

## REVIEW DEDUCTION INCOME TAX 21 BASED IMPLEMENTATION OF TER 2024 AND THEIR IMPLICATION ON CASH FLOW

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**Abstract:** TER (Average Effective Rate) is likely to become more common in the field of taxation due to recently issued tax regulations related to Income Tax Income Tax 21 withholding. Income Tax 21 withholding has undergone multiple changes, reporting procedures, and other aspects. The Term TER was created to complement PMK No. 168 of 2023, which concisely simplifies of calculation of Income Tax 21 withholding. The purpose of implementing TER is as follows: provide convenience for employers in calculating Income Tax Article Income Tax 21 to reduce the possibility of miscalculation. This paper seeks to demonstrate that the total amount of Income Tax withholding 21 before and after TER must be equal. However, the commotion that occurs in society, especially among employees, is the increase in the Income Tax 21 withholding tax rate deduction, which means decreasing their salary. The TER terms mentioned in PMK No. 168 of 2023 do not increase the tax burden. This is because the basis calculation income tax still refers to State Law No. Ps. 17 of 2023. The income tax calculation still follows the provisions of State Law Ps. 17 in general. The difference in deduction on Income Tax 21 withholding between the old way and TER basis system even in general makes the employee enjoy any less deduction than before and even can create the employee's cash flow, which should increase their purchasing power. This policy is effective for income above Rp. 20 million monthly on average.

**Keywords:** TER, Income Tax 21 withholding, cash flow, time value of money

### INTRODUCTION

At the end of 2024, the term TER (Average Effective Rate) is likely to become more common in the field of taxation due to recently issued tax regulations related to Income Tax

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21 withholding. Income Tax 21 withholding has undergone multiple changes, including changes to PTKP (Pendapatan Tidak Kena Pajak) as the minimum amount of income for tax-free, individual rates, reporting procedures, and other aspects. The term TER was created to complement PMK (Minister of Finance Regulation) No. 168 of 2023, which concisely explains the simplification of the calculation of Income Tax 21 withholding. As a result, the employers can now withhold Income Tax Article 21 using a simple calculation procedure based on PMK No. 168 of 2023, issued on December 29, 2023. On December 29, 2023, the WPOP (Individual Taxpayer) policy will have its last PMK related to simplifying the calculation of Income Tax 21 withholding tax. The calculation of Income Tax 21 withholding, just like other withholding taxes such as Income Tax 23, Income Tax 22, and Income Tax Article 4 Paragraph 2, can have up to 400 variations in its method, depending on the length of service and the type of bond between the employee and the employer (Rachman, 2023). The calculation method can often be complex, leading to overpayment and disadvantaging employees, companies, and the state. This is caused by the high possibility of manipulation in the calculation method, which can cause upcoming issues. According to the DGT's (Directorate General of Taxes) socialization presentation on the implementation of PMK No. 168 of 2023 of TER, such issues and worries from employees as taxpayers that they will bear the new tariff of tax and assumed it as an increasing tax, otherwise many confirmations and explanation which are no changes about tariff and basic tariff still based on rule of income tax (UU Income Tax) Article 17 (state of law No.17), the only changes is about the how the calculation to deduct Income Tax Article 21 monthly based on more simple way, is gross income times with TER.

In their research in Pelindo by Burhan & Wahidah (2020) the findings were improper for the calculation of Income Tax 21 for the deduction of monthly salary employees but proper in reporting and on-time payment. One of the reasons for impropriety was cash flow, the company exploited Income Tax 21 with wrong calculations and still had spare money to use it before the end of the year. The government and fiscus in this case couldn't detect the discrepancies in the calculation deduction Income Tax 21. Based on this fact it was difficult for the government to control and the government lost time value of money in case the company's calculation was less than what should be and the other hand the company in fact recently had difficulty understanding the model and type of deduction of Income Tax 21 with such attributes, even they lose their time value of money and complicated matter if overpaid or over in deduction of Income Tax 21 because the complicated rule.

The trend number of taxpayers in the last five years has seen a significant increase every year; for example, from 2019 to 2020, it increased by 8.9 percent from 42.5 million taxpayers to 46.3 million and then expanded to 62.3 million in 2021, or increase of 34.55 percent (Siswanto, 2023). The matching program between NIK (Family Identification Number) and NPWP (Taxpayer Identification Number) is considered to be very helpful in encouraging an increase in the number of taxpayers in 2023. The following evidence explains the target of SPT (Surat Pemberitahuan), a tax reporting obligation in 2022 of 19.44 million consisting of 17.51 million Individual Taxpayers and 1.92 million Corporate Taxpayers (Rachman, 2023). It is evident from the explanation that there are more individual taxpayers than corporate taxpayers. As a result, the Directorate General of Taxes (DGT) and the Minister of Finance have implemented policies to expand the database and increase individual taxpayers' compliance. In addition, they also intended to provide intensive support in the form of various facilities, such as accessibility to tax payment, reporting, and socialization.

Individual taxpayers who operate Micro, Small, and Medium Enterprises (MSMEs) can benefit from the Government Regulation (PP) No. 55 of 2022 regarding the Adjustment of Regulations in the Field of Income Taxes Income Tax (Income Tax) as a derivative of the HPP Law No. 7 of 2021. This regulation introduces new policies, such as exempting micro-businesses from tax if their turnover exceeds IDR 500 million. Previously, there was a 50% reduction in the tax rate, from 1% to 0.5%. In addition to matching NIK to NPWP, this was the first thing done to expand the individual taxpayer database. On the other hand, corporate tax liability is a crucial contributor to tax revenue despite the number of taxpayers being smaller than individual taxpayers. Corporate tax accounts for only about 10% of the total taxpayers. However, due to the high level of monitoring and detection, it tends to be more compliant with tax obligations in terms of administration and payment.

The contribution of Income Tax 21 to all tax revenue is 11.1%, and the relatively stable sector and increasing in amount of value in January-May 2023 (Kementerian Keuangan RI, 2023). Although it is not the largest tax revenue source, the largest number of taxpayers in Indonesia are employees, who cumulatively contribute significant tax revenue. The Ministry of Finance of the Republic of Indonesia has reported a fairly dominant growth rate of 16.7% for Income Tax 21 until May 2023. In 2023, Government Regulations (PP) No. 55 helped and simplified the Income Tax 21 tariff adjustments process by explaining the changes in individual tax rates. The first layer of tax rates increased to the Taxable Income (PKP) limit of Rp. 60,000,000, which was previously only up to the limit of Rp.

