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Tax Planning for Article 21 Income

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Abstract

Tax planning is an effort made by taxpayers or groups of taxpayers in regulating taxes, both income taxes and other taxes so that they are in the lowest possible position as long as it is still possible by the provisions of the applicable tax regulations. The results of the planning are not the result of tax savings, tax avoidance and tax smuggling so that these results can be accepted by the tax authorities. By doing tax planning (tax planning), companies can get greater income because the tax burden paid by the company is smaller than before doing tax planning. This research used descriptive and comparative research method with a qualitative approach on PT Khatulistiwa, and will show which of the 3 methods of calculating income tax article 21 is more profitable among the three methods, namely the net, gross and gross up methods. The results show that from the calculation of Article 21 income tax using the net, gross, and gross up method, the most efficient method of income tax expense is the gross up method because there is a tax allowance of Article 21 income tax given by the company to employees.

Keywords: Income tax article 21, tax planning, gross up

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Introduction

The most significant revenue component in Indonesia is taxes, which account for over 80% of total domestic revenues. Therefore, the government puts effort into encouraging the rise of tax revenue by increasing taxpayers' compliance. The current tax ratio of Indonesia is low, which means that tax revenue still needs to be improved compared to the Gross Domestic Product (GDP). However, the government still has a big chance to increase tax revenues (Nuryati & Pratama, 2018). Law No. 36 of 2008 explains that Income Tax is a tax imposed on individual and corporate taxpayers on income received or earned during one tax year. Taxes on companies get high enough attention because taxes for companies are a burden that reduces the company's net profit, causing companies to make various efforts to pay taxes as low as possible. This aligns with the opinion expressed by Sidauruk (2021), which states that the company's goal is to maximize profits. To maximize these profits, companies must increase revenues and reduce expenses to a minimum, including the tax burden that must be paid. Much can be done to minimize the tax burden, ranging from complying with the provisions of tax regulations to those violating the requirements of applicable tax regulations.

One effort company can make to minimize company's tax burden is tax management. Tax management is closely related to tax planning. Tax planning is an effort made by taxpayers or groups of taxpayers to regulate taxes, both income taxes and other taxes, so that they are in the lowest possible position as long as it is still possible by the provisions of the applicable tax regulations. The planning results are not the result of tax savings, tax avoidance, and tax smuggling, so that the tax authorities can accept these results. By doing tax planning, companies can get more significant income because the tax burden paid by the company is smaller than before doing tax planning.

Tax planning that the company can do is to choose the method of calculating the withholding of Income tax article 21. Law Number 36 of 2008 explains that Income tax Article 21 is a tax imposed on income in the form of salaries and wages, allowances, and others by name and in any form received or obtained by an individual Taxpayer as a domestic subject in connection with work or position, services, and activities. Withholding Income Tax Article 21 and Income Tax, Article 26 are individual or corporate Taxpayers, including permanent establishments (BUT), who must withhold Income Tax in connection with individuals' work, services, and activities.

According to Putra (2019), three methods can be used to calculate Income Tax (Income tax) Article 21: the Net method, the gross method, and the gross-up method. The Net to method is a tax withholding method in which the company becomes the guarantor for the payment of Article 21 Income Tax. In this method, the company does not make a profit because it will be corrected positively, so the tax on the company's income increases. In contrast, the income received by employees does not decrease in size because it is not deducted to pay taxes. This facility is not included in the income calculation. The Gross method is a reduction method where the employee himself bears Article 21 income tax. Gross up method is a method of withholding income tax article 21 where the company provides tax benefits to employees whose benefits are equal to the amount of tax to be deducted from employees. By using this method, both the company and the employees will benefit greatly. For companies using this method will prevent companies from positive fiscal corrections and save corporate taxes. Meanwhile, the gross salary and take-home pay will increase for employees who are given an allowance of 21 withheld income tax.

