Original Article

Depreciation Calculation Using the Straight Line Method is appropriate Taxation Law

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Abstract:
The Income Tax Law in Indonesia regulates that costs incurred to acquire tangible assets, which have a useful life of more than one year, can be deducted from gross income through a depreciation mechanism. There are two (1) methods for depreciation of tangible assets referred to in the tax law. Straight-line method, (2). Declining balance method (declining balance method). The aim of this research is to find out (1) how to calculate depreciation based on tax regulations (2) how to calculate depreciation using the straight line method based on tax regulations. In this research the author used descriptive qualitative methods and literature study. Fixed assets (Assets) other than buildings, can be depreciated using the straight-line or declining balance method. Meanwhile, fixed assets (property) are in the form of buildings, depreciation can only be done using the straight line method. The research results show that the provisions for calculating depreciation of tangible assets made by companies need to be reconciled fiscally. Based on the Depreciation Cost Reconciliation calculation, the depreciation calculation uses the straight line method, there is a difference between Commercial calculations and Fiscal calculations in accordance with tax provisions. PT Stanogi's calculation of the depreciation value for fixed assets for the 2023 tax year period is IDR. 289,900,000, while the Fiscal calculation is Rp. 340,812,500. This means that there is a difference of less than: Rp. 50,912,500. This difference will increase depreciation costs in the Company's Profit and Loss Statement, thereby reducing the Company's tax obligations.

Keywords: Depreciation, Straight Line, Tax Law

Introduction

Regulation of the Minister of Finance of the Republic of Indonesia Number 72 of 2023, concerning Depreciation of Tangible Assets and/or Amortization of intangible assets, regulates the calculation of depreciation of tangible assets and/or amortization of intangible assets for tax purposes and is in line with the regulatory simplification program, regarding depreciation of tangible assets and/or amortization of intangible assets. The Income Tax Law (UU PPh) in Indonesia regulates that costs incurred
to acquire tangible assets, which have a useful life of more than one year, can be deducted from gross income through a depreciation mechanism. Further details regarding the depreciation mechanism for tangible assets are regulated in article 11 of the Income Tax (PPh) Law. There are two (1) methods of depreciation of tangible assets referred to in the tax law. Straight-line method, (2). Declining balance method (declining balance method). The Income Tax Law in question is Law No. 7 of 2021, concerning harmonization of tax regulations which is a refinement of Law of the Republic of Indonesia number 36 of 2008, concerning the fourth amendment to Law Number 7 of 1983 concerning Income Tax.

According to Article 1 of Law No.36 of 2008, “The tax imposed on tax collectors on their income throughout the tax year is known as income tax.” (Ratnawati & Hemawati, 2016). And to protect the interests of the state and society in the life of the nation and state as an obligation to carry out, income tax is an official state claim stipulated in the law which is aimed at people's income which has met the requirements for income earned in the tax year. (Rapika, 2021). Based on this, one of the methods that can be used to calculate depreciation of tangible assets based on tax regulations is the straight line method. This method allocates depreciation costs in the same amount over the period of use of the fixed asset. This method is used because this method is the easiest to calculate and can be applied to all long-term assets. In this method, the cost of an asset is divided by its useful life to get the annual depreciation amount. This amount is then subtracted from the book value of the asset each year. Companies need to depreciate the fixed assets they own in order to avoid losses and make it easier to make decisions when assets can no longer be used optimally, so knowing depreciation or depreciation is one of the most important things for the company. The value of several company assets, except land, will experience a decline in the future, this is one of the company's goals for depreciation. So that in the financial statements, asset values can be presented according to their current value. Asset depreciation can also help a company avoid recognizing a loss in the future if the value of the asset falls below book value.