50,000,000. A new % tax rate of 35% has also been introduced for PKP (basic amount of income tax calculation) above Rp. 5 billion.

The analysis results show the application of PP 58 of 2023 to withholding Income Tax 21 PT.X The January and February periods have a positive impact; it can be seen that the average income tax withheld has decreased compared to using the HPP Law No. 7 of 2021 so the income received by employees on average has increased, while for companies the calculation for the tax period becomes easier (Annisa et al., 2024). The series of new rules about Income Tax 21 withholding are attractive and give benefits for both either employee and the company.

PMK No. 168 of 2023 is the latest rule after Regulation of the Minister of Finance (PMK) No. 66 of 2023 explains natura (kind benefit for employee non-cash payment) tax that can be expensed as long as it is related to activities to obtain, maintain, and collect income, but is exempted from income tax for the recipient (employee). which broadly includes:

1. Food, beverages, and food ingredients for all employees
2. Provided in certain areas
3. Must be provided by the employer in the course of employment
4. Sourced from APBN/APBD/APBDs (State Revenue and Expenditure Budget)
5. Certain types and or limitations

The purpose of this certain PMK is to enable companies to pay for Natura, which reduces the amount of Income Tax they are required to pay. This means that companies do not have to search for alternative cost substitutes or manipulate data to account for Natura's expenses, which promotes fairness and honesty in reporting. Moreover, this approach also leads to better outcomes for employees who receive Natura benefits. So based on this new rule both companies and employees enjoy the benefit, as long as fairness is based on the rule the company can treat all expenses above without fiscal reconciliation and otherwise the employee can enjoy a fair natura without tax. DGT cares for the employee and company related to Income Tax 21 withholding to make the purchasing power of employees stable even increasing alongside with easier mechanism of deduction Income Tax 21 withholding by issued PMK No. 168 of 2023.

Regarding withholding Income Tax 21, PMK No.168 of 2023 simplifies the process by eliminating the steps of calculating the cost of office or deducting pension contributions. Instead, the amount of Income Tax 21 deducted is calculated from Gross Income at the TER rate. This makes things more convenient for employees, reducing the possibility of

overpaying tax deductions. It also helps companies better administer the withholding tax system by removing doubts about incorrect tax withholding procedures. Moreover, the new system allows for easier reporting, as it is possible to report Unified Income Tax directly through the DGT online web, eliminating the need to update offline applications that are often not installed perfectly and may contain errors. Several YouTube tutorials are also available to help overcome various kinds of Income Tax 21 reporting application errors.

According to Nugroho (2024), some domestic employees have been surprised and worried about the Income Tax 21 withholding. They believe that it is greater than the old mass withholding rate. However, the DGT has explained that TER is not a new tax type and has no rate increase. Therefore, it will not cause new burdens. If the withholding from January to November is higher than the previous rate, then there will be a lighter withholding or underpayment with a small amount in December. Conversely, if the withholding from January to December is more significant, there will be a withholding or underpayment in December that is greater than it should be.

The issuance or renewal of tax regulations has pros and cons, but underlying reasons usually follow these decisions. This study analyses the differences in Income Tax 21 before and after PMK No. 168 of 2023 and its impact on cash flow. The result of this analysis will be the mass deduction of Income Tax 21 from January to November, which may result in a smaller or larger deduction than usual. This will benefit the individual taxpayers, employees, or the state, as cash flow can be used for investment or operational state expenses. The study also aims to give taxpayers an overview of the amount of Income Tax 21 and its impact on their cash flow and to give the DGT an idea of the cash flow during the mass period. This literature study explores the basic theory of taxation, regulations, and tax laws, along with facts from trusted online sources.

The taxation system that regulates taxation rights and obligations can be divided into: (1) a self-assessment system, where tax obligations are carried out independently or carried out by themselves, (2) a withholding system, where tax obligations are carried out by third-parties in transactions with taxpayers and, (3) official system, which means that the tax office carries out tax obligations. Obligations for taxpayers include mandatory calculation, payment, deduction, and reporting. Business entities are taxpayers who, in addition to carrying out their tax obligations, also have to collect Value Added Tax (VAT) and several types of income tax where their position is as an employer, such as Income Tax 21, Income Tax 22, Income Tax 23, Income Tax 26, Income Tax 24, and Income Tax Article 4 Paragraph 2.

Taxes imposed on income in the form of salaries, honoraria, allowances, and other payments received by domestic taxpayers in connection with employment, compensation for services, and or position and which are withheld by the employer are described and referred to as Income Tax 21. Income Tax 21 is Income Tax with a withholding tax collection system on the income described in the paragraph above, where those entitled and obliged to withhold Income Tax 21 are employers, government treasurers, pension funds, agencies, companies, foundations, and activity organizers. The Income Tax 21 applies to various earners such as employees, permanent or non-permanent staff, freelancers, pensioners, and wage earners. The tax applies to anyone who receives remuneration, honorarium, or wages from the sale of personal services from their employers. However, if the services sold relate to a specific business type license and are institutional services, then Income Tax 23 is applicable. It is important to note that there are exemptions for those subject to individual tax. These include: (1) payments made for insurance compensation benefits, (2) Natura or any other form of enjoyment received by WPOP (Wajib Pajak Orang Pribadi is meant Personnel Tax Subject) provided by taxpayers or the government as an employer; however, monthly pension funds are still considered as income and will be charged like a salary, (3) contributions made to authorized pension funds, (4) old-age allowance contributions or old-age insurance provided to social security providers, (5) zakat received by eligible individuals from charity agencies or institutions, and (6) scholarships received from scholarship granting institutions.

