

## **Analysis of the Application of Article 21 Income Tax Accounting to Civil Servants Salaries in Port Authority Class II Office of Bitung**

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### **ABSTRACT**

This study aims to determine how the Application of Article 21 Income Tax Accounting to civil servant salaries in the Port Authority Office Class II of Bitung. This study used descriptive research method. The data sources were primary data and secondary data. The data were collected through observation, interviews, and documentation. The data were analyzed by collecting, deciphering, calculating, and comparing the existing data by means of an analysis to draw conclusions on Article 21 Income Tax (PPh) Calculation, Accounting Records for civil servants salaries, Article 21 Income Tax (PPh) Remittance, and Article 21 Income Tax (PPh) Statements at the Port Authority Office Class II of Bitung. The study findings indicate that the Article 21 Income Tax Calculation, Remittance and Statements in the Port Authority Office Class II of Bitung is non-compliant with the Calculation, Remittance and Statements of Article 21 Income Tax as stated by Law No. 36/2008.

Keywords: Application of Accounting, Article 21 Income Tax

### **INTRODUCTION**

The predominant source of state revenue in Indonesia comes from taxes by 70%. The tax is utilized to finance regular and development expenses. In Indonesia, development is crucial since it aims to realize and improve the welfare of the community. One kind of taxes that makes a substantial contribution to the government is the Income Tax (PPh). Salaries, wages, benefits, and others are deductible for this tax.

Taxation is a manifestation of the citizens' participation as taxpayers who directly and jointly fulfill their tax obligations to finance all state needs and national development. Tax is an important source of state revenue that will be used to finance both its regular and development expenditure. Economically, tax is the transfer of resources from companies to the public sector. These transfers affect the purchasing power of a company.

Taxes, for the Indonesia Government, occupy a role as a means of state revenue and as a regulator or a harmonizing economic activity in the future. The former function is what makes it a mainstay for government to generate the highest revenue from the tax sector. To fill the obligations, taxpayers must understand the general provisions, one of which is regarding Self-Assessment System. In which the entire process starts from calculating and determining the amount of tax

payable, remitting tax payable to the state treasury, reporting the calculations and remittances as well as taking responsibility for all obligations of the taxpayers.

One type of income taxes using Withholding System is the Article 21 Income Tax (PPh). It is the tax payable due on income of taxpayers. This income refers to salary, honorariums, benefits and other payments of any name pertaining to work, services or activities an individual taxpayer undertakes in the country. The law used to regulate the amount of tax rates, payment procedures and tax statements is Law No.36 of 2008 which is an improvement to the previous law, Law No.17 of 2000, which came into force, as of January 1, 2009.

Along with economic development, tax regulations changes. Thus, the tax laws evolve. Some of them are changes in tariffs for Article 17, Non-Taxable Income (PTKP), and deductible elements of gross income such as office costs and pension contributions. This results in changes in the calculation of Article 21 Income Tax for employees.

Port Authority Office of Class II of Bitung has a number of employees with different positions. This has a great potential in paying taxes. The researcher indicated some problems in the calculation, remittance and tax statements that were not at loggerheads with the Tax Law No. 36 of 2008.

### **Theoretical Basis**

#### **Definition of Accounting**

Smith and Skousen (2009: 3) explained that accounting is a service activity, which serves to provide quantitative information, especially financial in nature, regarding entities deemed to be useful for decision making in setting fixed choices including alternative actions.

Sadeli (2010: 2) defined accounting as the process of identifying, measuring and reporting economic information to make judgments and appropriate decisions for the information users.

#### **Definition of Tax**

According to Susyanti and Dahlan (2015: 1), the definition of tax, based on Law No. 28 of 2007 article 1, is a mandatory contribution to the state payable by individuals or entities that are coercive based on the law, with no direct compensation and used for the country's needs, for the greatest prosperity of the people.

#### **Definition of Tax Accounting**

According to Trisnawati (2007: 5), tax accounting is accounting applied in accordance with tax regulations. Tax accounting is part of commercial accounting. It provides no standards as commercial accounting regulated in Financial Accounting Standards (SAK). Tax accounting is only used to record tax-related transactions.

#### **Article 21 Income Tax**

Law Number 36 of 2008 Article 21 Income Tax is a tax on income in the form of salaries, wages, honoraria, benefits and other payments in whatever name and

form pertaining to individual's work or position, services and activities. Domestic tax subjects are as referred in the Article 21 Income Tax.

