

# Analysis of Income Tax (PPh) Article 21 Calculation: A Case Study of Income Tax Withholding on Permanent Employees Income

Alfredo Yoyakim Sihombing<sup>1</sup>, Galuh Tresna Murti<sup>2</sup>, Atha Riverly Deska<sup>3</sup>, Shafira Divayanti<sup>4</sup>

Accounting Study Program, Faculty of Business Economics, Telkom University 1,2,3,4

Email: [alfredovoyakimsihombing@gmail.com](mailto:alfredovoyakimsihombing@gmail.com)

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## Abstract

Income Tax (PPh) Article 21 is a type of income tax imposed by the government on income originating from salaries, wages, honorariums, allowances and other payments received by individual taxpayers within the territory of the country. In the tax context in Indonesia, PPh Article 21 has a very important role in generating domestic cash revenues. This revenue is used by the government to finance various national development programs and projects aimed at improving community welfare. Income Tax Article 21 has various elements that need to be understood, including the categories of subject and non-subject to tax, as well as object and non-object of tax. Tax subjects refer to individuals who have the obligation to pay PPh Article 21, while non-tax subjects are people who are not obliged to pay this tax, such as foreigners who do not have income from domestic sources. The tax object in PPh Article 21 is income which is the basis for calculating tax. This includes the various types of income mentioned previously, such as salary, wages, honorarium and allowances. However, there are also other payments that may be included in the tax object, depending on the applicable regulations. The purpose of writing this article is to provide a better understanding of several examples of cases of calculating Income Tax Article 21. In this case, it is important to understand how the income of employees or other income recipients is calculated, including the necessary deductions according to applicable tax regulations. With a good understanding of these regulations, taxpayers can ensure that they fulfill their tax obligations appropriately and efficiently, while ensuring compliance with applicable tax laws. All of this is an important step in supporting national development and equal distribution of prosperity in society.

## 1. Introduction

Tax is a source of income for the state that must be paid by taxpayers, whether they are individual taxpayers or corporate taxpayers. Types of taxes, one of which is Income Tax (PPh). Income Tax also includes Income Tax (PPh) Article 21 which means tax on income in the form of salary, wages, honorarium, allowances and other payments in any name and in any form in connection with work or position, services and activities carried out by the subject individual. Domestic tax, as intended in Article 21 of the Income Tax Law. (Directorate General of Taxes, 2016). In PPh Article 21, there are withholders of PPh Article 21 and/or PPh Article 26 who are individual taxpayers or corporate taxpayers, including permanent establishments, who have the

obligation to withhold tax on income in connection with work, services and activities of individuals. as intended in Article 21 and Article 26 of the Income Tax Law. (Directorate General of Taxes, 2016). According to Law Number 36 of 2008, the subject of Income Tax Article 21 consists of several categories. First, Domestic Individuals (OP), namely individuals who live in Indonesia for more than 183 days in 12 months or one tax year with the intention of residing in Indonesia. Second, Overseas Private Persons (OP) are individuals who do not stay in Indonesia for more than 183 days a year. Third, Agency, includes business entities established or domiciled in Indonesia, except for certain units of government agencies. Fourth, Undivided Inheritance, refers to inheritance that is still intact and has not

been divided as a single unit in place of the rightful inheritance recipient. Lastly, Permanent Business Form (BUT), is a form of business used by individuals or entities who do not live or are domiciled in Indonesia to carry out activities in Indonesia.

Meanwhile, those who are not included as tax subjects according to Law Number 36 of 2008 are Foreign Country Representative Offices, Diplomatic Representative Officials and Consulates, or other officials from foreign countries, International Organizations, and Officials of International Organizations (Denny Erica, 2020). The object of PPh Article 21, as regulated by the Directorate General of Taxes Regulation Number PER-16/PJ/2016, covers various types of income. This includes the income of permanent employees, pension recipients, severance pay, pension benefits, old age benefits, old age security paid at once, income of non-permanent employees or casual workers, compensation to non-employees, and compensation to activity participants (Ortax.org, 2021).

PER-16/PJ/2016 also stipulates several types of income that are not subject to withholding from Income Tax Article 21, such as payment of benefits or insurance compensation, pension contributions to pension funds, zakat received by eligible individuals from zakat-acquiring bodies or institutions, and scholarships received by Indonesian citizens for formal and non-formal education at home or abroad (Ortax.org, 2021).