There are various types of scenarios for Income Tax 21 withholding that apply to different tax subjects. These include permanent employees, daily laborers, piecework laborers, freelance laborers, laborers with partner status, continuous laborers, non-continuous laborers, and honorarium for an activity (Burhan and Wahidah, 2020). Even variations in calculations apply to certain work periods, such as employees who start working in the middle of the current year or those who resign in the middle of the current year. Although there are many variations, they all follow the same basic concept. The general limitation for the deduction of permanent employee income from the total gross to net is the existence of office expenses of 5% of gross with a maximum nominal value of Rp. 6,000,000 per year and pension contributions of Rp. 2,400,000 per year maximum (if any). The limitation of Non-Taxable Income (PTKP) until 2024, which has been going on for eight years since 2016, remains. There is an additional per head of Rp—4,500,000 per year. The limit for daily employees is gross income above Rp. 450,000 per day, which will be calculated as the Income Tax 21 deduction. If it reaches Rp. 4,500,000 Individual tax rates

in Indonesia are designed to be progressive. This means those with higher incomes contribute more to support the country's welfare. The tax rates are divided into two main groups. First, the final MSME tax rate is 0.5% for businesses with a turnover above Rp. 500,000,000. This rate is valid for seven years, followed by a progressive profit or calculation norm rate. The second group is the progressive rate, which applies to all non-MSME individual taxpayers.

The Tax Harmonization Law has updated the final individual taxpayer rate (PP No. 55 of 2022). Which consists of 5 levels, with a change in the upper limit of the first level from Rp. 50 million to Rp. 60 million. This means a leeway of up to Rp. 10 million using the 5% rate. The tariff is calculated as follows: up to Rp. Sixty million using a 5% tariff, then Rp. 60 million to Rp. Two hundred fifty million with a 15% tariff, Rp. 250 million to Rp. Five hundred million with a 25% tariff, and then Rp. Five hundred million to Rp. 5 billion with a 30% tariff. Any income above that is taxed at a rate of 35%. These changes were made to ensure fairness and reflect the progressive taxation principle.

As previously mentioned, TER is based on PMK No. 168 of 2023 and supported by additional materials from the presentation of the socialization presentation from the DGT on PMK No. 168 of 2023 from [www.pajak.go.id](http://www.pajak.go.id). Compared to other withholding tax systems, TER has a high complexity and a complex calculation scheme, often making it difficult for taxpayers to fulfill their Income Tax 21 obligations. To address this issue, the government has stipulated Government Regulation No. 58 of 2023 concerning Withholding Rates and Imposition of Income Tax 21 in connection with the Work, Services, or Activities of Individual Taxpayers (PP), which will take effect on January 1, 2024. The purpose of implementing TER is as follows:

1. Provide convenience for employers in calculating Income Tax Article (Income Tax) 21 to reduce the possibility of miscalculation.
2. Making it more accessible for income recipients to verify their income tax withholding, creating a check and balance system.
3. Facilitate the development of a tax administration system capable of validating tax calculations. A tax administration system that is practical, efficient, and accountable can promote voluntary compliance.

From the purpose of implementing TER is expected to achieve several objectives, such as:

1. Supporting ease of doing business for taxpayers to minimize costs incurred by taxpayers.
2. Supporting ease of doing business for taxpayers to minimize costs incurred

3. With the ease of doing business and legal certainty, it is expected that the base of the taxation sector will be strengthened to increase taxpayers' tax revenue.

Whereas the substances of TER implementations are:

1. Simplifying the calculation method for withholding Income Tax 21 (January-November).
2. The method of calculating income tax for a year is fixed by using the tariff of Article 17 paragraph (1) letter a of the Income Tax Law as previously provided.
3. Implementing an effective tariff policy should not increase the tax burden for employees. Income Tax Article 21 applies a fixed rate for the entire year. As per PMK No. 168 of 2023, the tariff table is divided into three groups: TER A, TER B, and TER C. Table 1 shows the details for each group, including TER C, which is also listed in Table 2 and Table 3.

Cash Flow, which in accounting is translated as the Cash Flow Statement, is a report that is the centre of attention of financial managers because the cash report is a report that describes the company's most liquid and tangible wealth that can be used for operational purposes (Gitman and Zutter, 2015). If the income statement is the focus of the board of directors or even the accounting department, the cash flow statement is no less critical, a priority for financial managers. With the cash flow calculation, the company can determine financial decisions. Financial decisions include distributing or postponing dividends, investing idle or excess funds, and borrowing or issuing shares (concerning the company's cash flow and financing).

Financial management is a crucial discipline that involves making sound decisions regarding allocating, managing, and utilizing financial resources. One of the fundamental principles of financial management is the time value of money. In essence, the time value of money refers to the fact that the value of money changes over time and, as such, has different values for specific amounts at other times. Therefore, when making profit and loss decisions, it is imperative to consider the aspect of time—for instance, the value of Rp. 100,000,000 today will not be the same as the value of the same amount in the future. To account for the time value of money, financial managers use present or future value calculations to determine the worth or value of an investment over time. By doing so, they can make informed decisions regarding financing and investment strategies that can help maximize returns while minimizing risks.

$$FV = PV(1 + i)^n$$

Meanwhile, the annuity formula is used if regular deposits are made periodically with the same amount (Gitman & Zutter, 2015).

$$FVA = \frac{(1+i)^n - 1}{i}$$

The following Average Effective Rate (TER) are applied in PMK No. 68 of 2023 and are shown in Tables 1, 2, and 3.

**Table 1 TER Group A. PTKP: TK/0 (Rp. 54 million); TK/1 & K/0 (Rp 58.5 million)**

No.	Gross Income (Rp.)		TER A
1	Up to	5.400.000	0,00%
2	5.400.001	until	0,25%
3	5.650.001	until	0,50%
4	5.950.001	until	0,75%
5	6.300.001	until	1,00%
6	6.750.001	until	1,25%
7	7.500.001	until	1,50%
8	8.550.001	until	1,75%
9	9.650.001	until	2,00%
10	10.050.001	until	2,25%
11	10.350.001	until	2,50%
12	10.700.001	until	3,00%
13	11.050.001	until	3,50%
14	11.600.001	until	4,00%
15	12.500.001	until	5,00%
16	13.750.001	until	6,00%
17	15.100.001	until	7,00%
18	16.950.001	until	8,00%
19	19.750.001	until	9,00%
20	24.150.001	until	10,00%
21	26.450.001	until	11,00%
22	28.000.001	until	12,00%
23	30.050.001	until	13,00%
24	32.400.001	until	14,00%
25	35.400.001	until	15,00%
26	39.100.001	until	16,00%
27	43.850.001	until	17,00%
28	47.800.001	until	18,00%
29	51.400.001	until	19,00%

No.	Gross Income (Rp.)		TER A
30	56.300.001	until	62.200.000
31	62.200.001	until	68.600.000
32	68.600.001	until	77.500.000
33	77.500.001	until	89.000.000
34	89.000.001	until	103.000.000
35	103.000.001	until	125.000.000
36	125.000.001	until	157.000.000
37	157.000.001	until	206.000.000
38	206.000.001	until	337.000.000
39	337.000.001	until	454.000.000
40	454.000.001	until	550.000.000
41	550.000.001	until	695.000.000
42	695.000.001	until	910.000.000
43	910.000.001	until	1.400.000.000
44	more than		1.400.000.000
			34,00%

Source: [www.pajak.go.id](http://www.pajak.go.id)

TK/0 is the status of quantity of person who become dependents of tax subject person, TK/0 is written for not married status of tax subject and have no dependents, dependents of tax subject is limit for 3 people maximum.

