

## Analyze on influence of the choice of taxable entity for band to income tax should be paid by members of the band

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### Abstrak

Music Industry in Indonesia is a newly developing industry. It is a new phenomenon in economic realm. Due to be a new economic phenomenon, it certainly has significant impact to taxation administration. We also can say that the phenomenon has emerged a taxation phenomenon, which has to be studied carefully in order to find taxation's good practice.

Research and study, which is undertaken for this thesis deliberately, limited to existence of bands in music industry. The thesis takes directly a focus on phenomenon a band as business entity and legal entity.

As indicate by the title of thesis above, this thesis eventually will point out which business and legal entity is most recommended to single out.

A business entity, just like individually person, is a taxable entity. A band comprised of persons who is doing a certain activity altogether, namely plays music professionally. Hence a band can be assume as corporate taxable entity,

Some options can be offered to members of band in view of finding the most efficient taxation on their taxable income through a band: First, even though the members of the band receipt their income through the bands, the members do not transform a band as a certain business entity, Second, transform their band into taxable entity. As taxable entity the band can be a legal business entity such as a limited corporation or non-legal business entity such as a firm.

Base on prevailing study and researches for this thesis, some inferences have been made. First, The members of the band who do not transform their band as taxable entity will have to face a difficulty regarding to count amount of their actually net income caused by operational costs which have been used to generate, maintenance and collect their income are joint cost of all members. Those costs are not so easy to allocate to each members correctly. It is hard to prove that the assets belong to the members of the band have simply been used directly to make their money due to the assets have been bought in the name of each member. It is difficult to prove weather the purchases of the assets are for sake of their personal hobby or their business. And the members of the band will hard to state sort of income, subsequently their will face a difficulty of implementing taxation administration properly refers to a cash flow which is influenced by their contract that is made with third party. Second, in the case of the band became a legal-business-taxable-entity, the difficulties which have to face by members of non taxable entity band will not has to settle any longer as long as all transactions have been made in the name of the band and are booked properly in order to easy to be reported. Unfortunately by single out this option, members of the band will have to face an

economic double taxation because our prevailing tax act has been treated a corporate as separated entity from its owner (classical system). Third, in the case of the band became a non legal-business-taxable entity, members of the band will be free from economic double taxation because our prevailing tax act, assume such a business entity as transparent entity, no more than a mediator for its owner to make a money. In case of members of the band receipt their income only from or through their band, the member will report their income in annual individual blue return as a non-taxable income.

Base on result of the study and research, it is very recommended to members of band in order to minimize their tax on their income and to simplified in fulfilling tax obligation, to transform their band to be non legal-business-taxable entity or in a formal term: to single out a business entity for the band which its ownership is not distributed by stocks such a firm.