicable tax regulations, especially in managing VAT obligations. Although most of the VAT collection and crediting has been carried out, potential tax savings are lost due to the failure to meet the formal requirement of having a valid electronic tax invoice. Without a proper understanding, the company risks bearing unnecessary tax burdens that could otherwise be legally minimized.

In accordance with the regulation, Input VAT can only be credited if supported by valid tax invoices and reported in the correct VAT Period Tax Return. Otherwise, the right to credit VAT is forfeited. To prevent similar issues in the future, CV ABC must develop a strategy to optimize the administration of tax invoices. This strategy will not only enhance fiscal efficiency but also strengthen compliance with the applicable tax regulations. Several measures can be implemented to optimize Input VAT credit utilization. First, CV ABC should partner only with PKP suppliers who can issue valid *e-Faktur*. Selecting business partners who demonstrate tax compliance ensures that each transaction can support the process of claiming Input VAT credits. Second, the company should establish a purchasing Standard Operating Procedure (SOP) that requires the availability of *e-Faktur* for every purchase transaction as a mandatory requirement before expense recognition and accounting recording. Third, regular invoice verification should be conducted by the finance and administration teams to ensure the completeness, accuracy, and validity of tax invoices related to business transactions. Finally, CV ABC should provide tax training for purchasing and finance staff to improve their technical understanding of *e-Faktur* procedures and Input VAT credit mechanisms. This training can help minimize administrative errors and ensure more effective tax management.

CV ABC has a significant opportunity to optimize Input VAT crediting as part of its fiscal efficiency strategy. By implementing a more disciplined tax administration system, a company can minimize tax overpayment and maintain sustainable financial liquidity. This optimization supports the company's long-term tax compliance goals and strengthens its financial management. Based on the data compiled from all purchase transactions in 2023, the amount of Input VAT successfully credited due to the presence of valid e-Faktur was IDR 85,531,830. Meanwhile, there was an additional potential Input VAT of IDR 29,123,723 from transactions that could have been credited if they were supported by valid e-Faktur. Therefore, if all transactions had been accompanied by proper tax invoices, the total creditable Input VAT for the year would have reached IDR 114,655,553, derived from the sum of the actual credited VAT and non-creditable VAT due to missing e-Faktur. The uncredited VAT of IDR 29,123,723 serves as evidence that there is still room for improvement in CV ABC's tax documentation. By adjusting purchasing procedures and invoice reporting, companies can reduce the risk of losing credit rights and enhance tax efficiency. Moreover, these actions reinforce the company's commitment to sound governance and adherence to the applicable tax regulations.

4.3 Comparison Before and After Tax Planning

A comparison of tax burdens before and after the implementation of tax planning strategies was conducted to evaluate the effectiveness of the tax planning measures applied by CV ABC. This comparison aims to assess the amount of tax savings achieved legally and efficiently. The following table presents a detailed overview of the company's tax expenses before and after tax planning for the 2023 fiscal year. Tax savings were primarily achieved through the application of the appropriate Final Income Tax (PPh Final) rate based on the classification of construction service work and the company's ownership of a Business Entity Certificate (SBU). Additional savings were gained through the optimization of Input VAT crediting, which had not been fully utilized previously.

Furthermore, fiscal reconciliation was performed to align reported income and expenses with current tax regulations. These measures directly contributed to a reduction in the total tax burden payable by companies. The implementation of this strategy not only improved short-term fiscal efficiency but also strengthened the overall structure of the company's financial report. Proper documentation and crediting of valid Input VAT invoices also minimized the risk of tax corrections. Each tax-related transaction must be recorded accurately, as it has a direct impact on the company's tax obligations. Consistent tax reporting and documentation also increase the confidence of external stakeholders, including auditors and tax authorities. This demonstrates the company management's commitment to transparency, accountability, and compliance with the applicable regulations. Table 7 presents the company's tax burden before and after the 2023 tax planning strategies were applied.

Table 7. Comparison before and after-tax planning

Type of Tax	Before Tax Planning (IDR)	After Tax Planning (IDR)	Tax Savings (IDR)	Description
Final Income Tax on Construction Services	57,606,140	25,202,686	32,403,454	Utilization of the SBU to obtain a lower rate (1.75%).