Table 2 TER Group B. PTKP: TK/2 & K/1 (Rp. 63 million); TK/3 dan K/2 (Rp. 67,5 million)

No.	Gross Income (Rp.)		TER B
1	Up to	6.200.000	0,00%
2	6.200.001	until	6.500.000
3	6.500.001	until	6.850.000
4	6.850.001	until	7.300.000
5	7.300.001	until	9.200.000
6	9.200.001	until	10.750.000
7	10.750.001	until	11.250.000
8	11.250.001	until	11.600.000
9	11.600.001	until	12.600.000
10	12.600.001	until	13.600.000
11	13.600.001	until	14.950.000
12	14.950.001	until	16.400.000
13	16.400.001	until	18.450.000
14	18.450.001	until	21.850.000
15	21.850.001	until	26.000.000
16	26.000.001	until	27.700.000
17	27.700.001	until	29.350.000
			11,00%

No.	Gross Income (Rp.)		TER B
18	29.350.001	until	31.450.000
19	31.450.001	until	33.950.000
20	33.950.001	until	37.100.000
21	37.100.001	until	41.100.000
22	41.100.001	until	45.800.000
23	45.800.001	until	49.500.000
24	49.500.001	until	53.800.000
25	53.800.001	until	58.500.000
26	58.500.001	until	64.000.000
27	64.000.001	until	71.000.000
28	71.000.001	until	80.000.000
29	80.000.001	until	93.000.000
30	93.000.001	until	109.000.000
31	109.000.001	until	129.000.000
32	129.000.001	until	163.000.000
33	163.000.001	until	211.000.000
34	211.000.001	until	374.000.000
35	374.000.001	until	459.000.000
36	459.000.001	until	550.000.000
37	550.000.001	until	704.000.000
38	704.000.001	until	957.000.000
39	957.000.001	until	1.405.000.000
40	More than		1.405.000.000
			34,00%

Source: [www.pajak.go.id](http://www.pajak.go.id)

TK/2 is written for not married status of tax subject and have 2 persons depend on tax subject. K/1 is written for married status of tax subject and have 1 person depend on tax subject.

**Tabel 3 TER Group C. PTKP: K/3 (Rp. 72 million)**

No.	Gross Income (Rp.)		TER C
1	Up to	6.600.000	0,00%
2	6.600.001	until	6.950.000
3	6.950.001	until	7.350.000
4	7.350.001	until	7.800.000
5	7.800.001	until	8.850.000
6	8.850.001	until	9.800.000
7	9.800.001	until	10.950.000
8	10.950.001	until	11.200.000
9	11.200.001	until	12.050.000
10	12.050.001	until	12.950.000
11	12.950.001	until	14.150.000
			4,00%

No.	Gross Income (Rp.)	TER C
12	14.150.001	5,00%
13	15.550.001	6,00%
14	17.050.001	7,00%
15	19.500.001	8,00%
16	22.700.001	9,00%
17	26.600.001	10,00%
18	28.100.001	11,00%
19	30.100.001	12,00%
20	32.600.001	13,00%
21	35.400.001	14,00%
22	38.900.001	15,00%
23	43.000.001	16,00%
24	47.400.001	17,00%
25	51.200.001	18,00%
26	55.800.001	19,00%
27	60.400.001	20,00%
28	66.700.001	21,00%
29	74.500.001	22,00%
30	83.200.001	23,00%
31	95.600.001	24,00%
32	110.000.001	25,00%
33	134.000.001	26,00%
34	169.000.001	27,00%
35	221.000.001	28,00%
36	390.000.001	29,00%
37	463.000.000	30,00%
38	561.000.001	31,00%
39	709.000.001	32,00%
40	965.000.001	33,00%
41	More than	34,00%

Source: [www.pajak.go.id](http://www.pajak.go.id)

K/3 is written for married status of tax subject and have 3 persons depend on tax subject.

## METHOD

This study uses a descriptive qualitative method with a literature study approach, observation, and simulation related to the research topic (Tobing et al., 2023). The data collection was carried out using a literature study simulation and observation. The literature study was conducted by studying books, Government Regulations, Minister of Finance Regulations, Tax Laws, Articles, research journals, online newspapers, and other literature

sources relevant to this research (Suhartono, 2013). Income Tax Law Article 17 and Minister of Finance Regulation No. 168 of 2023 are the topics and basis for the discussion of this research. Hence, articles, books, e-journals, and online newspapers become the basis and exploration of the discussion of this research, including trying to simulate the application of TER in Minister of Finance Regulation No. 168 of 2023. Initially, the researcher made observations and reviewed various information relevant to the research topic. Then, the researcher collected literature pertinent to explain the events that occurred. The literature collected for reference included scientific journals and other supporting information relevant to this research. Finally, the researchers attempted to simulate the application of theory related to the topic of this research discussion.

The simulation was made based on TER in Minister of Finance Regulation No. 168 of 2023 in every income and status group of TER, such as TER A, TER B and TER C. In each range of income at every group and for each status and condition enter the example of the amount salary then the calculation of Income Tax 21 withholding be settled either with the previous version or by the latest version as we called as TER.

The comparison made by spreadsheet calculation as ever settled by previous research (Suhartono, 2013) between the previous version and the latest version (TER) and continues with the calculation time value of money related to the power of cash flow which can be as benefit either for tax subject or government.

The calculation Income Tax 21 with the previous version (withholding) in Table 4 for example was taken from Gross Income Monthly times with 12 months and deducted with Position Allowance 5% become Net Income and then the result of Net Income to be deducted with the minimum amount of free income tax (PTKP) Rp. 54.000.000 for status TK/0, the result is Basic Income Tax Calculation. Income Tax 21 with the previous version was calculated from Basic Income Tax Calculation (Net Income – PTKP) multiple with Income Tax Tariff (based on UU Income Tax Ps.17) for individuals. The amount is divided into 12 months to get the amount of Income Tax 21 previous version monthly. The rule and steps of Income Tax 21 withholding monthly based on the stated rule in previous version.

