

CORPORATE SOCIAL RESPONSIBILITY IN INCOME TAX

Suparna Wijaya¹⁾, Felicia Devi Anna Santi²⁾
Polytechnic of State Finance STAN¹⁾
Directorate General of Taxes
E-mail : sprnwijaya@pknstan.ac.id

Abstract : Corporate Sosial Responsibility is the company's participation in sustainable economic development and the company's reciprocity to society and the environment. This research aims to understand the application of the taxable-deductible principle in CSR programs, find out the alternatives that companies can take in burden CSR costs, and find out what alternatives the government can do to harmonize CSR policies with tax regulations related to CSR costs. The method used is a qualitative research method. From the research results, it is known that the application of the taxable-deductible principle to CSR costs is not absolute, CSR costs can be taxable-deductible, nontaxable-nondeductible, taxable-nondeductible, or nontaxable-nondeductible. An alternative for taxpayers to be able to burden CSR cost is to choosing CSR programs that is allowed as deductible expense as stipulated in Article 6 paragraph (1) of the Income Tax Law. From the government's perspective, the main alternative that can be done to harmonize CSR policies with tax regulations is to make tax regulations that clearly regulate CSR, form a CSR Commission and/or require the preparation of a Sustainability Report for companies that want to charge CSR costs fiscally.

Keywords : *Corporate Social Responsibility, Deductible Expense, Income Tax, Sustainability Report*

1. Introduction

Company is an entity that gives many advantages. In addition to taking a role in taxes, the company also provides jobs to fulfil the social needs. However, the business that done by the company creates negatives effects for society and environment, such as discrimination, noise and air pollution, and more (Harahap, 2001 cited in Michael et al., 2019)

The Economic census of 2016 that organized by The Central Bureau of Statistics once every ten years, obtains the increasing number of companies as much 3.98 million. In 2006 there were 22.7 million companies which increased to 26.7 million companies in 2016 (Badan Pusat Statistik, 2016). This increase will affect the companies themselves, there are good and bad effects. The negative impacts of this company business are the reason for making this Corporate Social Responsibility (CSR) as an effort to return the favour from the company (Probosiwi, 2016).

The concept compounds three vital components such as profit, people, and planet (3P). The success of the company can be seen by these three sides; economy (profit), social (people), and environment (planet) (Elkington, 1998). The company has four responsibilities, such as economic, legal, ethical, philanthropist (Saidi & Abidin, 2004 cited in Astri, 2012). CSR is a participation of a company in sustainable economic development and the company's mutual to society and environment. This responsibility is in the form of an action to increase the quality of society's prosperity, give the education donation, give the donation to repair and maintain the public area, and other donations especially in the company (Pranoto & Yusuf, 2016). CSR covers many vital things such as the guard of environment, employment, human rights, relationship of company and consumer, society, enhancement of economy, health, education, and donation to the disaster victims (World Bank, 2004 cited in Ernawan et al., 2016). According to Saidi and Abidin (2004, cited in Irawan, 2009), the CSR commonly practiced by the Indonesian company is direct involvement through the social foundation of the company, getting engaged to another person, and supporting or joining the consortium.

Nowadays, CSR has been set in Article 74 paragraph (1) of Law Number 40 Year of 2007 concerning Limited Liability Companies (Limited Company Law) and Article 15 letter (b) of Law Number 25 Year of 2007 concerning Capital Investment (Capital Investment Law). In article 74 of the Limited Company Law states that " The companies that carry out business activities in the field and/or related to natural resources are required to carry out Corporate Social Responsibility", while in article 15 letter (b) of the Capital Investment Law states that "Each investor is required to do the CSR". So, the company should choose to do the CSR or not, however it is a must to do (Naraduhita & Sawarjuwono, 2012).

CSR realized through a form, such as the improvement of the environment and public area, also to give a scholarship and donation. Recently, CSR realized through the support of the company to an organization in many ways, such as humanity, social and medic, environment, heritage and culture protection, philanthropy and gymnastics (Camilleri, 2017). As an example, PT. Semen Baturaja (Persero), Tbk during the year of 2017 until 2020 revealed CSR in natural disaster donation, education and training, health enhancement, facilities and infrastructure, religion facilities, and nature conservation (Semen Baturaja, 2020).

