

Analysis of The Application Withholding, Depositing, and Reporting Income Tax Article 23 on Services In Private Companies

Adevansyah Wika Mulia Nanda and Binti Azizatul Nafi'ah

Faculty of social and Political Sciences, Universitas Pembangunan Nasional "Veteran" Jawa Timur

email: devanwika02@gmail.com

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Abstract

This study analyzes the application of Income Tax Article 23 (PPh 23) withholding, depositing, and reporting in service transactions at PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya), a company operating in education and entertainment services. The research aims to assess the compliance of the company with PPh 23 regulations, particularly focusing on service-related payments subject to a 2% withholding tax rate. Using a qualitative descriptive approach, primary data were collected through direct interviews and observations of the company's tax management practices. Secondary data from relevant tax laws and literature were also reviewed to support the analysis. The findings reveal that while the company accurately calculates the withholding tax based on applicable rates, there are delays in the depositing and reporting processes. These non-compliances may be attributed to internal procedural inefficiencies or lack of adequate understanding of tax obligations. The study underscores the importance of timely tax depositing and reporting to avoid penalties and ensure adherence to Indonesian tax regulations. Recommendations include improving internal controls, staff training on tax compliance, and adopting systematic electronic reporting methods. This research contributes to understanding tax compliance challenges faced by private companies in Indonesia and offers practical insights for enhancing the application of Income Tax Article 23 in service transactions.

1. Introduction

A country must have a government that effectively manages its economic system. The economy plays a crucial role in a country's development, as it directly influences the welfare and prosperity of its people. This applies to Indonesia, whose national goals are clearly stated in the Preamble of the 1945 Constitution of the Republic of Indonesia, which include promoting general welfare and educating the nation.

These national objectives can be achieved through structured national development, which requires the active participation of citizens particularly through tax compliance. Taxes are one of the most significant sources of state revenue and are essential for funding various government programs. The funds collected from taxes are used to finance development in key sectors such as law, economy, politics, religion, education, social and culture, regional development, natural resources and the environment, and defense and security, in line with the Broad Guidelines of State Policy (GBHN) of 1999.

To optimize tax revenue, the government continues to revise and improve tax regulations, aiming to simplify the fulfillment of tax obligations for taxpayers. With increased compliance, tax revenues can be enhanced, allowing the government to allocate adequate budgets for national development programs. According to Law No. 16 of 2009, which amends Law No. 6 of 1983 concerning General Taxation Provisions and Procedures, tax is defined as a mandatory contribution to the state owed by individuals or entities, imposed by law, without direct benefit, and used for state purposes for the greatest welfare of the people. One of the main types of tax in Indonesia is Income Tax (Pajak Penghasilan or PPh). Based on Law No. 17 of 2000 and further updated by Law No. 36 of 2008, Income Tax is imposed on income received or earned by tax subjects during a tax year.

Among the various categories of Income Tax is Article 23 Income Tax (PPh Pasal 23), which is imposed on income derived from capital, service fees, gifts, and awards, excluding those already covered under other articles. This

tax applies to government institutions, domestic corporate taxpayers, activity organizers, and permanent establishments (BUT) that engage with domestic taxpayers. The basic regulation for PPh Article 23 is stipulated in Law No. 36 of 2008, effective since January 1, 2009. Key provisions include:

1. A 15% tax rate on gross income from dividends, interest, royalties, prizes, bonuses, and similar income.
2. A 2% tax rate on gross income from rent and services, excluding land and/or building rent.

Taxpayers without a Taxpayer Identification Number (NPWP) are subject to a penalty of 100% higher than the standard rate. PPh 23 plays a vital role in the taxation process, involving withholding, depositing, and reporting obligations. However, companies sometimes encounter issues such as improper withholding, untimely deposits, or incomplete documentation. These issues are often caused by negligence or a lack of competent human resources who understand the relevant tax regulations.

One company that is subject to Article 23 tax obligations is PT. Aryan Pembangunan Perumahan Properti (KidZania Surabaya), which operates in the education and entertainment sector, located in Lagoon Avenue Mall, Surabaya. The company educates children through simulation-based activities that mimic adult professions. In its operations, the company frequently uses services such as cleaning, vehicle rental, pest control, and repair services. Consequently, as a corporate taxpayer, the company is obliged to withhold, deposit, and report PPh Article 23 on payments for these services at a 2% rate.

