

## The Analysis of Application Income Tax Article 21 for Business Subject to Final Income Tax at CV RPT

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**Abstract:** This research aims to analyze and determine 1) The application of income tax article 21 on business subject to final income tax at CV RPT, 2) The potential for underpayment of article 21 income tax after calculating according to applicable tax regulations. CV RPT is a company engaged in the construction service business. For taxpayers who are subject to final income tax, benefit in kind given to employees is the object of income tax article 21. The data used in this research are secondary data obtained through observation and documentation. This research uses a quantitative descriptive analysis. Based on the results of the research, there is a potential for underpayment of income tax article 21 on CV RPT, amounting to Rp9.212.540 for permanent employees and Rp2.750.000 for final income tax article 21 on pension benefits. Besides, it also resulted in the potential for the imposition of administrative sanctions in the form of interest due to the still unfulfilled income tax article 21 obligation, namely Rp1.289.756 for underpayment of article 21 income tax for permanent employees and Rp385.000 for final income tax article 21 on pension benefit.

**Keywords:** income tax article 21, benefits in kind, pension benefits.

### 1. Introduction

The construction service business functions as a support for the realization of national development, also supports the national economy. The main pillar of revenue in the State Budget comes from the taxation sector [1]. This revenue is used to meet government spending needs in the context of national development [2]. Income tax is the largest contribution from the taxation sector, amounting to 49.84% of total tax revenue, both from individual and corporate taxpayers [3]. Based on the realization of tax revenue in 2019, the construction service business is one of the highest contributing sectors of income tax in Indonesia [4]. The construction service business is one of the entities subject to the final income tax. The final income tax is income tax whose imposition is final (ended) so that it can't be credited from the total income tax payable at the end of the tax year [5]. The application of taxation for taxpayers who are final income tax has significant differences with non-final taxpayers. One of them is the application of income tax article 21. Benefit in kind provided by an employer is an object of income tax article 21 of employees for taxpayers who are subject to final income tax [6]. Not many taxpayers are aware of these provisions, except for taxpayers or people who have studied specifically related to the regulation or who have been directly involved in similar cases.

The results of an unstructured interview with two companies through employees in the accounting department who also work on corporate taxation, said that the application of the employee's article 21 income tax had nothing to do with the business entity. This proves that the information regarding the application of income tax article 21 for businesses that are subject to final income tax is not widely known by taxpayers. Since the government enacted PP No. 23/2018, individual taxpayers, corporate taxpayers in the form of cooperatives, limited partnership, firms, or limited liability companies that meet the stipulated conditions may choose to apply PP No. 23/2018 which is subject to a final income tax rate of 0,5% of gross turnover. This taxpayer must pay attention to its relationship with other tax applications, such as the application of income tax article 21 for employees.

CV RPT is one of the companies engaged in the final service sector that has carried out the tax obligations of income tax article 21, but has not fully complied with the applicable tax regulations. The components of income in the calculation of income tax article 21 for permanent employees on CV RPT are salary, allowances, insurance premiums paid by employers, religious holiday allowance (THR) and bonuses. These components did not include benefits in kind, namely rent for employee residence and purchase of sport uniforms. CV RPT also has not deducted article 21 income tax on pension benefits paid to employees whose working period ends in 2019. This is due to limited knowledge and lack of understanding of CV RPT as a deduction for employee article 21 income tax. So that the lack of calculation of income tax article 21 by CV RPT led to the potential for underpayment of income tax article 21 which also resulted in potential interest sanctions for late payment of income tax article 21. There have been several previous studies regarding the analysis of the application of income tax article 21 to assess compliance with applicable tax regulations. The results of research conducted by Alfons et al. [7] found that there were still objects of income tax article 21 that had not been collected by the CV Unggul Abadi Manado. Furthermore, Silalahi et al. [8] also found that the calculation and deduction of income tax article 21 on employee salaries were not in accordance with the provisions of the applicable tax regulations. Focus of this research is to analyze the application of article 21 income tax on business that are subject to final income tax on CV RPT and to determine the potential for underpayment of article 21 income tax after calculation according to the applicable tax regulations.