Besides to returning the favour to the negative externality that caused by the operational activity of the company, there are also many advantages got by the company if they applied the CSR, such as market share expansion, the enhancement of total number of selling, the enhancement of employee loyalist, the enhancement of total number of investor, and the enhancement of the positive image of the company itself (Untung, 2007 cited in Imran, 2012; Sri Ardani & Mahyuni, 2020). Many benefits could be obtained as well as firmly regulated obligations under the legislation of making companies in Indonesia routinely apply the CSR.

The companies in Indonesia, especially public companies listed in Indonesian Stock Exchange, stated that CSR in sustainability report. According to the article 1 paragraph (13) of the Financial Services Authority Regulation Number 51/POJK.03/2017 about the

application of sustainability report is a result of an issuer and public company in sustainability business that has the information of finance, economy, social, and environment and get to publish to the society. Elkington (1997, cited in Susanto & Tarigan, 2013) defined sustainability report as a report that contains the information of financial and non-financial of a company. The non-financial information contains social and environment activity that has a potential to make a company be sustainable. Sustainability report is to give the description of economy performance, social and environment to a stakeholder. The publishing of sustainability report to get the attention and the trust of the stakeholder (Sejati & Prastiwi, 2015). Sustainability report also helpful for the government, such as to score the company performance of the organization report (Tarigan & Semuel, 2015).

CSR disclosure caused expenditure to the company. It is because the company must spend funds to carry out its obligations. The treatment of expenses incurred by the company will also affect the amount of taxable income to determine the amount of income tax. In the tax regulations in Indonesia, the term CSR is not mentioned directly, including the tax treatment of CSR costs. However, according to the characteristics, CSR can be classified into several costs that are allowed as deductible expense. Deductible expense is cost that can be calculated to decrease the gross income, which is regulated in Article 6 paragraph (1) of the Income Tax Law (Untung, 2007 cited in Marfu'ah, 2015). Whereas non-deductible expense is cost that cannot be deducted from gross income, which is regulated in Article 9 paragraph (1) of the Income Tax Law.

Directorate General of Taxation (DGT) affirmed that CSR can be recognized as a deductible expense. But the deductible expense that's restricted in a certain activity along with the Article 6 paragraph (1) of Law Number 36 Year of 2008 concerning Income Tax (Income Tax Law) and the Government Regulation Number 93 Year of 2010 (Ernawati, 2016). Although the law of CSR has been set firmly in Article 74 of the Limited Company Law and Article 15 letter (b) of the Capital Investment Law, but CSR is not supported by the law of taxation. Considering the importance of CSR for companies and society, it is necessary to clarify the imposition of CSR costs in tax regulations so that legal certainty will be created for companies.

Previous research by Ramadhan and Wijaya (2020) was focusing on the earthquake of Lombok in 2018. The aim of the research is to know the rule of income taxes of donation to the tragedy and the kinds of other selected donations that are recognized as deductible expense. Another research is by Dewangga and Bandiyono (2020). The results of the research found that parties who are obliged to carry out CSR according to the Limited Liability Company Law are also classified as Corporate Tax Subjects in the Income Tax Law. The research also states that the Income Tax Law has not directly regulated the costs incurred for the implementation of CSR programs.

Based on the previous description, this research aims to understand the application of the taxable-deductible principle in CSR programs, find out the alternatives that companies can

take in burden CSR costs, and find out what alternatives the government can do to harmonize CSR policies with tax regulations related to CSR costs.

2. Research Method

The method used in this research is qualitative. This research is using data written or spoken so that can explain a phenomenon or events. This research uses primer and seconder data. To gain the data, the researcher uses interviews and literature study.

Interview method is a method that researchers chose to gain the primer data. This interview is held with some interviewee such as State Finance Polytechnic (PKN STAN) Lecturers and the employee of Directorate General of Taxation (DGT). The interview was done online through many media. The first Interviewee is Mr. Benny Setiawan. Recently, he is the lecturer of taxation in PKN STAN. At that time, he was a writer of many books about taxation. The second Interviewee is Mr. Eko Waluyo. Recently, he is a tax inspector in the Directorate General of Taxation (DGT). The third Interviewee is Mr. Rd. Tatan Jaka Tresnajaya. He is the lecturer of tax in PKN STAN. The fourth interviewee is ABC (pseudonym). He is an academic, researcher, and taxation expert.