Although PT. Aryan also pays PPh 23 for rental services, this study focuses specifically on service-related transactions, which are more frequent and have a higher potential for miscalculation and non-compliance. The data for this research covers the year 2023, chosen due to the availability of complete and relevant documentation provided by the company.

2. Literature Review

2.1 Taxes

Taxes are the largest source of state revenue and play a key role in financing national development. According to Prasetyo (2011), taxes are public contributions to the state treasury based on legal provisions, representing the people's devotion and participation in financing national development. S.I. Djajaningrat in Sartono (2023) defines taxes as obligations to pay a portion of wealth to the state treasury, arising from certain events or conditions. Although this obligation does not provide direct benefits, it is governed by coercive legal provisions to ensure public welfare.

Andriani, in Deslivia and Christine (2021), also states that taxes are mandatory and enforceable contributions to the state under legislation, without direct remuneration to the payer, and are intended to support the financing of general public expenditures. Similarly, Law No. 28 of 2007 Article 1 defines taxes as mandatory contributions owed by individuals or entities, which are coercive under the law and used for state purposes to promote the greatest prosperity of the people.

From these definitions, it can be concluded that tax is a mandatory obligation for both individuals and legal entities to contribute part of their income or wealth to the state. This obligation is regulated by law, has no direct return benefit to the taxpayer, and serves as a source of state funds to improve public welfare through various programs.

2.2 Article 23 Income Tax

In general, income tax is a levy on income received or earned by taxpayers, either from domestic or foreign sources. Mirnasari (2023) explains that income tax is a tax imposed on the income of tax subjects. Meanwhile, Herryanto and Toly in Febrianda et al. (2024) define income tax as a tax charged to individuals, entities, or legal bodies based on the income they earn during a particular tax year.

One component of income tax is Income Tax Article 23 (PPh Pasal 23). According to

Judika Siringoringo (2017), Article 23 Income Tax is a form of advance tax paid by domestic taxpayers through a withholding mechanism, and the proof of withholding can be used as a tax credit at year-end. Wibowo (2012) adds that PPh 23 is imposed on income received from capital, services, or specific activities not covered by other tax articles such as PPh 21.

2.3 Withholding of Article 23 Income Tax

Withholding PPh Article 23 involves deducting taxes on certain income types such as dividends, interest, royalties, rent, gifts, and service fees. This is regulated in Law No. 36 of 2008, which amended Law No. 7 of 1983 concerning Income Tax. Parties required to withhold PPh 23 include:

1. Government bodies;
2. Domestic corporate taxpayers;
3. Event organizers;
4. Permanent establishments (BUT);
5. Representatives of foreign companies in transactions with domestic taxpayers or BUTs;
6. Individuals appointed by the Head of the Tax Office (KPP) as tax withholders.

These entities are responsible for deducting, depositing, and reporting Article 23 Income Tax from the relevant transactions.

2.4 Article 23 Income Tax Rates

PPh 23 rates are stipulated in Law No. 36 of 2008, as follows:

- a. 15% of gross amount, imposed on:
 - Dividends (Article 4 paragraph (1) letter g),
 - Interest (Article 4 paragraph (1) letter f),
 - Royalties,
 - Prizes, awards, bonuses, and similar income not subject to PPh 21.
- b. 2% of gross amount, imposed on:
 - Rent and similar income from the use of assets (excluding land and/or building rent),
 - Payments for services including engineering, management,

construction, consulting, and other services not subject to PPh 21.

If the taxpayer does not have a Taxpayer Identification Number (NPWP), the withholding rate is 100% higher than the standard rate, as a penalty.

2.5 Depositing and Reporting of Article 23 Income Tax

The process of depositing and reporting PPh 23 is regulated by the Directorate General of Taxes, which mandates that payments must be made electronically. Based on Hamzah (2020), the steps are:

1. Generate a Billing ID using the e-billing application;
2. Make payments via an approved bank (through ATM, teller, internet banking, or mobile banking);
3. Ensure payment is completed by the 10th day of the following month;
4. Obtain a State Revenue Transaction Number (NTPN) after successful payment.

Once payment is made, taxpayers must report the tax. Reporting can be done either using a hardcopy or via e-filing through the e-SPT Masa PPh 23/26 application. The due date for reporting is the 20th of the following month after the transaction.

3. Research Methods

3.1 Research Object

This research was conducted at PT. Aryan Pembangunan Perumahan Properti (KidZania Surabaya), a company engaged in education and entertainment services, located in Lagoon Avenue Mall, Sungkono, Surabaya. The focus of this study is the implementation of withholding, depositing, and reporting of Income Tax Article 23 (PPh 23) related to service procurement transactions carried out by the company.