PT. Khatulistiwa is a trading company where every company activity has a tax obligation that the company must fulfill. Tax obligations are related to income tax for both individuals and entities. Tax planning for PT. The Khatulistiwa is carried out to streamline the fees, or tax burdens companies will pay to the State. According to Putra (2019), the net is a tax withholding method in which the company becomes the guarantor for paying article 21 income tax. In this method, the company does not benefit because it will be corrected positively, so the tax on the company's income increases. In contrasdohe income received by employees does not decrease in size because it is not deducted to pay taxes, and this facility is not included in the income calculation. The gross method is a reduction method where the employee himself bears Article 21 income tax. Gross up method is a method of withholding income tax article 21 where the company provides tax benefits to employees whose benefits are equal to the amount of tax to be deducted from employees. By using this method, both the company and the employees will benefit greatly. For companies using this method will prevent companies from positive fiscal corrections and save corporate taxes. Meanwhile, for employees who are given an allowance of 21 withholding income tax, the gross salary and take-home pay will increase.

According to Hidayat (2006), most companies carry out tax planning to reduce the significant income tax burden because it can minimize company profits or profits. Therefore, companies must choose other alternatives to reduce the company's tax burden to generate large profits. Another option that the company can do is to select the gross-up calculation method because the company provides benefits to employees in the amount of employment taxes to be deducted. With this allowance, the amount of Article 21 income tax for employees will increase and increase the company's operational costs so that the company's profit level becomes more petite, with a small company profit will have an impact on the tax burden paid by the company is also small.

Various studies on the planning of Article 21 income tax using the net too, gross, and gross up methods have been carried out by several researchers, including Irawan (2017), who researched the technique of calculating Article 21 income tax on corporate income tax of PT XYZ. in 2015. The research method used is a qualitative descriptive method. The results of his research explain that the gross-up process positively affects the calculation of income tax article 21 compared to using the gross method. With the company providing tax benefits in the amount of tax owed by its employees, the burden can be used by the company as a credit in calculating corporate income tax.

According to law number 28 of 2007 of the Republic of Indonesia concerning the provisions and procedures for taxation, tax is a mandatory contribution to the state owed by an individual or corporate taxpayer that is compelled by law, without receiving direct compensation, and is used for state purposes. For the utmost good of the populace. According to Jumaiyah and Wahidullah (2021), tax is a legally compelled contribution to the state that individual and corporate taxpayers must pay. According to Yosepha and Setiadi (2021), tax is the transfer of wealth from the people to the state treasury, which is used to finance state expenditures, and the "surplus" is used for "public saving," the primary source of financing for "public investment."

Taxes are used to finance state expenditures in the budgetary or fiscal function. The government strives to include as many funds as feasible in the state treasury through taxation. This is accomplished by enhancing regulations for various types of taxes, such as income tax, Value-Added Tax (PPN), and others, to increase tax collection. The regular or regulating function of taxes is to implement and regulate government policies in the social and economic spheres.

The official assessment system is a tax collection system that empowers tax authorities or the government to determine the amount of tax owed. This system is applied to public or large-scale taxpayer tax types for which the taxpayer cannot calculate and ascertain tax liability. This tax collection method applies to the land building tax (PBB) and local taxes. A self-assessment system is a method of tax collection in which taxpayers are authorized to determine their tax liability. This system is utilized by taxpayers who can calculate and decide their tax liability. Self-assessment is utilized for central taxes such as Value-Added-Tax (PPN) and Income Tax (Income tax). A withholding system is a method of tax collection in which a third party (not the government or taxpayer) is authorized to determine the amount of tax due. Income tax article 21, income tax article 22, income tax article 23, income tax article 4 paragraph (2), and value-added tax (VAT) can all be subject to a withholding system.

According to law article 4 paragraph (1), income is any additional economic capacity received or obtained by a taxpayer within and outside Indonesia that can be used for consumption or to increase the taxpayer's wealth by name and in any form. Article 21 income tax is a tax on income deductions in the form of salaries, wages, honoraria, allowances, and other payments in any name and form in connection with work, activities, and services performed by domestic individuals, as specified in paragraph (1) of article 21 of the taxation law (Mardiasmo, 2018). In article 21, income tax, a withholding party will deduct an individual taxpayer's earnings. Withholding indicates that when employees receive salaries and wages, the earned salaries and wages have been deducted by Article 21 of the Internal Revenue Code. Article 7 of law 36 of 2008 concerning income tax defines PTKP as income received by individual taxpayers exempt from income tax under Article 21. Article 21 of the Income Tax Act treats PTKP as a deduction from the individual taxpayer's net income.

