

# General Income Tax Article 23

Galuh Tresna Murti<sup>1</sup> Selvia Eka Restu<sup>2</sup> Vina Aprilia Nursari<sup>3</sup> Widialestari<sup>4</sup>  
Faculty of Economics and Business (FEB) at Telkom University<sup>1,2,3,4</sup>  
[galuht@telkomuniversity.ac.id](mailto:galuht@telkomuniversity.ac.id)<sup>1</sup> [selviarst@student.telkomuniversity.ac.id](mailto:selviarst@student.telkomuniversity.ac.id)<sup>2</sup>  
[vinaaprilia@student.telkomuniversity.ac.id](mailto:vinaaprilia@student.telkomuniversity.ac.id)<sup>3</sup> [widialstr@student.telkomuniversity.ac.id](mailto:widialstr@student.telkomuniversity.ac.id)<sup>4</sup>

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**Abstract**

This journal discusses Income Tax (PPh) 23. This journal uses qualitative methods with the type of document study research. PPh Article 23 or PPh 23 is a type of income tax (PPh) in Indonesia. In short, PPh 23 is a tax imposed on income on capital, participation in services, prizes, interest, dividends, riyals, or gifts and awards, other than those deducted from PPH article 21. This type of income occurs due to transactions between parties who provide income and the party receiving the income .

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**1. INTRODUCTION**

According to Waluyo (2010) Income Tax Article 23 is a tax that is withheld on income earned or accrued by domestic Taxpayers and Permanent Establishments originating from capital, rendering services, or carrying out activities other than those that have been deducted from Article 21 Income Tax, Article 23 Income Tax is paid or owed by government agencies or domestic tax subjects, organizers of activities, permanent establishments, or representatives of other foreign companies. This means that taxpayers (WP) who have been appointed by the Income Tax Law and its implementing regulations must carry out these deductions.

**2. LITERATURE REVIEW****2.1 Tax**

According to Law no. 28 of 2007 article 1 paragraph 1, taxes are mandatory contributions to the state owed by individuals or entities that are coercive based on the law, by not getting compensation directly and used for state needs for the greatest prosperity of the people (Prawiro, 2018 ). Tax is an important factor in the development process of any nation, especially Indonesia in taxes,

According to Ilyas & Burton (in Nasution & Aliffioni, 2018) Taxes have four functions, namely:

1. The function of budgetair is to become a source of state revenue/income to finance the state budget and other government expenditures.

2. Regular function, namely as an instrument of regulation and implementation of government policies to achieve state goals in the social, economic and other fields.
3. The function of democracy, namely taxes as a symbol of the value of mutual cooperation and from all members of society.
4. The redistributive function is a tax that emphasizes income, wealth and guarantees justice in society , including capital between countries and regions.

**3. METHODOLOGY**

The research method used in this study is to use a qualitative research method with the type of document study research. Document study is a study that prioritizes the analysis or interpretation of written material according to the context (Rahardjo, Mudjia 2010). The author takes material regarding Income Tax (PPh) through journals and articles. The author takes this research method by analyzing data based on trusted journals and articles. The research method describes the activity design, scope or object, main materials and tools, location, data collection techniques, operational definitions of research variables, and analysis techniques.

**4. RESULTS AND DISCUSSION****3.1 Research result****a. How to calculate pph article 23:**

Based on the income tax law, the rate of pph 23 can be divided into two types. The difference is based on the object to be subject to income tax 23. The rate of income tax 23 is

imposed on the basis of taxation or the gross amount of income. In pph article 23, there are two types of rates applied, namely 15% and 2% depending on the tax object. The following is an explanation of each tariff.

### 1) 15% rate

PPh 23 with a rate of 15% must be paid by taxpayers from the gross amount of dividends, interest, royalties and gifts, awards, bonuses or the like, other than those that have not been deducted by PPh 21. In Article 4 paragraph (1) of Law 36 of 2008 concerning PPh, dividends in question include dividends received by insurance policy holders and distribution of the remaining results of cooperative operations. Meanwhile, interest is a discount, premium, and compensation due to guaranteed debt repayments. While what is meant by royalties is compensation for the use of rights. How to calculate PPh 23 at a rate of 15% can be seen from the following example: Mr. Anto receives royalties for the rights used in the amount of IDR 10,000,000, then the amount of PPh that must be paid is:  $15\% \times \text{IDR } 10,000,000 = \text{IDR } 1,500,000$ .