3.2 Research Approach and Type

This study employs a qualitative descriptive approach using a case study method, supported by literature review. The case study involves direct investigation of the taxation activities at PT. Aryan Pembangunan

Perumahan Properti (KidZania Surabaya), while the literature review is conducted through collecting and analyzing references related to taxation, especially concerning Income Tax Article 23.

3.3 Data Types and Sources

The data used in this research are qualitative data derived from two primary sources:

- Primary Data, obtained directly from the company through interviews and observations.
- Secondary Data, sourced from books, scientific journals, regulations, and documentation relevant to the topic of research.

3.4 Data Collection Techniques

The techniques used for collecting data in this research include:

1. Interview
 Researchers conducted structured interviews with relevant staff within the company to obtain information regarding the implementation of PPh Article 23, particularly on service transactions.
2. Observation
 Direct observation was carried out to understand the company's organizational structure related to taxation, divisions responsible for tax obligations, PPh 23 deduction lists, and supporting documentation such as tax records and receipts.
3. Literature Review
 The researcher also conducted a literature study by examining relevant books, articles, journals, and tax regulations that support the analysis of the implementation of PPh Article 23.

3.5 Data Analysis Technique

The data analysis in this study uses a descriptive analysis method, which involves collecting, preparing, processing, and interpreting data. The results are then

compared with theoretical concepts obtained from the literature review to draw conclusions. The analytical stages are as follows:

1. Data Collection
 Collect data related to the calculation, deposit, and reporting of Income Tax Article 23 for services at PT. Aryan Pembangunan Perumahan Properti (KidZania Surabaya).
2. Withholding Analysis
 Analyze the implementation of PPh 23 withholding for service transactions using the formula:
PPh 23 = Service Fee × Tariff (%)
3. Depositing Analysis
 Review the process of depositing the PPh 23 withheld to the state treasury, in accordance with applicable regulations.
4. Reporting Analysis
 Examine the procedure of reporting PPh 23 through either manual SPT Masa or electronic e-SPT reporting methods.
5. Interpretation and Recommendation
 Discuss the findings, draw conclusions, and formulate recommendations to improve the accuracy and compliance of the company in fulfilling its PPh 23 obligations.

4. Results and Discussion

The data used in this study consists of a list of withholding activities, State Revenue Proof Numbers (NTPN), and Article 23 Income Tax Returns of PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) in 2023. Due to the frequency of monthly transactions, the researcher selected one transaction per month as a sample for withholding analysis. For the deposit and reporting analysis, the data includes tax periods, deposit dates, and reporting dates.

4.1 Income Tax Withholding Article 23

The process of withholding Article 23 Income Tax at PT Aryan Pembangunan Perumahan Properti is carried out in accordance with Law No. 36 of 2008 on Income Tax. The company applies a 2% withholding rate for service transactions. For example, in

January 2023, the company used outsourcing services from PT Multiclean Jayalestari for cleaning services. The gross payment was Rp1,189,950. Applying a 2% withholding rate, the amount withheld for Article 23 Income Tax was Rp23,799:

No	Tax Period	customer name	Types Of Tax Objects	NPWP	Rate (%)	Total Gross Income	Article 23 withheld income tax (Rp)
1	January	MULTICLEAN JAYALESTARI	Outsourcing services	815164454618000	2	1.189.950	23.799
2	February	CENTRIN ONLINE PRIMA	Internet Services	815164454618000	2	2.500.000	50.000
3	March	FASILITAS SINERGI INDONESIA	Construction Services	815164454618000	2	405.364	8.107
4	April	CALMIC INDONESIA	Cleaning Services	015675051056000	2	645.833	12.917
5	May	PADI INTERNET	Internet Services	020098612618000	2	2.500.000	50.000
6	June	JAYA ABADI SOLUSI	Pest Control Services	815164454618000	2	1.200.000	24.000
7	July	CALMIC INDONESIA	Cleaning Services	015675051056000	2	645.850	12.917
8	August	MUKTI CITRA JAYA	Advertising Services	815164454618000	2	23.275.000	465.500
9	September	FASILITAS SINERGI INDONESIA	Construction Services	815164454618000	2	1.163.218	23.264
10	October	CENTRIN ONLINE PRIMA	Internet Services	815164454618000	2	2.500.000	50.000
11	November	ROYAL TEKNIK GEMILANG	Maintenance Services	808452015045000	2	300.000	6.000
12	December	MULTICLEAN JAYALESTARI	Outsourcing services	016729725631000	2	1.189.928	23.799