Tax planning is one of how taxpayers can manage their business or income without violating applicable tax laws. Tax planning is the capacity of taxpayers to regulate their financial activities to incur a minor tax liability. (Putra, 2019). According to Pohan (2013), tax planning is a tool designed to accommodate the escalating aspirations of human nature and the initial behavior of tax administration. Tax administration consists of planning, organizing, implementing, and controlling. All facets of tax administration must perform tax administration so that taxation operates effectively and proficiently.

According to Putra (2019), there are three methods for article 21 withholding: the net, gross-up, and gross-up methods. The net method is a method for calculating Income-tax 21 withholding when the company that is the insurer of the payment of income tax article 21 and the amount of income tax article 21 cannot be financed. As stated in Kep. Director General of Taxes No.31/PJ/2008 article 5 paragraph 2 and article 8 paragraph 1 that income withheld from Income Tax article 21 and or Income Tax article 26 includes receipts in the form of in-kind or other enjoyment in any name and any form given by non-obligatory tax, taxpayers who are subject to income tax based on calculation norms are final or based on unique norms. Then, article 8, paragraph 2 explains that the income tax endured by the company or employer, including the government, constitutes a benefit or income in kind. The gross method is a procedure for calculating article 21 income tax withholding.

Contrarily, article 21 Income Tax is the employee's responsibility and is typically deducted directly from the employee's paycheck. The company does not provide employees with subsidies or tax breaks. The gross-up method is a method for calculating income tax article 21 withholding in which the company provides tax allowances to its employees, and the amount of these allowances can be financed. Allowances are equal to the amount of tax withheld from employees. Tax allowances are computed so that the quantity of tax to be paid is equivalent to the tax benefits provided by the company to its employees. The company and its employees will reap substantial benefits by utilizing this method. This method prevents companies from making positive fiscal corrections and reduces corporate taxes. In addition to tax avoidance and tax evasion, businesses can engage in legal tax planning by calculating the withholding of Article 21 Income Tax to minimize their income tax burden.

Research Design and Method

This type of research is a qualitative research that is descriptive and comparative research. The process and meaning in data processing is shown more on the theoretical basis used as a general description of the background of the research topic and as a material for discussing research results. Findings from this type of research generally cannot be achieved using statistical procedures. This study uses descriptive and comparative methods with a qualitative approach. According to Sugiyono (2017) descriptive method is a method with the aim of describing the state/value of one or more methods independently. In this study, the researcher did not make comparisons with other samples and looked for the relationship between these methods and other methods. Then also with the comparative method, according to Sugiyono (2017) the comparative method is a method with the aim of comparing the values of one or more independent variables in two or more populations, samples or different times or a combination of all three. Based on the above understanding, the researcher uses descriptive methods to describe objects based on existing facts, namely the Net, gross, and gross up methods and the income tax burden at PT. Khatulistiwa. While the comparative method used by researchers to compare the use of the net, gross, and gross up methods in calculating income tax article 21 and income tax expense at PT. Khatulistiwa. This study uses primary data and secondary data. Primary data is data obtained directly from informants, while secondary data is data obtained indirectly and the data already exists so that the author does not need to meet informants to get data. The primary data in this study is an opinion from the Finance and Tax department. The secondary data used in this study are the company's income statement, employee payroll and annual income tax return.

Data collection technique is a method used to obtain data. The data collection techniques used by the authors in this study are as follows:

Interview

According to Sugiyono (2018) an interview is a conversation carried out by two parties with the intention of getting answers to the questions given. This study uses semi-structured interviews where the researcher asks questions freely but remains on the interview guidelines that have been made. The purpose of this interview is to develop questions and find problems more openly.