Literature study is a method that researchers chose to gain the secondary data. The literature study is done by studying books, journals, law that contains CSR and deductible expenses, and also mass media outputs such as articles, press-conferences, and relevant publishing that deals with this topic. The triangulation is used to compare between the interview result from interviewees and the taxation law in proofing the truth of published information.

3. Research Result and Discussion

3.1.Application of the Taxable-Deductible Principle in CSR Programs

In taxation, the terms taxable-deductible and nontaxable-nondeductible are known. To know the engagement of taxable-deductible can be seen in Article 4 paragraph (3) letter (d), Article 9 paragraph (1) letter e and Article 4 paragraph (3) letter e, and Article 9 paragraph (1) letter d, article 6 paragraph (1) letter a of the Income Tax Law. Those articles tied the characteristics of cost that can or cannot be deducted from gross income and benefits provided as objects or not objects of tax (Aritonang, 2018). According to Chariri & Ghazali (2001, cited in Nugrahani, 2017) in accountancy, the matching concept is aimed to find the right engagement among income and burden. In this matching concept stated that when an income is approved, the burden is also being approved. This concept is aimed to provide net profit in a period of accountancy.

In article 4 paragraph (3) letter d, there is stated that the reimbursement or compensation in kind and/or enjoyment related to services or replacements received other than in the form of money is not taxable for the receivers. In the description of article 9 paragraph (1) letter e, it is stated that the reimbursement or compensation in kind and/or enjoyment as it is stated in article 4 paragraph (3) letter d cannot become a deductible expense to decrease the gross income of the employer (nondeductible).

In the explanation of article 4 paragraph (3) letter e, it is explained that the compensation that is received by the personnel from the insurance company in line with the policy health insurance, health insurance, life insurance, dual-use insurance, and scholarship insurance are non-taxable. In the explanation of article 9 paragraph (1) letter d, it is stated that insurance premium which is purchased by the personal taxpayer for themselves is not deducted in the measurement of non-deductible. In the explanation of article 6 paragraph (1) letter a number 6, it is stated that if the employer purchases the payment of premium insurance for the employee so it is allowed to be a burden as a deductible company and the premium is a taxable income for the employee.

Otherwise, it is not always an income that is taxable so the payment can be deducted from the gross income or in turn, so the taxable-deductible and non-taxable-nondeductible is not always absolute. The application of these principles refers to tax regulations. The provision about taxable has been arranged in the article 4 paragraph (1) and article 4 paragraph (2), about the deductible is in article 6, non-taxable has been arranged on article 4 paragraph (3) and non-deductible has been arranged in article 9 of the Income Tax Law (Yerikho & Wijaya, 2021).

One example of deviation of taxable-deductible and non-taxable-nondeductible is based on the nature and pleasure that is given by the employer that is not always non-taxable-nondeductible. But, in article 4 paragraph (3), it is also arranged that there is an exception if the employer is not a taxpayer, the taxpayer which final or taxpayer that using special calculation norms are taxable-non-deductible. In other way, because of the specific reason, there is an exception of pleasure that is stated in Minister Finance of Regulation (MFR) Number 167/PMK.03/2018. MFR arranges that the pleasure such as food/beverage in office to all the employees, giving a must for safe work, and other facilities of pleasure are nontaxable-deductible. One consideration of whether the costs incurred by the company are deductible or not is the linkages of the costs with gaining, collecting, and maintaining the income. According to Mr. Benny (2021), CSR is a responsibility of the effect of a company, for example the industry of environment or society, by then the product or the company operational system causing the bad effect, so that is the responsibility of the company.

Therefore, the deductible concept is very close to CSR. Not all the CSR models can be a deductible expense. If the law of taxation is allowed because it is related to the linkages of the costs to gaining, collecting, and maintaining the income, so the CSR cost is deductible.