Type of Tax	Before Tax Planning (IDR)	After Tax Planning (IDR)	Tax Savings (IDR)	Description
Corporate Income Tax (non-final)	175,593,770	14,685,983	160,727,787	Fiscal reconciliation of non-deductible expenses and exclusion of final-account transactions.
Article 23 Income Tax (credit)		2,929,070	(2,929,070)	Adjustment of tax treatment of project income subject to Article 23.
VAT	88,994,940	59,871,217	29,123,723	Utilization of valid e-invoice purchase receipts from PKP-registered vendors for VAT credit claims.
Total Tax Burden	322,194,850	147,986,422	168,350,288	Comparison of nominal tax burdens before and after tax planning.

Table 7 provides a detailed comparison of the tax burden borne by CV ABC before and after implementing tax planning strategies in the 2023 fiscal year. The data shows a reduction in the total tax burden from IDR 322,194,850 to IDR 147,986,422, resulting in a tax saving of IDR 168,350,288. This efficiency was achieved through several legal and strategic tax-planning measures in accordance with applicable tax regulations. For the Final Income Tax on construction services, the tax burden decreased from IDR 57,606,140 to IDR 25,202,686. This reduction occurred because the company had not previously included the Business Entity Certificate (SBU), which is an administrative requirement for determining the Final Income Tax rate for construction service income. According to Government Regulation No. 9 of 2022, the applicable rate depends on the type of certificate. In the case of CV ABC in 2023, a rate of 1.75% could be applied, based on the type of work and certification. By ensuring compliance with the administrative requirements, particularly the inclusion of the SBU, the appropriate tax rate was applied, resulting in savings of IDR 32,403,454.

The Corporate Income Tax (non-final) showed the most significant decrease, from IDR 175,593,770 to IDR 14,685,983, yielding a tax saving of IDR 160,907,787. The strategy implemented here involved fiscal reconciliation, in which non-deductible expenses were identified and excluded based on allowable and disallowable deductions under tax law. Furthermore, income that should have been subject to the Final Income Tax was separated and excluded from taxable income calculations. The Article 23 Income Tax, as shown in Table 7, amounted to IDR 2,929,070 and was derived from the service income received by CV ABC. This income was, in fact, subject to withholding under Article 23 by the payer and should have been credited by the company.

For Value Added Tax (VAT), there was also efficiency of IDR 29,123,723, with the liability reduced from IDR 88,994,940 to IDR 59,871,217. This reduction was achieved after the company reviewed and matched the input VAT that had not previously been claimed. The process involved collecting supporting documents, such as purchase notes, receipts, and cash register slips, from hardware stores and supermarkets registered as Taxable Entrepreneurs (PKP). However, under the prevailing tax laws, these documents are insufficient to support a valid input VAT credit. A valid e-Tax invoice (e-Faktur) is required to legally credit the input VAT. The implementation of this tax planning strategy also significantly impacted the reduction in the company's Effective Tax Rate (ETR). Based on the pre-tax profit reported in the 2023 income statement, which amounted to IDR 189,783,200, the effective tax rate borne by CV ABC prior to tax planning was 92.52%. This figure indicates that nearly all of the company's profit was absorbed by the tax burden, largely due to the absence of optimal fiscal adjustment.

However, after implementing tax planning strategies, the ETR drastically decreased to 19.46%, meaning that only a small portion of the profit was allocated for tax payments. This sharp decline in the effective tax rate reflects the success of tax planning strategies in optimizing fiscal reconciliation, properly classifying final income, and legally reducing the overall tax burden in accordance with applicable tax regulations. With a lower ETR, the fiscal efficiency of the company increases significantly. This also demonstrates that CV ABC can manage its tax obligations more strategically and responsibly. The calculation of the ETR before and after tax planning is summarized in Table 8.

Table 8. Calculation of Effective Tax Rate (ETR) before and after-tax planning

Description	Before Tax Planning	After Tax Planning
Profit Before Tax	IDR 189,783,200	IDR 189,783,200
Total Income Tax Expense	IDR 175,593,770	IDR 36,945,599
ETR Formula	Tax Expense ÷ Income Before Tax x 100%	
Calculation	175,593,770 ÷ 189,783,200 × 100%	36,945,599 ÷ 189,783,200 × 100%
Effective Tax Rate (ETR)	92.53%	19.47%

