

A Deeper Understanding of Income Tax Article 21: Definition, Subjects, and Objects

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Abstract

This article discusses Article 21 of Income Tax (PPh 21) imposed on income such as salaries, wages, honorarium, and benefits received by individuals or entities in a tax year. This study aims to understand PPh 21 by analyzing the definition, deduction, subject, object, and final income. The method is a literature review that extracts information from various sources. PPh 21 is a withholding tax on domestic individual income from work, services, or activities. The deductor can be an individual or a permanent business entity that is obliged to withhold taxes. Tax subjects are those who pay income tax 21, while non-subjects include entities such as representative offices of foreign countries. Tax objects are income that is subject to tax, such as salary, pension, or honorarium, while non-tax objects are income that is not subject to taxation. PPh 21 is final on income such as severance pay from pension funds authorized by the Minister of Finance, pension benefits, old-age benefits, and honorarium. This article supports a better understanding of PPh 21 and its important role in state revenue. Taxes are a key aspect in the development of the country, and a solid understanding of the tax system, subjects, and objects of taxes is essential to support the interests of the people and the progress of the country.

1. Introduction

In every country, running a government has a main goal, which is to develop the country so that it can develop and progress. One of the keys to achieving such development and progress is to think about and safeguard the interests of its people. The state and government have an obligation to protect the interests of the people in all aspects of life. One way to meet the government's needs in financing various programs and projects is to raise substantial funds. The government tries its best to obtain these funds from state revenues, which mainly come from tax revenues and non-tax revenues. Taxes are an important backbone for the state, and almost all countries in the world rely on tax revenues to finance various public purposes. Therefore, tax revenue and non-tax revenue are closely related to people's income. To run an effective taxation system, it is necessary to have an active role from the community in fulfilling their tax obligations.

In addition, the government also has an active role in carrying out the tax collection system in accordance with applicable

regulations. There are three main systems in taxation, namely Official Assessment System, Self Assessment System, and Withholding System. In Indonesia, the Self Assessment system is applied, where taxpayers have the authority to determine the amount of tax payable and calculate, deposit, and report taxes independently. However, Income Tax Article 21 (PPh 21) applies the Withholding system, where a third party is authorized to withhold tax before the income is received by the taxpayer. This system applies to various types of taxes, including Value Added Tax (VAT), Sales Tax on Luxury Goods (PPn BM), and Income Tax (PPh). In the case of ITA 21, tax withholders must understand well the procedures for calculating, withholding, depositing, and reporting ITA 21 so that this system runs effectively and efficiently, so that the objectives of the employer in withholding taxes can be achieved.

A good understanding of the taxation system is important in safeguarding the interests of the people and the development of a better country. Taxes are an important instrument in the government's fiscal policy to

support state development. The collection of funds through taxes is the government's main source to finance various programs, projects, and public services that support the welfare of the people. Therefore, the active role of the community in paying taxes in accordance with their obligations is very important.

In Indonesia, the taxation system recognizes three main systems: Official Assessment System, Self Assessment System, and Withholding System. In the Official Assessment system, the government determines the amount of tax to be paid by the taxpayer. While in Self Assessment, taxpayers have the authority to determine the amount of tax payable and carry out the calculation, deposit, and reporting of taxes independently. However, Income Tax Article 21 (PPH 21) applies the Withholding system. In this system, a third party is authorized to withhold tax before the income is received by the taxpayer. ITA 21 is imposed on income in the form of salaries, wages, honorariums, allowances, and other payments received by individuals or entities in a tax year. ITA 21 is one of the most common taxes imposed in various countries and is one of the main sources of government revenue.

Tax withholders in ITA 21 can be employers, treasurers or government cash holders, pension funds, individuals conducting business activities or free work, as well as entities that pay honoraria. They have an obligation to make tax deductions in accordance with applicable regulations. ITA 21 also has provisions on subjects and non-tax subjects, objects and non-tax objects, and final income subject to tax. A good understanding of ITA 21 and the tax system in general is very important, because tax is one of the important pillars in safeguarding the interests of the people and the development of a better country. With a good understanding, the community and the government can work together in supporting economic growth and people's welfare.