In line with the argument of Mr. Benny, according to Mr. Eko (2021) CSR is CSR is the cost incurred by the company to help the society around the company as a compensation of the company activity in the society itself. CSR has been accommodated as a deductible expense from gross income but there is limitation needed. CSR costs can be categorized as deductible expense as long as CSR can improve the brand image of the company, which means that CSR is indirectly related to gaining, collecting, and maintaining the income, even though the benefits can only be felt by the company in the long term. ABC (2021) was saying the same thing. He explained that the long term of CSR also can enhance the company's

profit. It is because the company which is doing the CSR, they are also making a sustainability report to publish it. The consumers tend to buy the products of CSR companies rather than non CSR companies.

Indirectly, CSR indeed creates positive vibes for the company (Imran, 2012; Lako, 2018; Sri Ardani & Mahyuni, 2020). The company will surely get the advantages from CSR, such as the company asset will blow up, the investor also will enhance, and the prosperity of the society will increase (Elkington, 2011 cited in Lako, 2018). In the long term, CSR disclosure has a positive effect on the company's financial performance and can increase profits (Lako, 2018).

From the receiver's side, to determine whether CSR is taxable or not depends on the CSR program received. Generally, CSR is given in the form of donations. However, because there is no limit on the types of CSR that can and cannot be done, it is possible for companies to carry out CSR in forms other than donations.

According to Mr. Benny (2021), donation of CSR can be seen in article 4 paragraph (3) letter a, about donation and donated property, but it surely has to be fulfilling the conditions, it is the donation that has no relation with the business, work, belongings or the related company. If the conditions are fulfilled so the income of CSR is non-taxable. If there is a relation between the giver and receiver of donation, it should be careful because there will be a check afterward. so that not everything is taxable-deductible, it can also be nontaxable-deductible. The taxable principle refers to Article 4, while the deductible principle refers to Article 6 and Article 9 of the Income Tax Law.

According to ABC (2021), generally CSR for the receivers is income that is excluded from tax objects (non-taxable) whose provisions are regulated in Article 4 paragraph (3) of the Income Tax Law. However, there are some nature and enjoyment which are also not tax objects for the receiver but become a deductible for the giver, for example food and drink for all employees, clothing and security equipment for security guards, employee pick-up and drop-off. Everything can happen because there are provisions that govern it. So, if CSR cost becomes a deductible, then a tax provision is needed for it.

According to the explanation before, it can be seen that CSR is related to activities to obtain, collect, and maintain income even though indirectly, so that based on Article 6 paragraph (1) of the Income Tax Law, CSR costs can be charged as a deductible expense. However, currently Indonesia's tax regulations do not clearly regulate CSR so that the application of the taxable-deductible principle on CSR does not apply absolutely, depending on the type of CSR program and the provisions in tax regulations.

3.2.The Alternative for Company to burden the CSR Costs

CSR needs money that increases company expenditure, on the other side the company should pay tax. Doing CSR and also paying the tax is called a double-payment of the company (Harseni, 2014 cited in Ernawati, 2016). Dealing with that problem, the company should make

a concept of CSR so that the company's goal to contribute to the environment is still achieved, but also does not cause losses.

Taxpayers can charging CSR costs into several costs allowed in Article 6 paragraph (1) of the Income Tax Law, that are the waste treatment costs, scholarship, internship and training, donations in the context of national disaster management, donations in the context of research and development, donations of educational facilities, donations in the context of sports development, social infrastructure development costs which the conditions are set by the government regulations (Ernawati, 2016).

In line with Ernawati (2016), according to ABC (2021) the provisions regarding tax treatment of CSR costs have not been clearly regulated in tax regulations in Indonesia. However, if we look further, the costs associated with CSR activities can be related to several costs that are allowed as deductible expenses, that are gaining, collecting, and maintaining the income, donations, and promotion costs. Then the tax provisions on CSR costs will follow these three things. Currently, the government is also providing a tax incentive known as Super Tax Deduction, as an alternative for charging CSR costs.

