

# IMPLEMENTATION OF THE HARMONIZATION LAW OF TAX REGULATIONS AND THE EXCLUSION OF INCENTIVES IN ANALYSIS INCOME TAX PLANNING ARTICLE 21 IN PT POT

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## Abstract:

The Covid-19 pandemic has resulted in PT POT seeking to reduce costs by implementing tax planning. The ratification of Law Number 7 of 2021 (UU HPP) was one of the factors that resulted in the Article 21 income tax incentive not being extended. On the basis of these changes, it is important to conduct an analysis to determine a more efficient method of tax planning for Income Tax Article 21. The purpose of this study is to analyze the implementation of the HPP Law, the abolition of Article 21 Income Tax incentives, and the tax planning applied to PT POT. This study processes data from interviews with accounting staff and tax staff of PT POT as well as Income Statements and List of Permanent Employees' salaries for the 2021 period. The analysis technique in this study is a descriptive technique with a qualitative approach using the Miles and Huberman model. The results of the study on the basis of the elimination of the Article 21 Income Tax incentive, the calculation of Article 21 Income Tax is returned to the original calculation before the incentive. In the implementation of tax planning, the implementation of the Net Method is more efficiently applied by PT POT.

**Keywords:** tax planning, income tax article 21, HPP law, tax income article 21 incentive

## Introduction

Tax is a mandatory contribution to the state that is owed to individuals and entities that are coercive (Mardiasmo, 2018). Andrianto in his research states that one of the main sources of income in Indonesia is taxes (Andrianto, 2019). This causes government to seek various ways so that the tax revenue target can be achieved optimally. However, there are deference's of interest regarding taxes between the government and the company. Taxes paid by the company can reduce the company's profit/ This is certainly not in line with the company's goals. As explained in the research conducted by Pohan, the company's goal is to prosper investors, management, and employees, by maximizing the value of the company through maximum profit (Pohan, 2016).

The Covid 19 pandemic has had a negative impact on the Indonesian economy and taxation (Warsito & Samputra, 2020). Indonesia experienced a recession of up to 3.49% in the third quarter of 2020 (Kusuma et al., 2022). This pandemic was one of the factors that caused the company's profits to decline so that the economy slumped. This phenomenon encourages companies to reduce costs, one of which is through tax planning. Tax planning, which is one of the functions of tax management, in its implementation can reduce income tax optimally while remaining within the legal corridor (Ketaren, 2021). The method of withholding Income Tax Article 21 can be divided into 3 (three). The three methods include the Gross Method, Net, and Gross. Research conducted by Manrejo and Ariandiyen shows that the Gross Up method is more tax efficient for companies and can increase employee morale (Manrejo & Ariandiyen, 2022). This is reinforced by Chaezahranni who states that the Gross Up Method provides efficiency for Corporate Income Tax (Chaezahranni, 2016). In addition to providing efficiency for the company, the implications shown are to encourage motivation, productivity and loyalty of employees. Sudjana and Nurhayanti also stated that the application of the Gross Up Method was appropriate in an effort to minimize taxes payable so as to create efficiency for companies that had initially implemented the Net Method (Sudjana & Nurhayati, 2019). Law Number 7 of 2021, hereinafter referred to as the HPP Law, was officially promulgated by the President in October 2021. The purpose of the ratification of the HPP Law is to support the acceleration of Indonesia's economic recovery. Based on the HPP law, there are several changes,

one of which includes the calculation of Income Tax Article 21, first layer of taxable income limit change which was originally IDR. 50 million to IDR. 60 million. Based on the minister of finance regulation number 3 of 2022, there is no extension of the article 21 income tax incentive which was previously regulated in the minister of finance regulation number 86 of 2021. Initially this incentive was given with consideration of increasing people's purchasing power and taxpayer compliance. The existence of Article 21 Income Tax Incentives is intended to maintain and increase power buying people who tend to decline due to the Covid-19 pandemic (Abdurrahman & Mildawati, 2021). The abolition of this incentive was motivated by the passing of the HPP Law which has regulated the provision of separate incentives through changes to the layers of individual income tax rates, from what was previously regulated in the Income Tax Law.