### 2) 2% rate

Taxpayers are required to pay income tax of 2% of the gross amount for rent and other income related to the use of assets. As for rent and other income originating from the use of land and buildings, this tax is exempted, the legal basis for which can be found in article 4 paragraph (2) part d. The PPh 23 tax rate of 2% also applies to the gross amount of compensation for services, including engineering services, construction, management, consultants, appraisers, accounting, legal services, publishing/printing services, and other types of services as stipulated in Ministerial regulations Finance. For the calculation of PPh 23 with a rate of 2%, here is an example: PT XYZ is a permanent business entity that accepts clothing designing services with a gross amount of IDR 15,000,000. Thus, the amount of PPh 23 paid is  $2\% \times \text{IDR } 15,000,000 = \text{IDR } 300,000$ .

### b. Exceptions to the Imposition of PPh 23

Quoting Taxku.com, even though PPh 23 is Income Tax which is imposed on income in the form of interest, royalties, rent, services, and gifts other than those that have been deducted by PPh 21, there are several things that are excluded in PPh 23, including:

- 1) Income paid or owed to the bank.
- 2) Rent payable in respect of leases with option rights.
- 3) Dividends earned by PTs domiciled in Indonesia are derived from retained earnings reserves as domestic taxpayers, cooperatives and BUMN/BUMD.
- 4) Remaining Profits (SHU) of the cooperative paid by the cooperative to its members.
- 5) Income paid or payable to business entities for financial services that function as channeling loans and/or financing.

### c. PPh 23 deposit and reporting

Regarding deposit, PPh Article 23 is no later than the 10th of the following month after the tax period ends. For example, on March 10 2020, it must be submitted no later than April 10 2020. Meanwhile, reporting must be reported no later than the 20th of the following month after the tax period ends. For example, March 10 2020, PPh 23 should be deposited no later than April 10 2020 and reported no later than April 20 2020.

### d. Terms of Payable, Deposit and PPh 23 reporting

- 1) PPh 23 is payable at the end of the month in which payment is made, provided to be paid, or payment is due, depending on the event that occurred earlier.
- 2) PPh 23 is paid with the Tax Withholder no later than the 10th of the following calendar month after the month when the tax is payable.
- 3) Periodic SPT is submitted to the local Tax Service Office, no later than 20 days after the tax period ends.

If the deadline for reporting or depositing PPh Article 23 coincides with a holiday, including Saturday or a national holiday,

deposit or reporting can be made on the next working day.

### 3.2 Research Discussion

#### a. Determination of PPh based on PP No. 23 of 2018

*self-assessment* tax payment system in which the tax payable is determined by the taxpayer under the supervision of the government so that the taxpayer plays an active role in determining the amount of tax paid. However, this system has a weakness, namely taxpayers can deposit taxes with fake reports so that tax payments become smaller. To complement this weakness, *a withholding system is imposed*, which is a tax deduction system. This system is contained in PPh article 23. PPh 23 which is the imposition of taxes on interest, rent, royalties, services and gifts other than those deducted in PPh 21. Tax subjects in PPh 23 consist of Individual Taxpayers (WPOP) and Permanent Business Entities (but). BUT is a form of business carried out by an individual (OP) who is located in Indonesia or not located in Indonesia for no more than 183 days in a 12 month period or an entity that does business in Indonesia.

In PPh Article 23 transactions there are two parties, namely parties who receive income/sellers/service providers based on PPh article 23, and parties who receive income/sellers/service providers based on PPh article 23. PPh 23 rates are imposed based on the Tax Imposition Basis (DPP) or gross amount. Withholding Income Tax Article 23 consists of government agencies, BUT, activity organizers, domestic tax subjects, representatives of foreign companies, and WPOP appointed by the Directorate General of Taxes (DGT) with KEP-50/PJ/1994. Tariffs based on DPP are divided into two, namely 15% tariff and 2% tariff. A 15% rate is imposed on interest income, royalties and gifts. The imposition of a 2% rate is income from rent and services. The services referred to are based on Minister of Finance Regulation No. 141/PMK.03/2015. If the WP does not have a Taxpayer Identification Number (NPWP), then

a withholding rate of 100% will be applied which is greater than the PPh 23 rate.