Otherwise, the calculation of Income Tax 21 recent version with TER is very simple which is only multiple gross income salary (income) by tariff (rate). Calculation of future value of saving cash flow because of less deduction with new way version monthly deduction Income Tax 21, got from the amount difference calculation Income Tax 21 monthly between two versions (previous version minus TER version) and compound that

amount with annuities formula and assume interest factor 4% p.a. during 1 year which calculate in monthly basis.

## RESULTS

Table 4 is a simulation experiment for different gross income levels using TER group A and PTKP status TK/0 and K/0). The simulation assumes that the only deduction is the cost of the office and does not include the End Year Bonus / Tunjangan Hari Raya (THR). The experiment is conducted for incomes ranging from the lowest level until one side of the table is at the lowest amount, approximately Rp. 30,000,000 or manager level. The results indicate that for incomes up to Rp: 12,525,000, the old method of withholding Income Tax 21 results in a larger tax deduction than using TER. Therefore, employees with UMR salaries up to Rp. 12 million can benefit from savings in Income Tax 21 withholding, which can be used for other purposes or saved for later use. However, this amount is not a permanent saving and will not affect the total withholding at the end of the year.

At a gross income level of Rp. 5,500,000, utilizing the TER category A with TK/0 status leads to savings in January-November, withholding 62%, resulting in an equivalent future value cash flow of Rp 275,000. The average cash flow savings compared to the previous Income Tax 21 deduction method is around 22% for incomes up to Rp. 12 million, ranging from 6% to 100%. However, for incomes above Rp. 12 million, the TER deduction is more significant by an average of 24%, a 25% increase in deductions. These results suggest that PMK and Regulations favour lower tariffs for individual taxpayers, while higher incomes can benefit from TER as it reduces tax levies. Incomes above Rp. 12 million generate a cash flow of Rp—2,323,000 per person, facilitating Income Tax the country's development by providing funds for operational circulation. Although income tax remains unchanged, the different methods of deduction create a cash flow that goes to the state, thereby aiding the state in its development objectives.

The calculation Income Tax 21 with the previous version (withholding) in Table 4 below was taken from Gross Income Monthly times with 12 months and deducted with Position Allowance 5% become Net Income and then the result of Net Income to be deducted with the minimum amount of free income tax (PTKP) Rp. 54.000.000 for status TK/0, the result is Basic Income Tax Calculation. Income Tax 21 with the previous version was calculated from Basic Income Tax Calculation (Net Income – PTKP) multiple with Income Tax Tariff (based on UU Income Tax Ps.17) for individuals. The amount is divided

into 12 months to get the amount of Income Tax 21 previous version monthly (Hanum and Rukmini, 2015).

The calculation of Income Tax 21 recent version with TER is very simple which is only multiple gross income salary (income) by tariff (rate). Calculation of future value of saving cash flow because of less deduction with new way version monthly deduction Income Tax 21, got from the amount difference calculation Income Tax 21 monthly between two versions (previous version minus TER version) and compound that amount with annuities formula and assume interest factor 4% p.a. during 1 year which calculate in monthly basis.

**Table 4 Simulation of Various Income Levels with TER A (PTKP: TK/0)**

Monthly Gross Income (TK/0)	Deduction Position Allowance	Yearly Income Tax	Income Tax21 (old version)	TER	Income Tax 21 (TER)	Difference Income Tax 21 vs TER	%	FV Cash Flow
4.500.000	2.700.000	-	-	0.00%	-	-	0	-
5.000.000	3.000.000	150.000	12.500	0.00%	-	-12.500	100	152.781
5.500.000	3.300.000	435.000	36.250	0.25%	13.750	-22.500	-62	275.005
5.675.000	3.405.000	534.750	44.563	0.50%	28.375	-16.188	-36	197.851
6.000.000	3.600.000	720.000	60.000	0.75%	45.000	-15.000	-25	183.337
6.325.000	3.795.000	905.250	75.438	1.00%	63.250	-12.188	-16	148.961
6.775.000	4.065.000	1.161.750	96.813	1.25%	84.688	-12.125	-13	148.197
7.525.000	4.515.000	1.589.250	132.438	1.50%	112.875	-19.563	-15	239.102
8.575.000	5.145.000	2.187.750	182.313	1.75%	150.063	-32.250	-18	394.174
9.675.000	5.805.000	2.814.750	234.563	2.00%	193.500	-41.063	-18	501.885
10.075.000	6.000.000	3.135.000	261.250	2.25%	226.688	-34.563	-13	422.439
10.500.000	6.000.000	3.900.000	325.000	2.50%	262.500	-62.500	-19	763.904
11.075.000	6.000.000	4.935.000	411.250	3.50%	387.625	-23.625	-6	288.756
11.625.000	6.000.000	5.925.000	493.750	4.00%	465.000	-28.750	-6	351.396
12.525.000	6.000.000	7.545.000	628.750	5.00%	626.250	-2.500	0	30.556
13.775.000	6.000.000	9.795.000	816.250	6.00%	826.500	10.250	1	-125.280
15.125.000	6.000.000	12.225.000	1.018.750	7.00%	1.058.750	40.000	4	-488.889
17.000.000	6.000.000	15.600.000	1.300.000	8.00%	1.360.000	60.000	5	-733.348
19.775.000	6.000.000	20.595.000	1.716.250	9.00%	1.779.750	63.500	4	-776.126
24.175.000	6.000.000	28.515.000	2.376.250	10.00%	2.417.500	41.250	2	-504.177
26.475.000	6.000.000	33.425.000	2.785.417	11.00%	2.912.250	126.833	5	-1.550.216
28.025.000	6.000.000	38.075.000	3.172.917	12.00%	3.363.000	190.083	6	-2.323.286

Table 5 presents TER group A with PTKP K/0 status. The difference can be seen in distribution fluctuation, indicating unevenness at certain income levels. For instance, at a

gross income of Rp. 5,500,000, the difference in income tax withholding 21 with TER is 21% less. However, outside this income range, the difference varies between 6-10% without specific limits. On averaging each gross income simulation value, the average difference is approximately 4%. Therefore, it can be concluded that the higher the income rate and complete with PTKP variations, the smaller the difference between Income Tax 21 withholding methods. Cash flow in group A with PTKP K/0 can reach up to Rp. 3,469,142.