## 2. Literature Review

### 2.1. *Income Tax Article 21*

Income tax article 21 is a tax on income in the form of salaries, wages, honorarium, allowances, and other payments received or obtained by domestic individual taxpayers in connection with work or position, services, and activities [9].

### 2.2. *Withholding Tax Method Article 21*

According to Pohan [10], there are three methods of withholding income tax article 21 that taxpayers can choose. 1) The gross method, namely income tax article 21 is borne by the employee so that it directly reduces the income provided by the employer. 2) The net method, namely income tax article 21 is borne by the company. There is no reduction in the salary received by employees. 3) The gross up method, namely the deduction of income tax article 21 by providing allowances to employees. This allowance adds to the employee's income because it is subject to the employee's article 21 income tax. The amount of tax allowance is equal to the amount of income tax article 21 payable for each employee.

### 2.3. *Benefits in Kind*

Benefits in kind is any remuneration received by an employee and or their family, not in the form of money from the employer [11]. Receipt of benefit in kind is income for employees but is not included as part of the salary or wages received by the employee. However, based on PER-16/PJ/2016 article 5 paragraph (2a), benefits in kind are objects of income tax article 21 for taxpayers who are subject to final income tax. The calculation of income tax article 21 on benefit in kind is based on the market price of the goods given or the fair value of the gifts benefit in kind provided [12].

### 3. Research Methods

The type of data used in this research is quantitative data including the calculation of income tax article 21 CV RPT, general ledger, the recapitulation of SPT, the recapitulation of payment and reporting income tax article 21, and proof of transactions in 2019. The data collection procedures used are observation and documentation. The data analysis technique used in this study is a descriptive quantitative analysis, start from collecting data, analyzing data, calculating income tax article 21, comparing the results of calculations according to applicable tax regulations with calculations by the company, and describing the results of the study.

### 4. Result and Discussion

#### 4.1. Application of Income Tax Article 21 on CV RPT

CV RPT is a construction service company with the classification of small businesses for buildings. This company is subject to final income tax article 4 paragraph 2 at a rate of 2% of gross turnover. The company as the employer is withholding income tax article 21 on the income given to employees. Withholding income tax article 21 by company, as many as 37 people out of 110 permanent employees owned by the company.

Each month the company calculated the income tax article 21 for permanent employees by adding up the salary and income-adding components given to employees. The components to increase employee income are 1). Honorarium and other benefits consisting of job allowances, family allowances, attendance allowances, food allowances, official allowances, income tax allowances article 21, 2). Employer insurance premiums, namely employment insurance, and health insurance, 3). The irregular income consisting of religious holiday allowances and bonuses. The result was gross income less than the functional expenses and retirement security paid by employees. CV RPT is a business subject to final income tax, has different provisions from non-final businesses, namely the object of income tax article 21 for employees. This provision is regulated in PER-16 / PJ / 2016 article 5 paragraph (2). Income withheld from article 21 income tax for taxpayers who are subject to final income tax including benefit in kind in whatever name and form the employer gives to employees. The search results on the general ledger in 2019, CV RPT has not included all benefits in kind given to employees. The type of benefits in kind referred to consists of employee residence allowance and uniform purchase cost.

Employee residence allowance is a cost incurred by the company for the residence of employees who work on projects located outside the employee's domicile. This benefit in kind is included in the rent expense account. On the proof of the rental payment transaction, there is the signature of the employee who receives money to pay the rent and there is no authorization from the lessee. The conclusion of this transaction is a residence allowance for employees who work outside the employee's domicile. So that this residence allowance is an object of income tax article 21 as an addition to employee income. Calculation of employee residence allowance based on team members according to the assignment letter for the project concerned. The amount of rent for the employee's residence is Rp214.670.000.

The cost of purchasing uniforms incurred by the company in 2019 is the purchase of sports uniforms. Employees wear this uniform when doing sports routines every Saturday before carrying out their work. The cost of purchasing this uniform is included in the other expense account of Rp3.300.000. The distribution of sports uniforms is only for permanent office employees and those who get assignments on projects located in Bali, amounting to 30 people.