### **Article 21 Income Tax**

According to Law Number 36 of 2008, subjects of Income Tax are including:

1. Personal tax subjects are individuals residing in Indonesia for more than 183 days within a period of 12 months, or individuals who in a tax year are in Indonesia and have the intention to reside in Indonesia.
2. The subject of inheritance tax is someone's inheritance which has not been shared but is generating income. This income is subject to tax.
3. Tax subjects are entities established or domiciled in Indonesia, excluding certain entities and government bodies that meet the following criteria:
  - a. The inception is based on statutory provisions.
  - b. The funding comes from the state budget or regional budget.
  - c. The revenues are included in the central or regional government budget.
  - d. The bookkeeping is checked by the State functional supervision apparatus.
4. A permanent establishment is a form of business by individuals residing (or not) in Indonesia for no more than 183 days within a period of twelve months, or an entity established and domiciled outside Indonesia does its activities in Indonesia.

### **Objects of Article 21 Income Tax**

Hernanto (2003: 186-187) stated that incomes subject to Article 21 Income Tax, based on the provisions of the income tax law are broadly classified into 6 categories, such as:

1. Incomes regularly received or obtained in the form of salaries, monthly pensions, wages, honoraria, monthly premiums, overtime pay, aid money, "uang tunggu", compensations, wife allowances, child allowances, student allowances, gifts or awards - with whatever names and forms-, the employer's insurance premium, and other regular incomes under any name.
2. Incomes received or obtained irregularly in the form of production services, bonuses, graphs, leave benefits, holiday benefits, new-year benefits, bonuses, annual premiums and other irregular or annually paid incomes.
3. Daily wages, weekly wages, unit wages and piece rates.
4. Retirement ransom, life savings (THT), severance pay, and other similar payments. Life savings paid by PT are an exception.
5. Receipts in other kinds and benefits by whatever name given by non-taxpayers.

### **The Calculation of Article 21 Income Tax (PPh 21)**

To do the calculation of Article 21 Income Tax according to Law No. 36 of 2008, the steps are:

1. Calculating gross incomes including all salaries, all types of benefits and other payments.
2. Calculating a monthly net income by reducing the gross income with office costs, as well as pension contributions, and life savings paid by the employees.
3. Calculating yearly net income; monthly net income times 12.
4. Calculating the Taxable Income as the basis for applying Article 17 (1) letter a, of the Income Tax Law.

5. Further, monthly Article 21 Income Tax is then calculated, deducted and or remitted to the State Treasury in the amount of the yearly income tax divided by 12.

#### **Article 21 Income Tax Rates**

The Directorates General of Taxes has issued Regulation of the Directorates General of Tax Number PER-31/PJ/2009 concerning technical guidelines on the procedure for Article 21 Income Tax deduction, remittance and statements in connection with the work, services and private individual activities. The regulation is an implementation guideline from the Minister of Finance-252/PMK.03/2008, concerning guidelines for income deduction pertaining to work, services and activities of private individuals. To calculate Article 21 Income Tax, the tax base must be determined first.

#### **Non-taxable Income**

Non-Taxable Income (PTKP) is the amount of income that becomes either a taxable or non-taxable limit for Individual Taxpayers, in other words if the amount of the net income of an Individual Taxpayer running a business and or free jobs under Non-Taxable Income, it will not be subject to the Income Tax (PPh).

#### **Remittance and Statements of Article 21 Income Tax**

Article 21 Income Tax (PPh) is a tax payment regulation for the current year, by levying income tax obtained from a Domestic Individual Taxpayer related to work, services or activities. Article 21 Income Tax is collected in the form of salary, wages, honoraria, allowances and other income on behalf the taxpayer and in any forms pertaining to work, position, services and activities carried out by the Individual Tax's Subject in a country. Income Tax payments can be made by Online Banking, Bank Teller or Post Office, and My Tax Apps. Then, the Taxpayer must report the Periodic Tax Return of Article 21 Income Tax. Statements for the payment of Income Tax (PPh) can be put out by various parties, such as individuals, taxpayers, tax collector, tax withholder, and tax officers (Mulyono, 2010). Reporting on the Annual Tax Return for Article 21 Income Tax is electronically by E-Filing.

#### **Withholding of Article 21 Income Tax**

1. Employers who pay salaries, wages, honoraria, benefits and other payments in return for their employees or non-employees work.
2. Government treasurers who pay salaries, wages, honoraria, benefits, and other payments pertaining to work, services or activities.
3. Pension or other parties' funds paying for pension and other payments of any name in the context of retirement.
4. Agencies that pay honorarium or other payments as compensation pertaining to services including the services of experts doing free jobs.
5. The event organizer that makes payments for the events.