Based on the explanation ahead, in order to the CSR can be burdened as deductible expense so the taxpayer can choose the programs of CSR and note it into a list of costs, as follows:

a. Waste Treatment Costs

The company can apply CSR with a theme of environment. Take a look at the article 6 paragraph (1) of the Income Tax Law, the CSR with environmental theme can be categorized as cost to gaining, collecting, and maintaining the income especially in waste treatment costs, so the taxpayer can do the CSR and note it as a waste treatment costs.

b. Scholarship, Internship and Training Cost

Many companies have the program to develop the human resources through scholarship, internship and training for the employee or the others such as students or university students that have no relation between the company. As stated in the law of income, cost of scholarship, internship and training can be recognized as deductible expenses. The scholarship that can be recognized as deductible expense is a scholarship which is given to the students, university students, and others that have no relation between the company. Sibarani et al (2014) stated that, CSR in the form of giving scholarship, internship, and training can be costed by the company as it is set in article 6 paragraph (1) letter g of the Income Tax Law. So, if the taxpayer does the CSR with developing the human resources through scholarship, internship, and training, the costs can be burdened by taking a note of those costs, within reasonable limits.

c. Promotion Costs

In article 6 paragraph (1) letter a of the Income Tax Law allows the promotion costs as a deductible expense with the conditions that sets further in the Minister Finance of Regulation Number 02/PMK.03/2010. In the Article 1 of the Minister Finance of Regulation number 02/PMK.03/2010, it is stated that the promotion cost is a component of selling cost that is issued to promote the product or service directly or indirectly to the society, to enhance the selling chart. Mr. Eko (2021) explaining that the CSR cost with the promotion cost is nearly close, as long as the company issued CSR costs that meet requirements as promotional costs and the company issued the costs within the reasonable

limits. In line with Mr. Eko, Mr. Benny (2021) also stated that the CSR cost can be recognized as the promotion cost, if there is a commercial thing which the company will use the next step of selling.

To be called as a promotion cost, it should fulfil the condition that has been set in the Minister Finance of Regulations number 02/PMK.03/2010. In article 6, the regulation stated that the taxpayer should make a nominative list containing the name of the receiver, NPWP, address, date, form and kind of cost, total number of costs, deduction proof number, and total number of deduction cost. Based on the Article, it needs to make a list of promotion costs of the nominative list for all the promotion costs issued (Putra, 2016).

In line with regulation, ABC (2021) stated that CSR costs can be included in promotional costs, but it has to be accompanied by the nominative list. By giving your own product or giving another party's product with a stamp or advertisement on the product. If CSR is intended for promotional costs accompanied by a nominative list, it becomes a deductible expense. If the company conducts promotions by distributing product samples, the amount that can be recognized as a deductible expense is the cost of the product samples distributed, as long as it has not been taken into account in the cost of goods sold.

Therefore, the taxpayer can make a note of CSR as a promotion cost, if the activity contains promotion events to promote product and service directly or indirectly and the taxpayer should make a nominative list containing the name of the receiver, NPWP, address, date, form and kind of cost, total number of costs, deduction proof number, and total number of deduction cost.

d. Donations in the Context of National Disaster Management, Donations in the Context of Research and Development, Donations of Educational Facilities, Donations in the Context of Sports Development, Social Infrastructure Development Costs.

In Article 6 paragraph (1) letter i, it is stated that the donation that is recognized as a deductive expense is a donation of national disaster. Word “national” in the Article identified that there is a section which means that not all donations can be a burden in taxes. Based on the indicator in Constitution Number 24 Tahun 2007 about Disaster Management, so indeed not all of the disasters can be categorized as a national disaster.

Word “national” causes the taxes in CSR in the form of donations. If the company gives the donation to the disaster (non-national disaster) and notes it as the donation so there will be a positive fiscal. Surely, they will harm the taxpayer.

To deal with this problem, according to ABC (2021), the company should give the donation to the non-national disaster that is allowed in Article 6 paragraph (1) as a deductible expense, cost for social infrastructure development or education facilities.