Documentation

According to Sugiyono (2018) documentation is a record in the form of pictures, photos, sketches, and others. Documentation is a complement to the use of the interview method. In the documentation method, the researcher uses the company's income statement, withholding evidence of article 21 income tax, and the annual income tax return.

Literature review

Data collection techniques in the form of an in-depth study of books, literature, and reports related to solving problems. In this study the authors took data in the literature study method in the form of books, journals and articles related to research problems. According to Sugiyono (2018) data analysis is a process of finding and compiling data obtained systematically which includes interview data, field notes, and documentation, by organizing data by category, describing it into several units, synthesizing, compiling into patterns, then selecting which are important and which are not important to analyze, and draw conclusions that are easily understood by themselves and others.

The data analysis method used in this research is descriptive and comparative qualitative analysis. Descriptive and comparative qualitative are methods that describe the situation objectively by obtaining data through interviews and analyzed documentation to get a broad picture by comparing existing data. The steps used by researchers in analyzing the data in this study are store company data to be processed such as the company's income statement, employee payroll, and annual income tax return; perform an analysis of the income statement with the SPT to calculate the tax payable for income tax article 21 and corporate income tax.

Results and Discussion

Statistical Result & Discussion

Company Brief

PT. Khatulistiwa is a company engaged in the trading of large machinery and tools. PT Khatulistiwa provides tools to support oil & gas activities as well as ports to preserve nature from pollution caused by these industrial activities. PT. Khatulistiwa is the sole agent to sell Danish-made tools in Indonesia. PT Khatulistiwa has distributed equipment to various oil & gas companies and ports in Indonesia.

Calculation of Article 21 Income Tax Using the Net Method

The following is an example of calculating Income tax article 21 for employees of PT. Khatulistiwa using the net method:

Table1. Calculation of Income Tax Article 21 Net Method

Name: A **Status: K2**	
Gross Salary	720,000,000
Subtraction:	
Yearly Position Fee	6,000,000
Total Income Net to	714,000,000
PTKP (K2)	67,500,000
pkp	646.500.000
Income tax Article 21 a year:	
5% x IDR 50,000,000	2,500,000
15% IDR 200,000,000	30,000,000
25% IDR 250,000,000	62,500,000
30% IDR 146.500.000	43,950,000
	138,950,000

Journal at the time of withholding: A(K2)

Gross salary	720,000,000	
Cash/bank		720,000,000
Article 21 Income Tax Fee	138,950,000	
Article 21 Income Tax Payable		138,950,000

Journal at the time of payment: A(K2)

Income Tax Article 21	138,950,000	
Cash/bank		138,950,000

Table 2. Recapitulation of Article 21 Income Tax Calculation with the Net Method

Name	Gross Income	PKP	Income Tax Artic le 21	Net Salary
A	720,000,000	646,000,000	138,950,000	720,000,000
B	216,000,000	156,000,000	18,400,000	216,000,000
C	216,000,000	142,000,000	16,375,000	216,000,000
D	102,000,000	42,900,000	2,145,000	102,000,000
E	58,912,000	1,966,400	98.320	58,912,000
F	71,603,000	14,022.850	701.143	71,603,000
G	70,700,500	13,165,475	658,274	70,700,500
H	180,000,000	120,000,000	13,000,000	180,000,000
	1,635,215,000	1,136,054,725	190,327,736	1,635,215,000

Based on the recapitulation table above, the total gross income of employees in a year is Rp. 1,635,215,000 and the article 21 income tax established by the company is Rp. 190,327,737. In the calculation of income tax article 21 using the net method, the amount of income tax 21 payable is borne by and income without being deducted by article 21 income tax. The amount of article 21 income tax used by the company using the net method is an expense that cannot be deducted.