## 2. Literature Review

Income Tax (PPh) Article 21 has an important role in the taxation system in Indonesia, especially regarding income originating from salaries, wages, honorariums, allowances and other payments to individual taxpayers in the country. In the context of taxation in Indonesia, PPh Article 21 is a significant source of government revenue, used to fund various national development programs and projects aimed at improving community welfare. Income Tax Article 21 has several elements that need to be understood, including the categories of tax subjects and

non-subjects, as well as tax objects and non-objects.

Tax subjects include individuals who have the obligation to pay Income Tax Article 21, while non-tax subjects are those who do not have the obligation to pay the tax, such as foreign citizens who do not obtain income from domestic sources. The tax object in PPh Article 21 is income, which is the basis for calculating tax. This involves various types of income, such as salaries, wages, honoraria and allowances, along with other payments in accordance with applicable regulations.

In the context of Article 21 Income Tax withholding, there are tax withholding agents who can be individuals or entities who have the obligation to withhold tax on income related to work, services and activities of individuals. Identification of tax subjects and non-subjects is important, as regulated in Law Number 36 of 2008. The subject of Income Tax Article 21 involves domestic and foreign individuals, entities, undivided inheritance, and permanent business forms. In contrast, non-tax subjects involve foreign country representative offices, diplomatic and consular officials, international organizations, and officials of international organizations.

In terms of tax objects PPh Article 21, Directorate General of Taxes regulation no. PER-16/PJ/2016 states several types of income that are subject to tax, including income from permanent employees, pension recipients, severance pay income, benefits to non-employees, and benefits to activity participants. However, there are also types of income that are not deducted from PPh Article 21, such as payments for insurance benefits or compensation, pension contributions, zakat and certain scholarships.

## 3. Metodologi

Dalam artikel ini, kami mencari data-data yang kami gunakan dari berbagai sumber seperti e-book, dan jurnal yang tertuang dalam bentuk deskriptif. Serta, kami juga memberikan sebuah contoh studi kasus pada bab yang kami ambil yakni mengenai perhitungan pemotongan PPh Pasal 21.

#### 4. Results and Discussion

PPh Article 21 is a tax imposed on income such as salaries, wages, honorarium, allowances and other payments received by domestic individual taxpayers. In calculating PPh Article 21, several factors need to be taken into account, such as job costs, pension contributions and tax benefits. For example, Doni, an employee at PT. Nanggung, has a monthly income of IDR 3,000,000, plus transportation and food allowances. After deducting office fees, Old Age Security contributions, and pension contributions, Doni earns a taxable income of IDR 21,112,800 a year. Income Tax Article 21 payable is then calculated as 5% of taxable income, with a result of IDR 87,970 per month.

Apart from that, there is an example of calculating Income Tax Article 21 for employees who start or stop working in the middle of the year. For example, Mr. Manca who joined PT Takdirnya in April. His gross monthly income is IDR 6,190,000, after deducting office fees, ENT fees and pension contributions, his monthly net income reaches IDR 5,455,500. Annual taxable income, after taking into account PTKP (K/2), is IDR 18,724,500. PPh Article 21 for 9 months is calculated as 5% of taxable income, with a total of IDR 936,225, and PPh Article 21 per month is IDR 104,025.

In another example, Mr. Bona, a bachelor employee who lives with his disabled father, receives a monthly salary of IDR 4,500,000 and a tax allowance of IDR 50,000. After deducting office fees and pension contributions, a month's net income is IDR 4,247,500. Annual taxable income, taking into account PTKP (TK/1), reaches IDR 24,645,000. PPh Article 21 for a year is calculated as 5% of taxable income, with a total of IDR 1,232,250, and PPh Article 21 per month is IDR 102,687.50. The difference between the tax owed and the tax allowance is borne by the employee through monthly deductions.

#### 5. Closing

#### 5.1 Conclusion

Based on the explanation above, it can be concluded that PPh Article 21 is a tax on income in the form of salaries, wages, honorarium, allowances and other payments in any name and in any form in connection with work or position, services and activities carried out by domestic individual taxpayers. Withholding income tax article 21 is every individual or entity required by Law no. 7 of 1983 concerning Income Tax as amended by U No. 17 of 2000 and the latest in 2013 to cut Ph Article 21.

#### 5.2 Suggestion:

Expanded Case Examples: To provide a more comprehensive understanding, consideration may be given to adding additional case examples involving different situations, such as additional income, special deductions, or scenarios involving taxes for a surviving spouse. Use of Visual Illustrations: The use of graphs or tables can help visualize tax concepts and make it easier for readers to understand them.

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