The burden of donation cost has to fulfil the conditions based on the regulation of donation such as having an income by the year before, giving the donation with less risk by the year before, supporting by the legitimate proof, the donation receiver institution should have the NPWP, the cost should not more than 5% of the fiscal income a year ago, the receiver is not one of the affiliation people of the company. What should be paid attention to is not allowed to give the donation in the form of money to the social infrastructure donation, whereas it is allowed to give the donation in the form of money to the education facilities.

Therefore, to be a deductible expense, the taxpayer can choose to have CSR in the form of donation as it is stated in Article 6 paragraph (1) letter i until m of the Income Tax

Law. If the taxpayer will disclose CSR by making donations to disaster victims that are not designated as national disasters, the main alternative that can be done is to make donations in the form of social infrastructure development and donations of educational facilities.

e. Super Tax Deduction

The taxpayer can do CSR in the form of giving donations in the education sector. Regulation of income taxation has been accommodated through the Article 6 paragraph (1) letter g, j, and i of the Income Tax Law. The taxpayer should issue the scholarship, internship and training, donation for research and development in Indonesia and the donation for education facilities to fulfil the conditions as a deductible expense.

Recently, Indonesia has been giving the bigger incentive as a contribution of taxpayers in the education sector through the Super Tax Deduction. The policy is stated in Government Regulation Number 45 Year of 2019 about the Changing of Government Regulation Number 94 Year of 2010 that has been quoted with the issue of Minister Finance of Regulation Number 128/PMK.010/2019 about Granting Gross Deduction for The Implementation of Work Practice Activities and Internship. The government gives the incentive to raise the spirit of private in helping the nation in enhancing the quality of Indonesian human resources (Pryanka, 2019).

In Article 29 B of the Government Regulation Number 45 Year of 2019, it has been set that the taxpayer can burden the cost of practical work, internship, or another study to develop a certain competence until 200% from the cost. To get the advantages of the incentive, the taxpayer should organize the practical work, internship or other study as an agreement with a vocational school, the business is not bankrupt, and has done all the responsibility in taxes. Vocational schools are vocational madrasah Aliyah, vocational high school, diploma college, training institute, or government institution of employment. Cost of vocational activity which gets a super tax deduction covers the cost for practical places and supportive facilities such as water and electricity, teachers, aids, tuition and certificates (Polibatam, 2021).

Director General of Tax, Suryo Utomo, stated that the support for developing the vocational program is important because Indonesia will face the demographic bonus in 2030. Suryo also stated that the super tax deduction will decrease the tax reception, but there will be a big impact from the development of vocational programs, that is enhancing the human life and the prosperity of Indonesian people (Putri, 2020).

Based on the explanation before, Super tax deduction is in line with the concept of CSR, so the taxpayer which does the CSR in the education sector with giving help for vocational programmes, and fulfil the conditions can utilise the incentive of super tax deduction to burden the cost for CSR.

3.3.The alternatives for Government to harmonize the CSR policies with Taxregulations

The company has an alternative way to be able to charge CSR cost is choosing and noting the activity of CSR as an allowed cost as set in Article 6 paragraph (1) of The Income Tax Law, but there are programs of CSR that are not included in the cost stated in Article 6 paragraph (1) of the Income Tax Law, so it cannot be a burden in tax. For example, the donation in the form of money, cloth, groceries to the flood, eruption, forest fires, and many other disasters which should not be classified as a national disaster by the government.

The facility of taxation for CSR cost from the law of income given limitedly. The limitations of facilities of taxes in CSR cost is not in line with the Limited Liability Company Law in regulating CSR (Sibarani et al., 2014). So, if there is a non-national disaster, the CSR doesn't get the tax facilities, while the activity of the company is the same as the company who helps the national disaster victims. It is different to the company if they give the donation for the educational sector in the form of social infrastructure and donation for educational facilities. According to ABC (2021), it should be coordinated between the Ministry of Environment, Ministry of Industry, Financial Services Authority, Ministry of Finance and the other institutions of CSR to talk together about the clear CSR and the tax of CSR cost. In line with ABC, Mr. Tatan (2021) has the same argument about the coordination to take care of CSR, that coordination is needed not only within the Ministry of Finance or DGT but also with other agencies dealing with CSR.