PT POT is a company engaged in the pharmaceutical sector located in the Denpasar city area. The company's main activity is the production and distribution of traditional medicines. Previously, the company had implemented the gross method which resulted in a decrease in employee take home pay. With the application of the gross method, the welfare of employees is not optimal to maintain good performance and work attitudes. In 2021 PT POT has taken advantage of the Article 21 Income Tax incentive which is no longer valid as of January 2022. With the enactment of the HPP Law which contains various changes including changes in income tax rates and objects, as well as the non-extension of income tax incentives article 21, it is important to conduct an analysis in this study.

## Method

This study is a descriptive type by applying a qualitative approach. The results of the discussion in this study cannot be applied to generalize to other companies because the conditions experienced by the company are not the same. This research was conducted at PT POT which is located in Denpasar City Area. This research was conducted for six months, starting from February to July 2022.

The primary data processed were the results of observations and interviews with accounting staff and tax staff of PT POT. Secondary data is also processed to support the analysis in this study, namely in the form of an income statement and a list of permanent employees' salaries for the 2021 period.

The analysis technique in this study is a descriptive technique with a qualitative approach using the Miles and Huberman model. The stages carried out in this analysis technique are divided into 4, namely the stages of data collection, data reduction, data appearance, and the last is drawing conclusions. Conclusions were drawn with the aim of obtaining answers to the formulation of the problem that had been determined at the beginning of the study. This study was conducted with the aim of analyzing and providing an overview of the tax planning method of Article 21 Income Tax using the Net and Gross Up Method which is more efficient to be applied by PT POT which in its selection refers to Law No. 7 of 2021 (UU HPP). and the abolition of Article 21 DTP Income Tax Incentives without intending to obtain results and draw conclusions that are generally accepted (generalizing).

## Result and Discussion

### 1. Calculation of Income Tax Article 21 Using Net Method

The calculation of Income Tax Article 21 using the Net Method is carried out using salary data for three permanent employees at PT POT. The selection of these 3 (three) samples was carried out randomly without considering any special criteria in the selection.

The calculation of Income Tax Article 21 using the Net Method is shown in Table 4.4 below.

**Table 1.** Calculation Recapitulation of Income Tax Article 21 Using Net Method

Description	Amount
Yearly salary	516.846.170
Positional Allowance	120.650.000
Another Allowance	230.388.658

Job Incentives	838.367.245
Insurance	24.248.792
Holiday Allowance	68.597.035
Gross Income	1.799.097.628
Subtractor:	
1. Position allowance	(80.937.191)
2. Holiday Allowance Cost	(2.287.831)
3. Labor Social Insurance Cost	(13.944.790)
Net Income	1.701.927.816
PTKP	1.111.500.000
PKP	590.427.816
Income Tax Article 21 Yearly	44.362.550

Source: Secondary Data (Processed) Year 2022

The calculation using the net method in Table 1 results in Article 21 income tax of Rp44,362.550 a year. The costs incurred by the company to bear the amount of Article 21 Income Tax for Employees as stated in the Net Method, will be recognized as Income Tax Fees for Article 21 Income Tax. This amount cannot be expensed in the fiscal profit (loss) statement because it is a pleasure given to employees so that it does not can reduce the amount of income tax for the company.