#### **Definition of Tax Return (SPT)**

According to the Law of the Republic of Indonesia no. 28 of 2007 which deliberates general provisions and procedures for taxation, the definition of Annual Tax Return is a letter the taxpayer uses to report the calculation and payment of taxes, taxable and or non-taxable objects, and or assets and liabilities, according to the provisions of tax legislation.

In short, Tax Return is a proof that a taxpayer has made payments in accordance with the calculation results. There are two types of Tax Return, including:

1. Periodic Tax Return is a Tax Return for a particular Taxable Period.
2. Annual Tax Return is a Tax Return for annual Taxable Period.

In other words, Periodic Tax Return is obtained every one period or one month every time the payment of the payable tax is made, while the Annual Tax Return is obtained annually or at the end of the month every time the payment of the payable tax is made.

### **The Function of Tax Return (SPT)**

Under Law No. 28 of 2007 concerning general provisions and tax procedures, deliberating the functions of the tax return are:

1. a means for taxpayers to report and account for the calculation of the payable tax actual amount.
2. a means for taxpayers to report their tax self-payments or settlements by other parties' deduction or collection in annual taxable period or a part of yearly income tax, either taxable or non-taxable objects.

As a means of taxpayers deducting their income to report and account for the tax withheld, levied or deposited.

### **Definition of Tax Payment Slip (SSP)**

Under Law No. 28 of 2007 concerning general provisions and procedures for taxation regarding article (1) item 14 stating that the Tax Payment Slip (SSP) is a proof of tax payment using a form or done by other means to the state treasury through the place of payment appointed by the Minister of Finance.

This defines that the Tax Payment Slip (SSP) is a proof that taxpayers have finished paying all their obligations to pay the payable tax, which later the slip will be submitted to the Tax Office.

### **Function of Tax Payment Slip (SSP)**

The function is:

1. As a means of taxpayers in making tax payments
2. As taxpayers tax payment statements and proof

In the slip, taxpayers must fill in their necessary data or information. These are:

1. Taxpayer Identification Number
2. Taxpayer name
3. Acceptance Budget Line (MAP) and Deposit Type Code (KJS)
4. Tax Period and Tax Year
5. Assessment Number (specifically for Notice of Tax Collection payment or Notice of Tax Underpayment Assessment / Notice of Additional Tax Underpayment Assessment)
6. Payment Amount
7. Payment Date



## RESEARCH METHOD

This study made use the descriptive qualitative methodology. This is appropriate for data are analyzed and interpreted after data collection. According to Sugiyono (2005: 21), descriptive method is used to describe or analyze a research result, not to make broader conclusions.

This research was carried out at the Port Authority Office of Class II of Bitung. The study took one month from February to March. The data source consists of:

1. Primary data is obtained directly from the field observations, interviews and documentation comprising a general description of the company.
2. Secondary data is obtained indirectly or from third parties. Secondary data obtained are in the form of recapitulation of salaries of civil servants.

Data analysis techniques are:

1. Collecting research-related data,
2. Analyzing the calculation of Article 21 Income Tax (PPH) on the salaries of civil servants,
3. Analyzing the application of accounting for withholding and remitting.
4. Comparing the calculation and the application of tax accounting by companies with that by laws and regulations (Article 21 Income Tax).
5. Drawing conclusions and giving advice.

## RESULTS AND DISCUSSION

The results of this study indicate that the calculation of Article 21 Income Tax on the salaries of civil servants Port Authority Office of Class II of Bitung is not in accordance with the calculation of Article 21 Income Tax according to Law No. 36 of 2008. There is a difference in Article 21 Income Tax debt.

The tax remitting to Port Authority Office of Class II of Bitung has not been effective since in February, March, April and May the Office is falling behind on the tax payments. According to Tax Law No. 36 of 2008, the tax remittance is by the 10th of the following month after the tax period ends. However, the Office pays the income tax according to the payable amount.

## CONCLUSIONS

The calculation of Article 21 Income Tax (PPH) at the Port Authority Class II Office Bitung is not in accordance with Law No. 36 of 2008 due to the difference in Article 21 Income Tax debt. It is recommended that the Port Authority Class II Office of Bitung regularly update tax regulations information to avoid errors in the calculations, and to comply with the recent tax regulations.

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