Based on the result by the writer through literature study and field study, the alternative that can be done by the government about CSR, such as:

a. Update or Make Tax Regulations that Clearly Regulate CSR

In the Limited Liability Company Law, CSR is an obligation, especially for companies whose business activities are in the field and/or related to natural resources and are not regulated regarding the types of CSR that are allowed and not allowed to be done. In the Income Tax Law there is no CSR clearly stated. The synchronization between the policy of CSR and tax is needed, for example if the tax law limits the types of CSR costs that can be charged, it is better if the policies of CSR also set the same limits, or if the policies of CSR absolve the types of CSR, it will be better if the tax law is same (Ramadhan & Wijaya, 2020). This is useful for creating legal certainty for the company. According to Mr. Benny (2021), for the clarity of regulations regarding CSR, it is possible to add additional rules to existing government regulation, so that they are clearer, especially if examples can be provided in the government regulation.

Although currently there is Government Regulation Number 93 of 2010, the government regulation only regulates donations. In fact, CSR is indeed mostly done in the form of donations, but again, because in the Limited Liability Company Law there are no restrictions, many companies also do CSR in addition to donations. The regulations that will be made will describe CSR and the treatment of CSR costs, not just donations. In line with this, Mr. Eko (2021) added that it is also necessary to regulate the technical expenditure of costs and their reporting so that they can be monitored and verified.

Ramadhan and Wijaya (2020)) stated that the exemption of donations was also deemed necessary because basically all types of CSR are a form of corporate responsibility to the environment. This exemption is only emphasized in terms of the type of donation. The rest of the technical rules such as the amount of donations that may be issued and the requirements of taxpayers who may charge as regulated in the Government Regulation Number 93 of 2010 will still apply.

Based on the research of Carolina and Eddy (2013), there is an enhancement in CSR after the regulation number 36 year of 2008 rather than before. The enhancement is measured by the use of CSR Disclosure Index (CSRDI) that goes to the instrument of global reporting index. CSRDI in 2008 is 0.2757 in the company to be a sample of the research. Disclosure was enhanced in 2009 as 0.4236. This shows that there has been an

increase in CSR disclosure since the five donations that could be charged under the Income Tax Law compared to the previous time when these donations were not allowed.

Mr. Tatan (2021) stated that surely there was a positive and negative impact of the rules for CSR and deductible expense. According to Mr. Tatan, the positive impact will raise the spirit of the company to do the CSR. Meanwhile, the negative impact is that whenever someone has bad intentions, they will definitely look for loopholes, so it needs clear instruction and transparency.

By synchronizing the Limited Liability Company Law and other regulations that regulate CSR with tax law, it is hoped that it will encourage companies to implement CSR, because apart from being able to carry out their responsibilities, they also receive support from the state by obtaining tax incentives.

b. Founding a CSR Commission

Recently, many local governments have made a forum for CSR. The forum was made to take the facility and guidance function of CSR in the local area, for example Forum Tanggung Jawab Sosial dan Lingkungan (FTJSLP) in Central Java which is based on the Province Local Regulation Number 2 Year of 2017 about CSR. However, if we examine further the CSR that is carried out by companies is more related to the central government. It is because the obligation to implement CSR is determined by the Central Government so that the affairs of CSR are more related to the central government, including those related to taxation. Then the nature of deductible or non-deductible CSR costs determines the amount of taxable income to calculate income tax which is a central tax.

The commission is an independent institution that was made by the central government. The commission of CSR is important because the total number of the company in Indonesia is pretty much, which means that there is a large potential for CSR funds. The commission was made to encourage the function of planning programs, facilities of implementation, guidance, monitoring and evaluating the CSR.

The commission duty is to guide the company to have CSR. For the society, local, foundation and many others that need CSR can call the commission, so the distribution is directed to the receiver. The distribution of CSR will be transparent, from the income to the outcome, to every CSR project that is published and supported by the company (ABC, 2021).

The CSR commission can be an intermediary between the Directorate General of Tax and the CSR agency. The CSR Commission will coordinate with the Ministry of Industry, DGT, and other agencies related to CSR. Through the guidance of the CSR commission, it is hoped that it will be minimized and even banish the fraud of the company. According to the Directorate General of Tax, it is sure to give a positive impact since the Directorate General of Tax can easily do the monitoring of the taxpayer. Every project of CSR is monitored by the CSR Commissions so the Directorate General of Tax can give a bigger chance to the company to give the CSR as a deductible expense.