The application of withholding income tax article 21 by CV RPT is appropriate using the gross up method. If the company bears income tax article 21 for employees, it is one of the benefits in kind received by the employee. For taxpayers who are subject to final income tax, benefit in kind given to employees is the object of income tax article 21. So companies that are subject to final income tax cannot apply the net method (income tax article 21 that is borne by the company) because using the net method, the article 21 income tax borne by the employer does not add to the employee's income. Companies can only apply withholding income tax article 21 using the gross method and the gross up method. The use of the gross method will result in article 21 income tax and lower employee's take home pay compared to the gross up method. The choice of withholding income tax article 21 depends on the policies of each

company for its implementation. The company makes tax payments through an electronic tax payment system called e-Billing. For CV RPT tax reporting using e-Filing media by uploading e-SPT to the DJP Online website. Based on the research results, CV RPT has deposited and reported income tax article 21 payable every month on time.

#### 4.2. Potential Income Tax Article 21 Underpayment after Calculation According to the Applicable Tax Regulations.

The recalculation of income tax article 21 causes additional income tax payable to 40 out of 110 permanent employees. Comparison of the calculation of income tax article 21 according to the company and PER-16/PJ/2016 obtains the potential for underpayment of income tax article 21 according to as shown in Table 1.

**Table 1.** Potential of Income Tax Article 21 Underpayment (in Rupiah)

Information	Based on		Potency
	Company	PER 16/PJ/2016	
Salary	2.756.750,000	2.756.750.000	-
Allowance:			-
Income Tax Allowances	140.505.360	149.717.900	9.212.540
Honor and Other Benefits	4.051.655.000	4.051.655.000	-
Employer Insurance Premium	174.925.934	174.925.934	-
Benefits in Kind	-	217.970.000	217.970.000
Religious Holiday Allowances (THR) and Bonuses	698.250.000	698.250.000	-
Total Gross Income	7.822.086.294	8.049.268.834	227.182.540
Subtraction:			
Functional Expenses	358.346.049	368.308.278	9.962.230
Retirement Security (JHT)	101.536.947	101.536.947	-
Net Income for One Year	7.362.203.295	7.579.423.606	217.220.311
Non-taxable income	6.822.000.000	6.822.000.000	-
PKP	1.413.544.921	1.531.876.475	118.331.554
One Year Income Tax Payable	140.505.360	149.717.900	9.212.540
Sanctions Article 8 paragraph (2a)	-	1.289.756	1.289.756

\* Correction assumption will be made in July 2020

Based on Table 1 regarding the comparison of the calculation of income tax article 21 according to the company and PER-16/PJ/2016, it shows that there is an addition of benefit in kind components. The

company has not added benefits in kind as employee income amounting to Rp217.970.000, which comes from employee residence allowances and the cost of purchasing sports uniforms. The calculation of income tax article 21 payable according to the company amounts to Rp140.505.360, while the calculation according to PER-16/PJ/2016 gets a value of Rp149.717.900. So that the difference obtained from the comparison of the calculation of income tax article 21 according to the company and according to PER-16/PJ/2016 is Rp9.212.540, which is the potential for income tax article 21 underpayment of CV RPT in 2019.

The impact of the underpayment of income tax article 21 is the potential for administrative sanctions in the form of interest due to late payment. Imposition of sanctions of 2% per month from the underpayment of income tax article 21 starting from the due date to the date of payment with part of the month calculated as one full month [13]. The potential for interest sanctions obtained is Rp1.289.756, assuming the company makes corrections in July 2020.

Tracing on the 2019 general ledger CV RPT also found that there were pension benefit payments to three employees made in December 2019. Based on the Income Tax Return Article 21, the company has not deducted income tax article 21 on all pension benefits. Employee income in the form of pension benefits paid at once in the event that part or all of the payment made within a maximum period of 2 calendar years, subject to withholding income tax article 21 that is final [14]. The potential income tax of article 21 payable on pension benefits shown in Table 2.