2. Literature Review

2.1 PPH Article 21

PPH Article 21 itself means a withholding tax imposed on income received by a domestic individual taxpayer (WPOP) for work, services, or activities he does.

Minister of Finance Regulation Number 252/PMK.03/2008, quoted by Radianto (2010:71) states that, "Article 21 Income Tax 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 individual domestic tax subjects, as referred to in Article 21 of the Income Tax Law".

2.2 Withholding Income Tax Article 21

The withholding of Article 21 income tax is an individual or entity including a permanent business form (BUT) that has the obligation to withhold tax on income in connection with work, services, and activities. Article 21 income tax cutters in accordance with the Regulation of the Director General of Taxes Number PER-32 / PJ / 2015 are :P workers, treasurers or government cash holders, pension funds, individuals who carry out business activities or free work and entities that pay honorariums, activity organizers.

2.3 Subject and Not Subject of PPH Article 21

The subject of Income Tax (Siringoringo Judika and Dkk, 2017) is everything that has the potential to earn income and is targeted to be subject to Income Tax. In other words, the subject of PPH Article 21 tax is the person who pays PPH Article 21. Non-tax subjects themselves have the opposite meaning of Article 21 income tax subjects, namely people who do not pay PPH 21.

2.4 Objects and Non-Objects of Income Tax Article 21

The object of income tax (Lubis et al, 2009: 22) is income, namely any additional economic ability received or obtained by taxpayers, both from Indonesia and from outside Indonesia, which can be used or consumed to increase the wealth of the taxpayer concerned in any name and in any form. In other

words, the object of tax is the income earned by taxpayers subject to taxation. Not the tax object itself has the opposite meaning of the tax object which means income that is not taxed.

2.5 Income deducted by PPh 21 which is final

Article 21 income tax which is final:

1. Income in the form of severance pay in one lump sum by a pension fund whose establishment has been authorized by the Minister of Finance.
3. Income in the form of pension benefits, old-age benefits, or old-age security, which is paid at once by the Pension Administration Agency or Labor Social Security
4. Income in the form of honorarium text trunk using font: Book Antique 11, regular, space 1.before 0 pt, after 0 pt)

3. Methodology

In this study, the type of data used is divided into two, namely qualitative data, which is presented in the form of descriptive descriptions, and quantitative data, which is presented in the form of numbers or numerical scales. Data sources include primary data obtained directly from the company where the research was conducted, and secondary data obtained from various reference sources, including related books.

Data collection techniques include direct interviews with company parties, field observations to see the situation under study, and collection of related documents. Data analysis was conducted using the descriptive analysis method, which describes the relevant data and circumstances. The analysis process involves collecting documents related to Income Tax Article 21, understanding the procedures related to the tax, and comparing various journals or references related to income tax article 21. This method helps in describing data and information to answer the problems that are the focus of the research.

4. Results and Discussion

Income Tax Article 21 (PPh 21) is a type of tax imposed on income in the form of salaries, wages, honorarium, allowances and other

payments received by employees, non-employees, former employees, recipients of severance pay and so on. In Income Tax Article 21 there are Article 21 withholding agents are individual taxpayers or permanent business entities. These withholding agents have the obligation to withhold tax on income in connection with work, services and activities. Article 21 Income Tax withholding is regulated in the Director General of Taxation Regulation Number PER-32/PJ/2015 .