Table 3. Calculation of Income Tax Article 21 Gross Method

Name: A **Status: K2**	
Gross Salary Subtraction: Yearly Position Fee Total Income Net to PTKP (K2) pkp Income tax Article 21 a year: 5% x IDR 50,000,000 15% IDR 200,000,000 25% x IDR 250,000,000 30% x IDR 146.500.000	720,000,000 6,000,000 714,000,000 67,500,000 646.500.000 2,500,000 30,000,000 62,500,000 43,950,000 138,950,000

Journal at the time of withholding: A(K2)

Gross salary	720,000,000	
Cash/bank		720,000,000
Article 21 Income Tax Fee	138,950,000	
Article 21 Income Tax Payable		138,950,000

Journal at the time of payment: A(K2)

Income Tax Article 21		138,950,000
Cash/bank	138,950,000	

Table 4. Recapitulation of Calculation of Income Tax Article 21 with the Gross Method

Name	Gross Income	PKP	Income Tax Article 21	Net Salary
A	720,000,000	646,000,000	138,950,000	581.050.000
B	216,000,000	156,000,000	18,400,000	197,600,000
C	216,000,000	142,000,000	16,375,000	199,625,000
D	102,000,000	42,900,000	2,145,000	99,855,000
E	58,912,000	1,966,400	98.320	58,813,680
F	71,603,000	14,022.850	701.143	70,901,857
G	70,700,500	13,165,475	658,274	70,042.226
H	180,000,000	120,000,000	13,000,000	167,000,000
	1,635,215,000	1,136,054,725	190,327,736	1,444,887,763

Based on the recapitulation table above, it can be seen that by using the gross amount of income tax article 21 method, it becomes a deduction for employee income. This is because the income tax 21 tax burden is the responsibility of the employee concerned. In calculating income tax article 21 using the gross method, the amount of income tax article 21 used by the company is an expense that cannot be deducted.

Calculation of Income Tax Article 21 using the Gross Up Method

The following is an example of calculating income tax article 21 for employees of PT. Khatulistiwa by using the gross up method or the provision of allowances:

Table 5. Calculation of Income Tax Article 21 with the Gross Up Method

Name: A **Status: K2**	
Gross Salary Subtraction: Yearly Position Fee Total Income Net to PTKP (K2) pkp	720,000,000 6,000,000 714,000,000 67,500,000 646.500.000
Because the PKP is above Rp. 500,000,000, the PKP is in the 4th tariff layer, the gross formula used is: Tax allowance = (One-year PKP – IDR 405,000,000) x 30/70 + IDR 95,000,000 = (Rp 646.500.000-Rp 405.000.000) x 30/70+ Rp 95,000,000 = IDR 198,500,000	
Stage 2 Gross Salary Tax allowance Total gross income Subtraction: Yearly office fee Total earnings Net to PTKP (K2) pkp Income tax article 21 a year: 5% x IDR 50,000,000	 720,000,000 198,500,000 918,500,000 6,000,000 912,500,000 67,500,000 845,000,000 2,500,000

15% x IDR 200,000,000 25% x IDR 250,000,000 30% x IDR 345,000,000	30,000,000 62,500,000 103,500,000 198,500,000

Journal at the time of withholding: A (K2)

Gross salary	720,000,000	
Article 21 Income Tax Payable	198,500,000	
Cash/bank		918,500,000

Journal at the time of payment: A (K2)

Gross salary	720,000,000	
Article 21 Income Tax Payable	198,500,000	
Cash/bank		918,500,000

Table 6. Recapitulation of Article 21 Income Tax Calculation with Gross Up Method

Name	Gross Income	Tax Allowance	Income Tax Article 21	Net Salary
A	918,500,000	198,500,000	198,500,000	720,000,000
B	237,647.058	21,647,058	21,647,058	216,000,000
C	235,264,705	19,264,705	19,264,705	216,000,000
D	104,257,894	2,257,894	2,257,894	102,000,000
E	59,015.494	103,494	103,494	58,912,000
F	72,341,044	738,044	738,044	71,603,000
G	71,392,919	692,919	692,919	70,700,500
H	195,294,117	15,294.117	15,294.117	180,000,000
	1,893,713,231	258,498,231	258,498,231	1,635,215,000

In the recapitulation table above, by using the gross income tax increase method, article 21 is the same as the tax allowance. The use of the method allows employees to earn full income without deducting article 21 income tax payable. In calculating income tax article 21 using the gross method used by the company, it is a deductible expense.