The aim of this research is to find out (1) how to calculate depreciation based on tax regulations (2) how to calculate depreciation using the straight line method based on tax regulations. Fixed Assets, often also called Physical Facilities assets or fixed assets, are tangible assets held for use in the production or provision of goods or services, for rental to other parties, or for administrative purposes and are expected to be used for more than one period. (Badar, Dian, 2021) Based on PSAK 16 in paragraph 73, it is stated that fixed assets disclosed in financial statements are: The depreciation method used; Depreciation rates or useful life used; The measurement basis used to determine the gross carrying amount; Accumulated depreciation and carrying amount. According to S.A.K, fixed assets are valued at: Book value, namely the acquisition price of the fixed assets minus the accumulated depreciation. The reduction in the value of fixed assets is recorded as accumulated depreciation in the Balance Sheet report, while in the Profit and Loss report it will be recorded as depreciation expense. In relation to these recordings, there are three factors that must be taken into account in determining the amount of depreciation expense (depreciation expense) and accumulated depreciation of fixed assets, namely: The acquisition price of fixed assets; the useful life; residual value. Depreciation is defined in the Statement of Government Accounting Standards (PSAP 07) as a value adjustment in connection with a decrease
in the capacity and benefits of an asset. Recording depreciation is one of the signs of
the implementation of the accrual basis in SAP. (KSAPl, 2007). Depreciation of fixed
assets is the process of allocating the cost of fixed assets to costs over the period of use
of fixed assets. Depreciation is carried out so that the carrying value (Carrying Amount)
of fixed assets reflects the fair value of fixed assets because the fair value of fixed assets
tends to fluctuate and is difficult to measure objectively. (Badar, Dian, 2021) The
depreciation process is not a process for setting aside funds for replacement of fixed
assets. Replacement of fixed assets is generated from revenues (cash inflow from
operations) or funded through loans. Asset depreciation is an important process in
accounting to ensure that a company's financial reports are accurate and reliable,
especially for fixed assets that have a large value and a long useful life. Thus,
depreciating fixed assets is a useful method for companies in managing and recording
their fixed assets. Apart from that, shrinking fixed assets can also help companies avoid
additional costs and determine the right investment strategy. The company can
determine whether to add or replace existing fixed assets with newer fixed assets that
suit the company's needs.

The fixed asset depreciation method is a way to calculate the amount of
depreciation that must be recorded for fixed assets during a certain accounting period.
The depreciation method affects the amount of depreciation costs charged each period.
There are several methods that can be used to depreciate fixed assets. According to
Baridwan, 2015, there are several methods that can be used to calculate periodic
depreciation expense. To be able to choose one method, you should consider
the company's conditions which affect the fixed assets. (Baridwan, 2015) One of the
methods used by the Company in accordance with tax regulations is the Straight Line
method. The straight line method is the simplest method, where the amount of
depreciation recorded each period is the same throughout the useful life of the asset.
The depreciation method in accordance with straight-line tax regulations is regulated
in Article 11 paragraph 1. Based on this method, depreciation expense will always be
considered fixed per year until the end of the useful life. This method is one of the
simplest and most widely used depreciation methods. In the tax regulations for
building depreciation, the straight line method may be used. The straight line method
uses the following formula:

\[
\text{Depreciation Value} = \frac{(\text{Acquisition Value} - \text{Residual Value})}{(\text{economic life})}
\]

In the scope of taxation, depreciation is regulated in Article 11 of the Income
Tax Law (UU PPh) and is known as fiscal depreciation. Depreciation is carried out on
assets with a useful life of more than 1 year and is calculated using a certain method.
Tangible assets other than buildings can be depreciated using the straight-line or
decreasing balance method. Meanwhile, tangible assets in the form of buildings can only
be depreciated using the straight-line method. Financial statements are prepared in
accordance with applicable accounting standards. However, some accounting
standards differ with respect to income tax provisions. One difference is how
depreciation is calculated between accounting and income tax.