## 2. Calculation of Income Tax Article 21 Using Gross Up Method

**Table 2.** Calculation Recapitulation of Income Tax Article 21 Using Gross Up Method

Description	Amount
Yearly salary	516.846.170
Tax Allowance	50.924.500
Positional Allowance	120.650.000
Another Allowance	230.388.658
Job Incentives	838.367.245
Insurance	24.248.792
Holiday Allowance	68.597.035
Gross Income	1.850.022.128
Subtractor:	
1. Position allowance	(81.241.963)
2. Holiday Allowance Cost	(2.287.831)
3. Labor Social Insurance Cost	(13.944.790)
Net Income	1.752.547.544
PTKP	1.111.500.000
PKP	641.047.544
Income Tax Article 21 Yearly	50.924.500

Source: Secondary Data (Processed) Year 2022

The calculation of Article 21 Income Tax using the Gross Up Method as described in Table 2 results in Article 21 Income Tax of Rp50.924.500. The allowance is treated as a deductible expense so that no fiscal

correction is made. The provision of tax allowances to employees resulted in a decrease in the fiscal profit which is the basis for imposition of Corporate Income Tax so that the Corporate Income Tax also decreased.

### 3. Comparison of Net Method and Gross Up Method

**Table 3.** Comparison of Net Method and Gross Up Method

Description	Net Method	Gross Up Method
Yearly salary	516.846.170	516.846.170
Tax Allowance	-	50.924.500
Positional Allowance	120.650.000	120.650.000
Another Allowance	230.388.658	230.388.658
Job Incentives	838.367.245	838.367.245
Insurance	24.248.792	24.248.792
Holiday Allowance	68.597.035	68.597.035
Gross Income	1.799.097.628	1.850.022.128
Subtractor:		
1. Position allowance	80.937.191	81.241.963
2. Holiday Allowance Cost	2.287.831	2.287.831
3. Labor Social Insurance Cost	13.944.790	13.944.790
Net Income	1.701.927.816	1.752.547.544
PTKP	1.111.500.000	1.111.500.000
PKP	590.427.816	641.047.544
Dibulatkan menjadi	590.427.000	641.047.000
Income Tax Article 21 Yearly	44.362.550	50.924.500
Take Home Pay Setahun	1.758.616.488	1.758.616.488

Source: Secondary Data (Processed) Year 2022

Based on the comparisons presented in Table 3, the Gross Up Method shows that Article 21 Income Tax results for employees are higher than the use of the Net Method. The resulting difference is IDR 6,561,950.

The implementation of the Law on Harmonization of Tax Regulations at PT POT, especially regarding Income Tax Article 21, creates an aspect of justice and becomes the implementation of the government's efforts to restore the Indonesian economy after the Covid-19 pandemic. As for the changes in the Law on the Harmonization of Tax Regulations concerning Income Tax Article 21, namely regulating tax rates for individual taxpayers. The 5 percent rate is imposed on the taxpayer's income in the range of IDR 0 – IDR 60,000,000. This resulted in income in the range of Rp. 50,000,000 – Rp. 60,000,000 to get a tariff reduction from 15 percent to 5 percent. This rate change has an impact on the employee's Article 21 Income Tax which is lower due to the Law on Harmonization of Tax Regulations.

## Conclusion

The implementation of the HPP Law on PT POT, especially in the aspect of income tax, is by applying changes to the taxable income limit of Article 21 Income Tax in the first layer.

Based on the Minister of Finance Regulation No. 3 of 2022 which regulates the provision of Article 21 Income Tax Incentives, it explains that this incentive is no longer valid as of January 2022, so the calculation of Article 21 Income Tax is returned to its original calculation before the incentive.

After the implementation of the HPP Law, especially in the section on changes to the taxable income limit of the first layer of Article 21 Income Tax, as well as the elimination of incentives, it shows that the application of the Net Method can save more Income Tax Article 21 compared to the Gross Up Method. Although the Article 21 Income Tax Expense borne by the company on the Net Method cannot be expensed as a fiscal expense. The application of the Net Method also has an impact on the company's income tax. By not being able to pay the Article 21 Income Tax Expense, it results in a higher Fiscal Profit, so that the Corporate Income Tax using the Net Method has a higher difference than the Gross Up Method. However, if the savings are accumulated from Article 21 Income Tax and Corporate Income Tax, then the Net Method is more efficient for PT POT to implement.

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