Table 5 Simulation of Various Income Levels with TER A (PTKP: K/0)

Monthly Gross Income (K/0)	Deduction Position Allowance	Yearly Income Tax	Income Tax21 (old version)	TER	Income Tax 21 (TER)	Difference Income Tax 21 vs TER	%	FV Cash Flow
4.500.000	2.700.000	-	-	0.00%	-	-	0	-
5.000.000	3.000.000	-	-	0.00%	-	-	0	-
5.500.000	3.300.000	210.000	17.500	0.25%	13.750	-3.750	-21	45.834
5.675.000	3.405.000	309.750	25.813	0.50%	28.375	2.563	10	-31.320
6.000.000	3.600.000	495.000	41.250	0.75%	45.000	3.750	9	-45.834
6.325.000	3.795.000	680.250	56.688	1.00%	63.250	6.563	12	-80.210
6.775.000	4.065.000	936.750	78.063	1.25%	84.688	6.625	8	-80.974
7.525.000	4.515.000	1.364.250	113.688	1.50%	112.875	-813	-1	9.931
8.575.000	5.145.000	1.962.750	163.563	1.75%	150.063	-13.500	-8	165.003
9.675.000	5.805.000	2.589.750	215.813	2.00%	193.500	-22.313	-10	272.714
10.075.000	6.000.000	2.460.000	205.000	2.25%	226.688	21.688	-11	-265.075
10.500.000	6.000.000	3.225.000	268.750	2.50%	262.500	-6.250	-12	76.930
10.725.000	6.000.000	3.630.000	302.500	3.00%	321.750	19.250	6	-235.282
11.075.000	6.000.000	4.260.000	355.000	3.50%	387.625	32.625	9	-398.758
11.625.000	6.000.000	5.250.000	437.500	4.00%	465.000	27.500	6	-336.118
12.525.000	6.000.000	6.870.000	572.500	5.00%	626.250	53.750	9	-656.957
13.775.000	6.000.000	9.120.000	760.000	6.00%	826.500	66.500	9	-812.794
15.125.000	6.000.000	11.550.000	962.500	7.00%	1.058.750	96.250	10	-1.176.412
17.000.000	6.000.000	14.925.000	1.243.750	8.00%	1.360.000	116.250	9	-1.420.861
19.775.000	6.000.000	19.920.000	1.660.000	9.00%	1.779.750	119.750	7	-1.463.640
24.175.000	6.000.000	27.840.000	2.320.000	10.00%	2.417.500	97.500	4	-1.191.690
26.475.000	6.000.000	32.300.000	2.691.667	11.00%	2.912.250	220.583	8	-2.696.072
28.025.000	6.000.000	36.950.000	3.079.167	12.00%	3.363.000	283.833	9	-3.469.142

In Table 6, you can find details about the simulation of TER group B with TK/2 status. It shows that the difference between the deduction of Income Tax 21 in the previous method and with TER is almost the same as TER A status TK/0. On average, there is a

difference of 22%, and Income Tax 21 is higher in the previous method until the income of Rp. 12 - Rp. 13 million. For subsequent income above the gross value, there will be a more significant deduction of Income Tax 21 with TER, which can help the state for income around Rp. 28 million to Rp.1,143,042. However, if we calculate it in percentages, it is only 3% of the gross income.

**Table 6 Simulation of Various Income Levels with TER B (PTKP: TK/2)**

Monthly Gross Income (TK/2)	Deduction Position Allowance	Yearly Income Tax	Income Tax21 (old version)	TER	Income Tax 21 (TER)	Difference Income Tax 21 vs TER	%	FV Cash Flow
6.000.000	3.600.000	270.000	22.500	0.00%	-	-22.500	100	-264.240
6.325.000	3.795.000	455.250	37.938	0.25%	15.813	-22.125	-58	-259.836
6.775.000	4.065.000	711.750	59.313	0.50%	33.875	-25.438	-43	-298.738
7.525.000	4.515.000	1.139.250	94.938	1.00%	75.250	-19.688	-21	-231.210
8.575.000	5.145.000	1.737.750	144.813	1.00%	85.750	-59.063	-41	-693.630
9.675.000	5.805.000	2.364.750	197.063	1.50%	145.125	-51.938	-26	-609.954
10.075.000	6.000.000	1.785.000	148.750	1.50%	151.125	2.375	2	27.892
10.500.000	6.000.000	2.550.000	212.500	1.50%	157.500	-55.000	-26	-645.920
10.725.000	6.000.000	2.955.000	246.250	1.50%	160.875	-85.375	-35	-1.002.644
11.075.000	6.000.000	3.585.000	298.750	2.00%	221.500	-77.250	-26	-907.224
11.625.000	6.000.000	4.575.000	381.250	3.00%	348.750	-32.500	-9	-381.680
12.525.000	6.000.000	6.195.000	516.250	3.00%	375.750	-140.500	-27	-1.650.031
13.775.000	6.000.000	8.445.000	703.750	5.00%	688.750	-15.000	-2	-176.160
15.125.000	6.000.000	10.875.000	906.250	6.00%	907.500	1.250	0	14.680
17.000.000	6.000.000	14.250.000	1.187.500	7.00%	1.190.000	2.500	0	29.360
19.775.000	6.000.000	19.245.000	1.603.750	8.00%	1.582.000	-21.750	-1	-255.432
24.175.000	6.000.000	27.165.000	2.263.750	9.00%	2.175.750	-88.000	-4	-1.033.472
26.475.000	6.000.000	31.305.000	2.608.750	10.00%	2.647.500	38.750	1	455.080
28.025.000	6.000.000	35.825.000	2.985.417	11.00%	3.082.750	97.333	3	1.143.082

Table 7 explains the tax withholding rates for Group B of Taxable Entrepreneurs (TER) with a status of PTKP, specifically K/2. This table outlines the tax withholding rates for Income Tax Article (Income Tax 21), which vary depending on the gross income of the entrepreneur. The findings suggest that for gross income up to approximately Rp. 11,075,000, TER Group B with PTKP status is, on average, 15% cheaper in terms of tax withholding rates. However, for gross income above Rp. 28 million per month, the tax withholding rates for Income Tax 21 become more expensive for TER Group B, with an average increase of approximately 2%-7%. Moreover, the cash flow that the state can enjoy is

approximately the same for TER Group A with a TK/0 status. The cash flow that can be utilized first is up to a gross income of Rp. 28,000,000, is Rp. 2,335,509. These findings have significant implications for tax policymakers and entrepreneurs alike, highlighting the importance of understanding tax withholding rates and their impact on cash flow.