#### b. PPh 23 exemption

Even though PPh 23 is an income tax that is imposed on income in the form of royalties, rent, services, interest and gifts other than what has been deducted by PPh 21, there are several things that need to be excluded in PPh 23, including:

- 1) Income that has a debt bond from the bank
- 2) Rent payable in respect of leases with option rights
- 3) Dividends that are allowed by PT (Limited Liability Company) domiciled in Indonesia originating from reserves of retained earnings as domestic taxpayers
- 4) Cooperative SHU paid by cooperatives to their members
- 5) Income owed to business entities for financial services that function as channeling loans or financing.

#### c. PPh 23 payment

For payment of PPh 23, PPh 23 is paid by the withholding party through a perception bank that has been appointed by the ministry of finance with the due date for payment of PPh 23 which has been enforced on the 10th of the following month. For example, the withholding party deducts PPh 23 on interest income at a rate of 15% on September 25, so the withholding party needs to pay PPh 23 on October 10.

#### d. Proof of Withholding PPh 23

Evidence of withholding PPh 23 is proof of collection of PPh from dividends, rent, interest, royalties, gifts and other services, apart from deductions from PPh 21, the proceeds of which will be deposited to the state treasury. Proof of withholding income tax is made when taxpayers make transactions contained in PPh 23. There is a subject of evidence of tax deductions, including:

##### 1) Domestic Tax Subject

##### a) Private Person (OP)

Is an individual who has lived in Indonesia for more than 183 days within 12

months, or has been in Indonesia for a period and has the intention to stay in Indonesia.

**b) Body**

Is a body that is established or domiciled in Indonesia, except for certain units of government agencies with the following criteria:

- The agency is formed based on statutory provisions
- The source of funds comes from the APBN/APBD
- The income is included in the budget of the Central Government or Regional Government
- The state functional supervisory apparatus checks the bookkeeping.

**2) Foreign Tax Subject**

**a) Individuals or Entities Running Businesses**

Individual foreign tax subjects are individuals who do not reside and are in Indonesia for less than 183 days within 12 months. Foreign corporate tax subjects are entities that are not established in Indonesia, but carry out business through a permanent business entity in Indonesia

**b) Individuals or Entities Receiving Income**

Individual foreign tax subjects who do not live and are in Indonesia for less than 183 days within 12 months. The subject of foreign corporate tax is a business that is not established in Indonesia, but receives income from Indonesia. Proof of withholding PPh is deducted by the party submitting income from dividends, rent, interest, royalties, gifts and other services used PPh 23. The subject of deduction consists of:

**Body Collector or Slasher**

- government agency
- Permanent business entity
- Domestic corporate tax subject
- Activity organizer
- Overseas company representative

**Collector or Collector of Private Persons**

- Architect
- Accountant
- Notary Public

- Doctor
- PPAT
- OP conducting business and carrying out bookkeeping.

**c) Proof of PPh 23 withholding consists of three types, namely:**

- **Proof of Withholding**  
Proof of PPh 23 withholding comes from documents used by PPh 23 deductions.
- **Rectification Withholding Proof**  
It is proof of withholding in making corrections from filling in wrong proof of deductions.
- **Proof of Withholding Cancellation**  
Serves as a cancellation of proof of deduction reporting.

**d) PPh 23 reporting**

In reporting PPh 23, taxpayers can report to the KPP where the taxpayer withholding PPh 23 is registered and the SPT period PPh 23 is submitted no later than the 20th of each month.

**5. CONCLUSION**

PPh Article 23 is a tax that is used for income on capital, participation in services, gifts, interest, dividends, royalties, or gifts and rewards, other than those withheld from PPh Article 21. Withholding PPh 23 is carried out by the income provider in connection with payments in the form of dividends, interest, royalties, rent, and services to taxpayers, and Permanent Establishment. Income tax 23 can occur due to transactions between parties who provide income and parties who receive income. The PPh 23 tax object is income paid to other parties or partners in the form of rent and other income in connection with the use of property, for example, vehicle rental or *sound system rental*.

The Directorate General of Taxes applies the general rate of PPh 23 which is 2% multiplied by the gross amount. The gross amount in question is all income that is paid, provided to be paid, or payment is due. After making payment and proof of withholding, the taxpayer must report PPh 23 to the KPP where

the taxpayer withholding PPh 23 is registered. After he explained about this PPh 23 income tax. We will understand more about PPh 23 income tax, and be able to apply it and be able to comply with the PPh 23 income tax law as a form of our responsibility as Indonesian citizens who comply with the legal regulations that have been implemented.

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