**Table 2.** Potential Income Tax Article 21 Payable on Pension Benefits (in Rupiah)

Information	Income Tax Article 21 Payable		
	Company	PMK No. 16/PMK.03/2010	Potency
Soekamto	-	1.500.000	1.500.000
Suprpto	-	-	-
Sainur	-	1.250.000	1.250.000
Total Payable Final Income Tax Article 21	-	2.750.000	2.750.000
Sanctions Article 8 paragraph (2a)	-	385.000	385.000

\* Correction assumption will be made in July 2020

Based on Table 2, the results show that there is a potential for underpayment of final income tax article 21 on pension benefits in 2019 in CV RPT of Rp2.750.000. The impact of companies that are late in carrying out their tax obligations to deduct article 21 income tax on pension benefits is the potential for administrative regulations in the form of interest. When making corrections (assuming the correction is carried out in July 2020), the underpayment of income tax article 21 is multiplied by the rate of 2% per month from the time the payment is due until the settlement is Rp385.000. In December, the company had reported the SPT income tax article 21 on time so that there was no potential penalty for late reporting, the company only needed to make corrections to the SPT.

The results of this study are the additional potential for underpayment of Article 21 income tax by CV RPT in line with research conducted by Alfons et al. The study found that CV Unggul Abadi has not collected income tax article 21 from the income of employees who participate in training, fees for air conditioning services, maintenance of office buildings and cleaning service salaries [7]. Research from Silalahi et al. also produced similar findings regarding the potential for underpayment of article 21

income tax. The study found that the calculation and deduction of article 21 income tax on employee salaries were not in accordance with the provisions of the applicable tax regulations because they had not included attendance allowances in the calculation of article 21 employee income tax [8]. Whereas in this study the potential for underpayment of article 21 income tax arises as a result of CV RPT as the taxpayer subject to final income tax not including benefit in kind as an object of article 21 income tax according to PER-16/PJ/2016. The company also has not yet collected final article 21 income tax on pension benefits paid at once to employees following PMK No. 16/PMK.03/2010.

## 5. Conclusions and Suggestions

### 5.1. Conclusions

Based on the results of the discussion contained in the previous chapter, the conclusion as follows: The application of the calculation of income tax article 21 carried out by CV RPT is not fully following the provisions of PER-16/PJ/2016, especially article 5 paragraph (2a). For taxpayers who are subject to final income tax, the object of income tax article 21 also includes benefits in kind provided by the employer to employees. The company has not added benefits in kind in the form of allowances for employee residences and the cost of purchasing sports uniforms to increase employee income. The application of the income tax article 21 CV RPT withholding method is appropriate to use the gross up method, so that the article 21 income tax that is borne by companies classified as benefits in kind has been included as an addition to employee income. Besides, CV RPT also has not deducted article 21 income tax on pension benefits paid to three employees whose working period ends in 2019. The company deposits and reports the tax obligations of article 21 income tax on time.

Based on the recalculation of article 21 income tax, permanent employees of CV RPT according to the provisions of PER-16/PJ/2016 get the result that there is a potential for underpayment of article 21 income tax of IDR 9,212,540.00. There are additional of benefits in kind as an object of income tax article 21 amounting to Rp217.970.000. The potential for underpayment of income tax article 21 resulted in potential administrative sanctions in the form of interest for late payment of Rp1.289.756. Meanwhile, the calculation of final income tax article 21 on pension benefits to employees according to PMK No.16/PMK.03/2010, there is a potential for underpayment of article 21 income tax of Rp2.750.000 and a potential penalty of interest for late payment amounting to Rp385.000.

### 5.2. Suggestions

In withholding income tax article 21, CV RPT must take into account a). Benefits in kind as an addition to employee income because it is an object of income tax article 21 for taxpayers who are subject to final income tax, b). Income tax article 21 on pension benefits for employees whose working period has ended to fulfill tax obligations following applicable tax regulations.

It is better if CV RPT immediately corrects the underpayment of income tax article 21 to anticipate the tax audit in the following years and to avoid higher interest sanctions and to further improve compliance with tax regulations. Besides, companies should always seek information on tax regulation updates.

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