Calculation of depreciation according to article 11 of the Income Tax Law,
firstly, the depreciation method for buildings can only be straight line, while for non-
buildings it can be straight line (GL) and declining balance (SM). In accounting, there
are more depreciation methods. Second, grouping, taxes require fixed assets other than
buildings to be grouped into groups 1, 2, 3, and 4. There is "group 5". This group is regulated in the Minister of Finance Regulation. Third, useful life, accounting allows amortization of 3 years, 5 years or 6 years depending on the actual time of use. According to tax, the useful life is based on groups, namely the useful life is 4 years (group 1), the useful life is 8 years (group 2), the useful life is 16 years (group 3), and the useful life is 20 years (group 4). The useful life, type and method of depreciation determine the depreciation rate. Fourth, when depreciation begins, according to tax, that is the month in which the expenses were incurred. One day is equal to one month. Meanwhile, accounting is determined if the month has more than 15 days or less. If it is less then the month is not amortized. Fifth, taxes do not recognize residual value. Regardless of the cost of the asset, it is fully depreciated, whereas accounting records the residual value. Previous research was conducted by (Ayu Anastasya, 2023) where the results of this research showed that from the calculation of depreciation of fixed assets at the Pratama Inpatient Clinic Romauli ZR which was carried out based on calculations according to the Financial Accounting Standards Regulations (PSAK) and Tax Regulations where the depreciation calculation fixed assets according to Financial Accounting Standards (PSAK) are greater than depreciation of fixed assets calculated based on taxation.

Methods

In this research the author used descriptive qualitative methods and literature study. Descriptive qualitative analysis is one of the rules in data analysis research. Literature study is collecting data from various references such as books and scientific works as well as various existing literature. The author read literature relating to tax provisions and regulations in general and depreciation regulations in particular. Accounting literature relating to depreciation calculations using the straight line method is also used as reading material and literature.

Results

Sub 1 Provisions for calculating depreciation using the straight line method based on tax regulations. The basic regulations used to calculate depreciation using the straight line method are: (1). Republic of Indonesia Law No.36 of 2008, concerning the fourth amendment to Republic of Indonesia Law No. 7 of 1983 concerning Income Tax, in article 11 concerning Depreciation. (2). Republic of Indonesia Law no. 7 of 2021 concerning Harmonization of Tax Regulations, in Chapter II concerning Income Tax, and especially paragraph 11 which regulates depreciation. (3). Republic of Indonesia Minister of Finance Regulation No. 72 of 2023, concerning Depreciation of Tangible Assets and/or Amortization of intangible assets, in Chapter II concerning Depreciation of Tangible Assets and its attachments.

In the regulation of the Minister of Finance of the Republic of Indonesia Number 72, 2023 which is a technical implementing regulation, with reference to the applicable laws and regulations, In Chapter II, Article 2 explains the depreciation of tangible assets in paragraph 1: depreciation of expenses for purchasing, establishing, adding, repairing or changing tangible assets, except for land that has the status of ownership rights, building use rights, business use rights, and use rights, which are owned and used to obtain, collect and maintain income which has a useful life of more than 1 (one) year, are exercised in equal parts during the useful life determined for the property. In paragraph 2: depreciation on expenditure on tangible assets other than
buildings, can also be carried out in decreasing portions over the useful life, which is calculated by applying depreciation rates to the residual book value, and at the end of the useful life the residual book value is depreciated all at once, provided that carried out in a principled manner. From the regulations above, it can be explained that for fixed assets (property) other than buildings, depreciation can be done using the straight line or declining balance method. Meanwhile, fixed assets (property) are in the form of buildings, depreciation can only be used using the straight-line method. Furthermore, in article 3 it is explained that to calculate depreciation, the useful life and depreciation rates are determined as in table 1 below:

Table 1. Useful life and depreciation rates for tangible assets

<table>
<thead>
<tr>
<th>Tangible Asset Group</th>
<th>Benefit Period</th>
<th>Depreciation Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Ayat (1)</td>
</tr>
<tr>
<td>I. Not a Building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group 1</td>
<td>4 years</td>
<td>25 %</td>
</tr>
<tr>
<td>Group 2</td>
<td>8 years</td>
<td>12.5 %</td>
</tr>
<tr>
<td>Group 3</td>
<td>16 years</td>
<td>6.25%</td>
</tr>
<tr>
<td>Group 4</td>
<td>20 years</td>
<td>5%</td>
</tr>
<tr>
<td>II. Building</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stay</td>
<td>20 years</td>
<td>5%</td>
</tr>
<tr>
<td>Non-Permanent</td>
<td>10 years</td>
<td>10%</td>
</tr>
</tbody>
</table>