With the existence of the CSR commission, it is hoped that all the companies in Indonesia can be more directed, the distribution of CSR cost will be more equally distributed. The Directorate General of Tax can be easier to do the monitoring of taxpayers, although there will be additional costs for the government to pay the CSR Commission.

c. Obligate the making of sustainability report for all companies that do CSR

The report of CSR is known as a sustainability report. The provision of CSR has been set in many laws. Article 8 paragraph (4) of the Financial Services Authority Regulation Number 51/POJK.03/2017 set that the report of CSR cost is an LJK and the public company is needed to do CSR that has to be recorded in the sustainability report.

The report of CSR in the company also has been set in Article 66 of the Limited Company Law, that the annual report should cover the CSR report. In the statement of financial accounting standards number 1 the financial report is for the report in the form of environmental report and extra point report (Ikatan Akuntan Indonesia, 2015).

The provisions before are describing that reporting of CSR is not a rare thing for the company in Indonesia, but indeed, currently reporting CSR is not an obligation for all the company. Most of the companies that have a sustainability report are public companies that have been listed in the Indonesia Stock Exchange.

Based on the interview with ABC (2021), it is stated that there is a limitation on the types of CSR as a deductible expense that is for a form prevention from DGT of tax avoidance by taxpayers through the imposition of CSR costs. If later there is a regulation that allows all types of TJSL to be deductible expenses, one form of supervision that can be carried out is through the Sustainability Report instrument. DGT in coordination with the ministry in charge of CSR can require every company that implements CSR to make a Sustainability Report and disclose the CSR that has been carried out in the report.

Even Though the alternative will add the task to the company because they need to make a sustainability report, the CSR also gives a good impact to the company, because the internal and external company can see the good deal that company does to make a positive brand image. In addition, companies can also charge CSR costs as a deduction from gross income.

4. CONCLUSIONS

The implementation of taxable-deductible principal in the CSR cost is not absolute. The CSR cost can be taxable-deductible, nontaxable–nondeductible, taxable-nondeductible, or nontaxable–nondeductible. The provision about taxable has been arranged in the article 4 paragraph (1) and article 4 paragraph (2), about the deductible is in article 6, non-taxable has been arranged on article 4 paragraph (3) and non-deductible has been arranged in article 9 of the Income Tax Law.

The alternatives that can be used by the taxpayers to be able to burden CSR costs is choosing the CSR programs and noting it as a deductible expense as it is set in Article 6 paragraph (1) of the Income Tax Law. The taxpayer that does the CSR with the environmental theme especially in the effort of waste treatment cost can be included in 3M costs, more correctly for the waste treatment cost. The taxpayer that does the CSR through the development of human resources can charge the CSR cost by noting these costs as scholarship, internship, and training cost. Taxpayers can record CSR expenditures as promotional costs, if CSR activities contain elements as promotional activities, namely

activities to promote goods and/or services either directly or indirectly. The taxpayer can choose to disclose the CSR in the form of donation that is allowed in the Article 6 paragraph (1) letter i until m of the Income Tax Law. Taxpayers who implement CSR in the field of education by providing assistance to vocational programs can take advantage of the incentive Super Tax Deduction

The main alternative that can be done by the government to synchronize the CSR with the taxation law is to renew the obligation or make a new taxation law to clearly align the CSR with the existence of the laws, with these regulations there will be legal certainty regarding tax treatment of CSR costs. To make harmonized regulations, coordination is needed from the Minister of Industry, Finance Service Authority, and another agency to take a role in the CSR. After the regulation, another alternative that can be done by the government is to form a CSR Commission and/or require the preparation of a Sustainability Report for companies that implement CSR with the aim of making the implementation of CSR more focused and facilitating the government in conducting supervision. By allowing CSR costs as a deductible expense, it is hoped that it will encourage enthusiasm of taxpayers to do the CSR and give the big impact for the environment and society based on the concept of CSR that is profit, people and planet.

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