4.4 Recommendations

Based on the research findings and analysis, the researcher recommends several strategic measures that CV ABC can implement to improve tax compliance, understanding, and efficiency in tax management. These strategies are expected to help the company reduce its tax burden and optimize its tax obligations in accordance with applicable regulations. First, CV ABC should ensure the proper use of the Business Entity Certificate (SBU) by ensuring that all qualifying projects are supported by valid SBU documentation for tax administration. The appropriate utilization of an SBU allows the company to apply a lower Final Income Tax rate, which can significantly reduce the tax burden while strengthening compliance with tax regulations. Second, CV ABC must conduct regular fiscal reconciliations to ensure that all deductible expenses are accurately recorded and comply with applicable tax provisions. This process helps to minimize errors in tax calculations that may increase tax liabilities. Third, companies should actively monitor changes in tax regulations and utilize available tax incentives, including Final Income Tax incentives for small and medium enterprises and other relevant tax facilities. This approach enables CV ABC to manage its tax obligations more effectively while legally reducing its tax burden. Finally, CV ABC must improve administrative accuracy and input tax verification by regularly reviewing input tax invoices and withholding tax certificates to ensure their validity. Periodic VAT reconciliation should also be conducted to maintain the accuracy of VAT reporting and prevent potential underpayment issues.

5. Conclusions

5.1 Conclusion

Based on the results of the study regarding the implementation of tax planning at CV ABC, it can be concluded that the applied tax strategies have contributed positively to fiscal efficiency, improved fiscal efficiency, and strengthened compliance with prevailing tax regulations. As a construction service company, CV ABC is subject to several tax obligations, including Corporate Income Tax (CIT), Final Income Tax on construction services, Article 23 Income Tax, and Value-Added Tax (VAT). All implemented strategies focused on legal tax management without violating applicable tax laws and regulations.

The four main tax planning strategies adopted by CV ABC include the revenue recognition method, utilization of tax incentives through SBU, fiscal reconciliation, and optimization of input VAT credit. First, CV ABC applied the *Completed Contract Method* (CCM) because all construction projects were completed within the same fiscal year. This method enables the recognition of both revenue and expenses at the time of project completion, thereby avoiding timing differences between accounting and fiscal recognition. Second, the company utilized tax incentives through the Small Business Entity Certificate (SBU), which qualifies the company for a reduced Final Income Tax rate of 1.75% in accordance with Government Regulation No. 9 of 2022. However, due to the absence of the SBU reference in the tax documentation, CV ABC was subjected to a higher tax rate of 4%. This highlights the importance of proper administrative documentation to maximize available tax incentives.

Third, fiscal reconciliation was conducted by adjusting commercial profit to taxable profit, primarily by identifying and correcting non-deductible expenses. This strategy ensures a more accurate calculation of Corporate Income Tax liability in accordance with Income Tax Law provisions. Fourth, CV ABC optimized Input VAT credit utilization; however, challenges occurred due to missing or invalid tax invoices (*e-Faktur*) and late reporting, causing some creditable VAT to become unclaimed and resulting in VAT underpayment. These findings emphasize the importance of improving tax administration to maximize tax benefits for the government. Overall, the implementation of tax planning strategies significantly reduced CV ABC's total tax burden and lowered the Effective Tax Rate (ETR) from 92.53% to 19.47%. This outcome indicates that proper tax planning minimizes tax expenses and enhances tax compliance and financial efficiency within the company.

5.2 Research Limitations

This study had several limitations. First, the research was conducted only on CV ABC as a single case study, which may limit the generalizability of the findings to other construction companies or industries with different characteristics. Second, this study only examines tax planning practices during the 2023 fiscal year; therefore, it does not capture long-term changes or the sustainability of tax planning strategies. Third, the qualitative approach provides detailed insights into companies' tax management practices; however, it does not quantitatively measure the impact of tax planning strategies on financial performance or tax efficiency.

5.3 Suggestions and Directions for Future Research

Future research should expand the scope by involving multiple companies from different regions and business sectors to obtain broader perspectives on tax planning implementation. Further studies should apply quantitative or mixed-method approaches to examine the relationship between tax planning strategies, tax burden reduction, financial performance, and corporate compliance. Future research may also explore additional factors, such as digital tax administration, tax knowledge, corporate governance, and regulatory changes, to provide a more comprehensive understanding of effective tax management practices.

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Author Contributions

KAR contributed to the conceptualization, research methodology, data collection, analysis, and preparation of the manuscript. ER contributed to the supervision, validation, and critical review of the manuscript. DD contributed to the data interpretation, manuscript improvement, and final approval of the published version. All authors have read and agreed to the final version of the manuscript.

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