Note: Types of non-building tangible assets in group 1 (one), group 2 (two), group 3 (three), and group 4 (four) are listed in the Appendix which is an inseparable part of this Ministerial Regulation. Based on the Income Tax (PPh) Law, Article 11 paragraph (3), depreciation can begin in the month in which tangible assets are spent or acquired. Meanwhile, for tangible assets that are still in the process of being worked on, depreciation will only start after the completion of work on the tangible assets. However, Article 11 paragraph (4) of the Income Tax Law explains that Taxpayers (WP) are given the freedom to depreciate: When tangible assets are used to obtain, collect and maintain income. It could also be during the month when the property starts to produce, namely the month when production starts, as long as it is approved by the Directorate General of Taxes (DJP).

In general, each company has its own version of policy decisions to determine the useful life of the tangible assets it acquires. The specified benefit period may not be the same as the benefit period stated in article 11 paragraph (6) of the Income Tax (PPh) Law. Based on this, the calculation of depreciation of tangible assets made by the company needs to be fiscally reconciled first. If there is a significant difference between the depreciation calculation for tangible fixed assets according to accounting or company policy and the depreciation calculation according to tax (Fiscal) policy, there will be a difference in the profits generated. In the event of these differences, there is a need for fiscal corrections to adjust profits according to accounting or company policies that are different from the tax provisions of the Fiscal Policy. In accordance with applicable tax provisions.

Sub 2 Calculate depreciation using the straight line method based on tax regulations. PT. Stanogi is a company that operates in the field of goods delivery services. In the 2023 financial report, the acquisition value, useful life, book value and depreciation of tangible assets owned are known as in table 2:
Tabel 2. The Ativa Depreciation List remains PT. Stanogies for financial year 2023

<table>
<thead>
<tr>
<th>No.</th>
<th>Tangible Property</th>
<th>Acquisition Date</th>
<th>Earning Value</th>
<th>Benefit Period</th>
<th>Book Value As Of January 2023</th>
<th>2023 depreciation</th>
<th>Book Value Dec 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wooden cabinet</td>
<td>5 Feb-20</td>
<td>150.000.000</td>
<td>5 tahun</td>
<td>62.500.000</td>
<td>30.000.000</td>
<td>32.500.000</td>
</tr>
<tr>
<td>2</td>
<td>Computer</td>
<td>2 Apr-21</td>
<td>252.000.000</td>
<td>5 tahun</td>
<td>163,800.000</td>
<td>50.400.000</td>
<td>113,400.000</td>
</tr>
<tr>
<td>3</td>
<td>Kendaraan.</td>
<td>2 Juni-20</td>
<td>750.000.000</td>
<td>10 tahun</td>
<td>187,500.000</td>
<td>75.000.000</td>
<td>112,500.000</td>
</tr>
<tr>
<td>4</td>
<td>Office Air Conditioner</td>
<td>10 Agt-21</td>
<td>172,500.000</td>
<td>5 tahun</td>
<td>89,125.000</td>
<td>34,560.000</td>
<td>54,625.000</td>
</tr>
<tr>
<td>5</td>
<td>KTR Building</td>
<td>1 Okt-20</td>
<td>2,500.000.000</td>
<td>25 tahun</td>
<td>275,000.000</td>
<td>100,000.000</td>
<td>175,000.000</td>
</tr>
</tbody>
</table>