Table 7 Simulation of Various Income Levels with TER B (PTKP: K/2)

Monthly Gross Income (K/2)	Deduction Position Allowance	Yearly Income Tax	Income Tax21 (old version)	TER	Income Tax 21 (TER)	Difference Income Tax 21 vs TER	%	FV Cash Flow
6.000.000	3.600.000	45.000	3.750	0.00%	-	-3.750	100	45.834
6.325.000	3.795.000	230.250	19.188	0.25%	15.813	-3.375	-18	41.251
6.775.000	4.065.000	486.750	40.563	0.50%	33.875	-6.688	-16	81.738
7.525.000	4.515.000	914.250	76.188	1.00%	75.250	-938	-1	11.459
8.575.000	5.145.000	1.512.750	126.063	1.00%	85.750	-40.313	-32	492.718
9.675.000	5.805.000	2.139.750	178.313	1.50%	145.125	-33.188	-19	405.633
10.075.000	6.000.000	1.110.000	92.500	1.50%	151.125	58.625	63	-716.542
10.500.000	6.000.000	1.875.000	156.250	1.50%	157.500	1.250	1	-15.278
10.725.000	6.000.000	2.280.000	190.000	1.50%	160.875	-29.125	-15	355.979
11.075.000	6.000.000	2.910.000	242.500	2.00%	221.500	-21.000	-9	256.672
11.625.000	6.000.000	3.900.000	325.000	3.00%	348.750	23.750	7	-290.283
12.525.000	6.000.000	5.520.000	460.000	3.00%	375.750	-84.250	-18	1.029.742
13.775.000	6.000.000	7.770.000	647.500	5.00%	688.750	41.250	6	-504.177
15.125.000	6.000.000	10.200.000	850.000	6.00%	907.500	57.500	7	-702.792
17.000.000	6.000.000	13.575.000	1.131.250	7.00%	1.190.000	58.750	5	-718.070
19.775.000	6.000.000	18.570.000	1.547.500	8.00%	1.582.000	34.500	2	-421.675
24.175.000	6.000.000	26.490.000	2.207.500	9.00%	2.175.750	-31.750	-1	388.063
26.475.000	6.000.000	30.630.000	2.552.500	10.00%	2.647.500	95.000	4	-1.161.134
28.025.000	6.000.000	34.700.000	2.891.667	11.00%	3.082.750	191.083	7	-2.335.509

According to Table 8, those with PTKP K/3 status fall under TER category C, which happens to be the last category. While the income tax withholding 21 differs between the old method and the TER rate, the difference is insignificant in this category. Even for a gross income ranging from Rp. 6,775,000 to Rp. 26,475,000, the difference in income tax withholding 21 between the old method and TER is only 11. This indicates that the difference has narrowed considerably, even in TER category 3, so the withholding with TER is smaller. This provides cash flow assistance for each WPOP, which can be beneficial—for instance, a gross income of Rp. 19,775,000 can provide cash flow assistance for WPOP until December of Rp. 1,109,189, while a gross income of Rp. 26,475,000 can

provide cash flow for the state of Rp. 1,387,250.

**Table 8 Simulation of Various Income Levels with TER C (PTKP: K/3)**

Monthly Gross Income (K/2)	Deduction Position Allowance	Yearly Income Tax	Income Tax21 (old version)	TER	Income Tax 21 (TER)	Difference Income Tax 21 vs TER	%	FV Cash Flow
6.000.000	3.600.000	-	-	0.00%	-	-	0	-
6.325.000	3.795.000	5.250	438	0.25%	-	-438	100	5.347
6.775.000	4.065.000	261.750	21.813	0.50%	16.938	-4.875	-22	59.585
7.525.000	4.515.000	689.250	57.438	1.00%	56.438	-1.000	-2	12.222
8.575.000	5.145.000	1.287.750	107.313	1.00%	85.750	-21.563	-20	263.547
9.675.000	5.805.000	1.914.750	159.563	1.25%	120.938	-38.625	-24	472.093
10.075.000	6.000.000	2.145.000	178.750	1.50%	151.125	-27.625	-15	337.646
10.500.000	6.000.000	2.400.000	200.000	1.50%	157.500	-42.500	-21	519.455
10.725.000	6.000.000	2.535.000	211.250	1.50%	160.875	-50.375	-24	615.707
11.075.000	6.000.000	2.745.000	228.750	1.75%	193.813	-34.938	-15	427.022
11.625.000	6.000.000	3.225.000	268.750	2.00%	232.500	-36.250	-13	443.064
12.525.000	6.000.000	4.845.000	403.750	3.00%	375.750	-28.000	-7	342.229
13.775.000	6.000.000	7.095.000	591.250	4.00%	551.000	-40.250	-7	491.954
15.125.000	6.000.000	9.525.000	793.750	5.00%	756.250	-37.500	-5	458.342
17.000.000	6.000.000	12.900.000	1.075.000	6.00%	1.020.000	-55.000	-5	672.235
19.775.000	6.000.000	17.895.000	1.491.250	8.00%	1.582.000	90.750	6	-1.109.189
24.175.000	6.000.000	25.815.000	2.151.250	9.00%	2.175.750	24.500	1	-299.450
26.475.000	6.000.000	29.955.000	2.496.250	9.00%	2.382.750	-113.500	-5	1.387.250
28.025.000	6.000.000	33.575.000	2.797.917	10.00%	2.802.500	4.583	0	-56.020

## DISCUSSION

Income Tax 21 is an income tax that pertains to individuals classified as employees, business partners, freelancers, and those who receive income from an employer (Waluyo, 2019). The employer is responsible for the computation, remittance, and disclosure of this tax to a third party. According to the Ministry of Finance of the Republic of Indonesia, in 2023, the most immense amount of withholding tax will be under the individual taxpayer status. A withholding tax system ensures proper administrative and payment order monitoring and makes it easier for employees to fulfill their tax obligations. This system also helps to maintain the principle of ease of collection (Waluyo, 2019). According to the DGT's socialization presentation on the implementation of PMK No. 168 of 2023 of TER, the renewed calculation method of Income Tax 21 deduction aims to simplify doing

business, ensure legal certainty, and strengthen the tax sector base. This is expected to increase state revenue from taxation (DJP, 2024).