Source : Personal Documentation

The tax calculation stage is carried out based on the applicable tax provisions, namely Law No. 36 of 2008, PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) makes a deduction for Income Tax Article 23 of the number of transactions contained in the invoice at a rate of 2%. The tariff is determined because the transaction made at the company is the use of services. This company has worked with several vendors on several services that are often used and most have a taxpayer recipient Number (TIN). To facilitate the readers, the researcher will explain one example of the calculation of Income Tax Article 23 for services based on the data table above

PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) used outsourcing services in the form of cleaning services at PT Multiclean Jayalestari vendors in January with a total gross income of 1,189,950, then this income was then deducted in accordance with tax regulations, which amounted to 2% of the total gross income. So, the Article 23 income tax deducted by PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) against PT Multi Clean is 23,799, with the calculation formula as follows :

Article 23 income tax on services = total gross income x 2%
 = Rp 1, 189, 950 x 2%

= Rp 23.799

From the calculation of Income Tax Article 23 at Pt Aryan Pembangunan Perumahan Properti (KidZania Surabaya) it can be said that it has implemented the regulations contained in the tax regulations by calculating deductions in accordance with applicable regulations.

4.2 Income Tax Deposit Article 23

After going through the calculation stage by cutting the amount of gross income with tariffs on services by 2% then the step that must be done is to make a deposit. In depositing, PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) makes deposits with recapitulation data such as the following :

Table 1. Recapitulation of Article 23 Income Tax Deposits

No	Tax Period	Deposit Date
1	January	13/02/2023
2	February	13/03/2023
3	March	11/04/2023
4	April	09/05/2023
5	May	09/06/2023
6	June	11/07/2023
7	July	10/08/2023
8	August	11/09/2023
9	September	10/10/2023
10	October	10/11/2023
11	November	11/12/2023
12	December	10/01/2024

Source : Personal Documentation

In the deposit stage, there is a provision that the deposit procedure and the deadline for its implementation must be carried out for a maximum of 10 days in the following month. Based on the recapitulation table regarding the tax period and tax payment time above, several deposits were found that did not meet the existing regulations, this looks like in January, February, March, June, August and November which are not in accordance with the regulations on deposits that must be made a maximum of 10 days in the following month. This discrepancy provides an explanation that

after the calculation or deduction stage of the gross income amount, the company has not immediately carried out the deposit stage according to the applicable provisions. In contrast, in April, May, July, September, October and December the implementation of the deposit stage has been running on time

4.3 Income Tax Reporting Article 23

After making the deduction and deposit stages, there is a reporting stage that is an obligation carried out by taxpayers such as the company PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) which must be in accordance with tax regulations regarding the reporting deadline, which is a maximum of 20 days in the following month. In this case, PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya) has reported on Income Tax Article 23 with the following recapitulation data :

Table 2. Recapitulation of Article 23 Income Tax Reporting

No	Tax Period	Reporting Date
1	January	20/03/2023
2	February	26/05/2023
3	March	08/06/2023
4	April	05/07/2023
5	May	06/07/2023
6	June	12/09/2023
7	July	06/12/2023
8	August	20/09/2023
9	September	20/10/2023
10	October	20/11/2023
11	November	20/12/2023
12	December	20/01/2024

Source : Personal Documentation

In the reporting stage, it can be seen that there are several tax periods (months) in which the reporting stages of implementation exceed the time limits set in tax regulations , namely in January, February, March, April, May, June and July. Meanwhile, there are several tax periods (months) whose reporting stages have been carried out on time in accordance with the provisions, namely in August, September, October, November, and December. This shows

that the company must continue to improve and improve its governance and compliance in the implementation of its tax reporting obligations.

5. Closing

5.1 Conclusion

Based on the results of research and analysis related to the implementation of the tax obligations in Income Tax Article 23 at PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya), it can be concluded that the implementation is still not fully optimal. Even though the tax calculation is in accordance with applicable regulations, including the application of a 2% Service deduction, the company still delays in the tax payment and reporting stages, so that this does not meet the established rules.

This delay shows the importance of improving discipline and efficiency in tax administration management at PT Aryan Pembangunan Perumahan Properti (KidZania Surabaya). This not only makes the company potentially receive sanctions in the form of fines. But it can also affect the company's image in terms of tax compliance. Therefore, it is important for companies to prioritize tax compliance as part of the way of good corporate governance.

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