



UNIVERSITY OF INDONESIA
FACULTY OF SOCIAL AND POLITICAL SCIENCES
DEPARTMENT OF ADMINISTRATIVE SCIENCE
UNDERGRADUATE PROGRAM

ABSTRACT

Andreas Victor (0606057584), Income Tax Treatment on Derivatives Financial Instrument Based on Stock Option Formed as Warrant , xiii + 88 pages + 4 tables + 27 books + 3 regulations + 7 articles + 3 other sources (1980-2007)

Derivatives transaction has been developed very fast since 1980, either in kind of products or in the market, with billion dollar transaction every day. Derivatives financial instrument has an important role in financial risk management within a company. From time to time, tendency for using derivatives financial instrument not only limited for risk management (hedging), but also for profit making. Warrant is a derivative product which contains speculative element and generally use for profit making. In the early days, weakness law can be used by certain groups for financial engineering. The growth of derivatives should have been anticipated by government with comprehensive tax regulation on derivatives financial instruments.

Method of analysis in this research is descriptive, with figure out income tax treatment on derivatives financial instrument. In this research, also examine the economic essential, the acknowledgment of profit and loss, and tax treatment that needed for, if the tax regulation is not enough appropriate for derivatives transaction, especially for warrant. The data collecting method in this research is literature study through books review, journals, tax regulation, scholarly papers, and also interviews.

The result of the analysis is tax regulation has no specific concept upon derivatives financial instrument. The tax treatment also does not fit with the economic essential. It means, within the regulation there is no differentiation between derivatives financial instrument which used as hedging and speculation. The researcher proposed that tax treatment for derivatives transaction should be more comprehensive and in accordance with its economic essential, that differentiated treatment between speculation and hedging. And also to prevent derivatives financial instrument for used as an instrument to reduce profit taxes.