The Income Tax 21 process pertains to the computation and reporting of Mass Tax Returns by employers for their employees, based on the Income Tax Law Article 17, as per the normative tax rate. Therefore, the concept of Income Tax 21 primarily concerns the procedural aspects of mass withholding (monthly or on the occurrence of income) and the employer's reporting obligations as a withholding tax system. This study, focused on permanent employees (a common Income Tax 21 taxpayer category), draws on theoretical insights from the Socialization presentation of the DGT on PMK No. 168 of 2023 ([www.pajak.go.id](http://www.pajak.go.id), 2023). The study finds that implementing TER does not impose an additional burden on taxpayers but instead aims to simplify calculations for deductors and ensure equity and certainty for the employees. This paper seeks to demonstrate that the total amount of Income Tax withholding 21 before and after TER must be equal. The theoretical studies from various online sources will be applied in the simulations to prove that the total withholding in the twelfth month must correspond to the amount of WPOP tax calculated according to the Income Tax Law Article 17 for Individuals. Although it will be explained that the calculation of Mass Income Tax may differ from the old method, the TER only considers the gross income multiplied by the rate based on the available TER table. The TER tables are divided into 3 groups based on PTKP. Therefore, to calculate Income Tax 21 with TER, the percentage rate is multiplied by gross income, where the DGT determines the rate by averaging the percentage rate after considering PTKP and the deduction of office expenses and pension contributions.

### **Conclusion, Limitations, and Suggestions**

The following statement aims to demonstrate and elucidate to taxpayers, specifically employees, and workers, that implementing the Tax Equalization Rate (TER) for Mass Income Tax 21 withholding is a well-reasoned measure that does not escalate the burden of income tax.

1. The TER terms mentioned in PMK No. 168 of 2023 do not increase the tax burden. This is because the basis for calculating income tax still refers to State Law Article 17 of 2023. The income tax calculation still follows the provisions of State Law Article 17 in general, and the total income tax collected from January to November remains unchanged.
2. For Gross Income amounts up to approximately Rp. 12 million, the difference in

PPH 21 Mass between TER A, TER B, and TER C favours individual taxpayers. The old method results in greater deductions, providing personal cash flow space to save, invest, or consume a certain amount, ranging from Rp. 350,000 to Rp. 1 million per year. However, for gross income amounts above Rp. 12 million or Rp. 13 million, the collection of income tax 21 with TER on mass income tax provides an excellent value. On average, the difference is around 1%-7%. Although this percentage difference is slight, the cash flow created for the state can reach up to Rp. 3.5 million per person per year can benefit state cash flow and expenditure operations.

3. This policy provides many benefits in addition to more relief for individual taxpayers and the most considerable quantity of individual taxpayers. However, it is fair enough to allow wealthy individual taxpayers to lend a larger initial tax deposit for the flow of the State Treasury.
4. To streamline the collection process, we use a straightforward approach of multiplying the Gross Income by the TER rate. We refrain from incorporating additional factors or regulations, including job-related expenditures or pension contributions, into our calculation method. This simplicity is upheld because an annual update-requiring desktop application is superfluous, and the risk of application errors is eliminated. Reports can be effortlessly generated through the online DGT system, with automatic calculations at your disposal. To simplify the collection process, we only calculate and multiply the amount of Gross Income by the TER rate. We do not include other components or rules in the calculation process, such as job expenses or pension contributions. This convenience is supported by the fact that an offline desktop application that requires updates almost every year is unnecessary, and application errors are impossible. Reports can be calculated automatically and generated through the online DGT. To simplify the collection process, we only calculate and multiply the amount of Gross Income by the TER rate. We do not include other components or rules in the calculation process, such as job expenses or pension contributions. This convenience is supported by the fact that an offline desktop application that requires updates almost every year is unnecessary, and application errors are impossible. Reports can be calculated automatically and generated through DGT's online website.

One crucial aspect that needs to be considered while interpreting the results of this study is their limitations. These limitations include:

1. The implementation of PMK No. 168 of 2023 will begin in January 2024, but the earliest reporting will be in February. Therefore, it is impossible to research analysis models directly applicable to company data or qualitative research using interview methods or questionnaires. All of these are subject to change during the trial period. Instead, the analysis must be carried out through literature studies and simulations, which may involve simplifications such as not factoring in differences that may arise when providing the THR or bonus in different months, excluding pension contributions, and using an example of 2 PTKP, particularly for TER Category B. To simulate Gross Income, we have ranked each increase in salary by Rp. 500,000 until the income reaches Rp. 28 million. This assumes that the income is already quite substantial and falls into the upper middle category. This research focuses on the impact of TER applications on individual taxpayers.
2. The implementation of PMK is one of many factors that ensure fairness. It is equally essential to simplify the calculation, collection, and reporting process to achieve this regulation's objectives. This limitation suggests that further research is needed to make taxpayers' reporting and deduction process more flexible. Employees should be able to report and deduct taxes easily and get accustomed to the implementation of PMK No. 68 of 2023.

The issuance of PMK No. 68 Year 2023 is anticipated to have a significant impact on the attainment of the following objectives:

1. It is imperative to ensure that taxpayers can conduct their business with utmost ease and at minimal costs. The achievement of this objective has been highlighted in the literature, and it can be accomplished by implementing regulations that support online applications via DGT Online. Furthermore, the ease of calculation must be enhanced, as demonstrated in the simulation conducted during this study.
2. Implementing tax laws and regulations should be fair and provide legal certainty for all stakeholders, particularly employers and income recipients. The system should facilitate accurate calculation and minimize miscalculations and overpayments, ensuring better employee convenience. Simulation results indicate that employees with incomes up to Rp. 12 million enjoy more minor deductions for Income Tax 21 using TER. In comparison, higher-income people contribute higher deductions, supporting the Government's Cash Flow.
3. To improve the ease of doing business and ensure legal certainty, the taxation sector needs to be strengthened. This will result in increased revenue for the state from

taxation. The straightforward Income Tax 21 system encourages business people to accurately report their taxes, making it easier to calculate and report. This system also helps employees easily meet their tax obligations, allowing them to focus on their career growth. Additionally, the system provides for self-reporting by matching NIK and NPWP.

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