Calculation of Income Tax Article 21 using the Net, Gross, and Gross up method

Table 7. Total Calculation of Income Tax Article 21 with the Net, Gross and Gross up method

Information	Net Method	Gross Method	Gross Up Method
gross salary	1,635,215,000	1,635,215,000	1,893,713,231
Tax Allowance	-	-	258,498,231
Total gross income	1,635,215,000	1,635,215,000	2,152.211,462
Subtraction:			
Position allowance	81,760,750	81,760,750	107,560,599
Net Income to	1,553,454,250	1,553,454,250	2,044,650,863
PTKP	417,399,525	417,399,525	662.862.007
pkp	1,136,054,725	1,136,054,725	1,381,788,856
Income Tax Article 21 pa yable	190,327,736	190,327,736	258,498,231

Corporate income tax with a turnover of Rp 4.8 billion to Rp 50 billion will get a facility in the form of a 50% reduction in tariff from the normal rate as regulated in law number 36 of 2008 concerning Income tax law which is imposed on taxable income (PKP) which is part of the gross turnover. The following is the calculation of corporate income tax of PT. Khatulistiwa using the net method:

Table 8. Calculation of Corporate Income Tax Net Method

• Business Circulation	20,450,324,596
• Tax base:	
Profit Before Tax	1,884,928,956
Negative Correction	(55,477,867)
Taxes borne by the company	190,327,736
Basic Tax Imposition (DPP)	2,019,778,825
• Facility	
(Rp 4,800,000,000/Gross Circulation) x Taxable Profit	
(Rp 4,800,000,000/Rp 20,450,324,596) x Rp 2,019,778,825 = Rp 474,072,590	
IDR 474,072,590 x 22% x 50% = IDR 52,147,984	
• PKP that is not subject to facilities	
IDR 2,019,778,825– IDR 52,147,984= IDR 1,967,630,841	
Rp 1,967,630,841 x 22%= Rp 432,878,785	
• Payable corporate income tax	
IDR 52,147,984 + IDR 432,878,785 = IDR 485,026.769	
• Income Tax Article 21	
Employee Salary Expense 3,414,608,150	
Cash/Bank 3,224,280,414	
Income tax 21 payable 190,327,736	

It can be seen above that Article 21 Income Tax is fully borne by the company which is charged as a deduction from gross income so that it must fix positive improvements to the costs of article 21 income tax. In contrast to the calculation of corporate income tax using the gross method below, the salary received is income after deducting article 21 income tax which is the responsibility of the employee concerned. Therefore, the cost of article 21 income tax is not included as an addition to corrections in the calculation of corporate income tax because the cost of article 21 income tax is not borne by the company.

In the fiscal year 2021 if using the Net method, the company must pay a fee of Rp 190,327,736 where the cost of article 21 income tax using the method includes forms of enjoyment as described in article 4 paragraph (3) letter d which explains that what is excluded from the tax object is in the form of imbalances related to work, activities, or services received in the form of nature or enjoyment provided by the taxpayer unless provided by a non-taxpayer. Based on Article 4 paragraph (3) letter d of the HPP Law, it is explained that enjoyment/in kind is included in the tax object because it is a remuneration received by an employee, employee, or employee and or a form of money from the employer. Director General of Taxes No. 31/PJ./2009 article 8 paragraph 2 explains that Income Tax (Income tax) borne by employers and/or the government cannot be charged fiscally because it is included in the form of enjoyment, but can be charged commercially. Meanwhile, for the use of the gross method or the taxes borne by employees, the salary costs become a deduction from gross income because the salary costs received by the employee have been deducted by the cost of income tax article 21 in the amount of Rp. 190,327,736.