In Income Tax article 21 there are also subjects and non-subjects of income tax article 21 and there are also objects and non-objects of income tax article 21. The subject of tax itself is everything that has the potential to earn income and is a target for being subject to Income Tax (Siringoringo Judika and et al., 2017). Based on Article 2 paragraph (1) of Law No.36 of 2008, Tax Subjects are grouped as follows:

1. Private Person
Inheritance that has not been divided as a single unit replaces those who are entitled. Inheritance that has not been divided as a single unit is subject to replacement tax, replacing those who are entitled, namely the heirs.
2. Entity An entity is a group of people and/or capital which constitutes a unit, either carrying out business or not carrying out business, which includes limited liability companies, limited liability companies, other companies.
3. Permanent Business Form A permanent business form is a form of business used by individuals who do not reside in Indonesia.

Apart from being subject to income tax article 21, there are also non-subjects to income tax article 21. Those that are not subject to tax are:

1. Foreign Country Representative Offices.
2. Officials of diplomatic missions and consulates or other officials from foreign countries
3. International organizations with the condition that Indonesia becomes a member of the organization and does not carry out business or other activities

4. International representative officials.

Furthermore, there are also tax objects, the tax objects themselves consist of:

1. Income received or earned by permanent employees, whether in the form of regular or irregular income.
2. The income that the pension recipient receives or earns regularly is in the form of pension money or similar income.
3. Income in connection with termination of employment and income in connection with retirement which is received as a lump sum in the form of severance pay, pension benefits, old age allowance or old age security, and other similar payments.
4. Income for non-permanent employees or freelance workers, in the form of daily wages, weekly wages, piece wages, piece wages, or wages paid monthly.
5. Rewards to non-employees, including in the form of honorariums, commissions, fees and similar rewards in any name and in any form as compensation in connection with the work, services and activities carried out.
6. Rewards to activity participants include, among other things, pocket money, representation money, meeting money, honorarium, prizes or awards in whatever name and in whatever form, and similar rewards in whatever name.
7. And finally, there is final income tax. Final income tax is one way for the government to collect taxes from taxpayers in a simple way. It is called simple because taxpayers can calculate tax with one calculation, namely gross income times tariff. There are no progressive rates, no expenses that must be deducted, and cannot be credited in the annual tax return. Once you pay the final PPh, your business is settled (Suparman, 2007)..

5. Closing

5.1 Conclusion

This article discusses Income Tax Article 21 (PPh 21) which is imposed on income such as salaries, wages, honorariums and allowances received by individuals or entities in one tax year. Here are some conclusions that can be drawn from this article:

1. Definition and Scope of PPh 21: PPh 21 is a withholding tax imposed on domestic individual income from work, services or activities. The article discusses the definition, deductions, subject, object and final income of PPh 21.
2. Subject and Object of PPh 21: Subjects of PPh 21 are those who pay income tax 21, while non-subjects involve entities such as representative offices of foreign countries. Tax objects are income that is subject to tax such as salaries, pensions, or honorariums, while non-tax objects are income that is not subject to tax.
3. Final Income Subject to PPh 21: PPh 21 is final for several types of income, such as severance pay from pension funds authorized by the Minister of Finance, pension benefits, old age benefits and honorariums.
4. The Role of PPh 21 in State Revenue: PPh 21 plays an important role in supporting state revenue. A good understanding of PPh 21 and the tax system in general is very important to support the interests of society and the progress of the country.

5.2 Suggestion

Increasing Public Awareness: Efforts are needed to increase public awareness of their tax obligations. Education and outreach campaigns can help the public understand the importance of their contribution through PPh 21.

1. Increasing Tax Compliance: The government and tax authorities need to continue to improve tax compliance by providing strict sanctions for tax violations and simplifying tax procedures.
2. Tax System Development: Continuous evaluation of the tax system, including PPh 21, is needed to ensure effectiveness and fairness in tax collection. Updates to rules and procedures need to be adapted to economic developments and country needs.
3. Government and Community Collaboration: Collaboration between government and society is very important in building a shared understanding of the tax system. Open discussion and active community

involvement can increase the effectiveness of PPh 21 implementation.

4. Research and Development: Further research and development needs to be carried out regarding the tax system, including PPh 21, to ensure that rules and policies remain relevant and able to overcome growing economic challenges.

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