Calculation of fiscal depreciation that can be charged by PT. Stanogi in the 2023 Tax Year, namely; 1) Wooden cupboards are non-building tangible assets (Group I), with a useful life of 4 years, with a depreciation rate of 25%, so the calculation of Fiscal Depreciation is: Rp. 150,000,000 x 25% = Rp. 37,500,000. 2) Computers are included in the category of non-building tangible assets (Group I), with a useful life of 4 years, with a depreciation rate of 25%, so the calculation of fiscal depreciation is: Rp. 252,000,000 x 25% = Rp. 63,000,000. 3) Operational vehicles are non-building tangible assets (Group II) with a useful life of 8 years, with a depreciation rate of 12.5%, so the fiscal depreciation calculation is: Rp. 750,000,000 x 12.5% = Rp. 93,750,000. 4) Office AC is a non-building tangible asset (Group II). Its useful life is valid for 4 years, with a depreciation rate of 12.5%, so the fiscal depreciation calculation is: Rp. 172,500,000 x 12.5% = Rp. 21,562,500. 5) The building where the business is carried out is a permanent building asset. So it has a useful life of 20 years, with a depreciation rate of 5%, %, so the fiscal depreciation calculation is: Rp. 2,500,000,000 x 5% = Rp. 125,000,000. Based on the calculation above, the fiscal reconciliation of depreciation costs for PT Stanogi’s tangible assets is as follows:

Table 3. Calculation of Corporate (Commercial) and Fiscal Depreciation Cost Reconciliation

<table>
<thead>
<tr>
<th>No</th>
<th>Information</th>
<th>Commercial</th>
<th>Correction (+)</th>
<th>Correction (-)</th>
<th>Fiscal</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shrinkage of the limei</td>
<td>Rp30,000,000</td>
<td>Rp7,500,000</td>
<td></td>
<td>Rp37,500,000</td>
</tr>
<tr>
<td>2</td>
<td>Computer shrinkage</td>
<td>Rp50,400,000</td>
<td>Rp12,600,000</td>
<td></td>
<td>Rp63,000,000</td>
</tr>
<tr>
<td></td>
<td>Vehicle Depreciation</td>
<td>Rp75,000,000</td>
<td>Rp18,750,000</td>
<td>Rp93,750,000</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>----------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Shrinkage of office air conditioners</td>
<td>Rp34,560,000</td>
<td>Rp12,937,500</td>
<td>Rp21,522,500</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Shrinkage of office buildings</td>
<td>Rp100,000,000</td>
<td>Rp25,000,000</td>
<td>Rp125,000,000</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>Rp289,900,000</td>
<td>Rp12,937,500</td>
<td>Rp63,850,000</td>
<td>Rp340,812,500</td>
<td></td>
</tr>
</tbody>
</table>

Based on the calculations in Table 3, Reconciliation of Depreciation Costs mentioned above, the depreciation calculation using the straight line method, there is a difference between Commercial calculations and Fiscal calculations in accordance with tax provisions. PT Stanogi's calculation of the depreciation value for fixed assets for the 2023 tax year period is IDR. 289,900,000, while the Fiscal calculation is Rp. 340,812,500. This means that there is a difference of less than: Rp. 50,912,500. This difference will increase depreciation costs in the Company's Profit and Loss Statement, thereby reducing the Company's Corporate Income Tax payments.

**Conclusion**

Fixed assets (Assets) other than buildings, can be depreciated using the straight-line or declining balance method. Meanwhile, fixed assets (property) are in the form of buildings, depreciation can only be done using the straight line method. Provisions: The calculation of depreciation of tangible assets made by the company needs to be reconciled fiscally. Based on the calculation of the Reconciliation of Depreciation Costs, the depreciation calculation using the straight line method, there will be a difference between Commercial calculations and Fiscal calculations in accordance with tax provisions. Calculating depreciation using the straight line method, there will be differences between Commercial calculations and Fiscal calculations according to tax provisions. This is in accordance with the results obtained, namely PT Stanogi's calculation of the depreciation value of fixed assets for the 2023 tax year period, amounting to Rp. 289,900,000, while the Fiscal calculation is Rp. 340,812,500. This means there is a difference of less than: Rp. 50,912,500. This difference will increase depreciation costs in the Company's Profit and Loss Statement, thereby reducing the Company's tax obligations.

**Suggestion**

The company calculates depreciation on fixed assets using the straight-line method in accordance with tax regulations. Next, the company needs to carry out a reconciliation calculation of commercial depreciation calculations with fiscal calculations, so that the company can prepare financial reports and know what its tax obligations are.

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