Table 9. Calculation of Corporate Income Tax Gross Method

- Business Circulation 20,450,324,596
- Tax base:
  Profit Before Tax 2,075,256,692
  Negative Correction (55,477,867)
  Basic Tax Imposition (DPP) 2,019,778,825
- Facility
  (Rp 4,800,000,000/Gross Circulation) x Taxable Profit
  (Rp 4,800,000,000/Rp 20,450,324,596) x Rp 2,019,778,825 = Rp 474,072,590
  IDR 474,072,590 x 22% x 50% = IDR 52,147,984
- PKP that is not subject to facilities
  IDR 2,019,778,825– IDR 52,147,984= IDR 1,967,630,841
  Rp 1,967,630,841 x 22%= Rp 432,878,785
- Payable corporate income tax
  IDR 52,147,984 + IDR 432,878,785 = IDR 485,026.769
- Income Tax Article 21
  Employee Salary Expense 3,414,608,150
  Cash/Bank 3,224,280,414
  Income tax 21 payable 190,327,736

Table 10. Calculation of Corporate Income Tax Gross Up Method

- Business Circulation 20,450,324,596
- Tax base:
  Profit Before Tax 1,816,758,461
  Negative 55,477,867
  Basic Tax Imposition (DPP) 1,761,280,594
- Facility
  (Rp 4,800,000,000/Gross Circulation) x Taxable Profit
  (Rp 4,800,000,000/Rp 20,450,324,596) x Rp 1,761,280,594 = Rp 413,399,152
  IDR 413,399,152 x 22% x 50% = IDR 22,736,953
- PKP that is not subject to facilities
  IDR 1,761,280,594 – IDR 22,736,953= IDR 1,738,543,641
  IDR 1,738,543,641 x 22% = IDR 382,479,601
- Payable corporate income tax
  IDR 22,736,953+ IDR 382,479,601 = IDR 405,216,554
- Income Tax Article 21
  Employee Salary Expense 3,414,608,150
  Tax Allowance 258,498,231
  Cash/Bank 3,673,106,381

Table 11. Comparison of Profit and Loss Calculation of PT. Khatulistiwa

Information	Net Method	Gross Method	Gross Up Method
Income	20,450,324,596	20,450,324,596	20,450,324,596
HPP	9,022,774,861	9,022,774,861	9,022,774,861
Gross profit	11,427,549,735	11,427,549,735	11,427,549,735

Costs:			
Operating costs	5,853,503,368	5,853,503,368	5,853,503,368
Employee salary	3,414,608,150	3,414,608,150	3,414,608,150
Article 21 Income Tax Allowance	-	-	258,498,231
Article 21 Income tax costs	190,327,736	-	-
Total Operating Cost	9,458,439,254	9,268,111,518	9,526,609,749
Operational profit	1,969,110,481	2,159,438,217	1,900,939,986
Income/expenses outside of business			
Income outside of business	11,193,349	11,193,349	11,193,349
Expenses outside of business	95,374,874	95,374,874	95,374,874
Net Operating Profit before tax	1,884,928,956	2,075,256,692	1,816,758,461
Corporate Income Tax	485,026.769	485,026.769	405,216,554
Net Profit after tax	1,399,902.187	1,590,229,923	1,411,541,907

Then for the use of the gross method, the company provides tax allowances to employees which are as large as income tax article 21, which is Rp. 258,498. The provision of benefits to employees is not a form of enjoyment in the form of income received by employees. This is explained in article 4 paragraph (1) letter a, namely that the object of tax is income in the form of additional income received by the Taxpayer both from within the country and abroad which can be used for personal consumption or to increase the wealth of the Taxpayer under the name of and in any form including imbalances related to work, activities, or services obtained in the form of salaries, wages, allowances, honoraria, commissions, bonuses, pensions, and imbalances in other forms.

Tax allowances are included in the income received by employees which if the income has been taxed and has been deposited and reported in the SPT income tax article 21, then for the employer/company the tax can be financed or charged in the fiscal financial statements or the report of income tax corporate and cannot be separated. from journalizing the cost of tax allowances in the mandatory books and listed on the employee's pay slips.

Comparison of Tax Expense Efficiency Using Net, Gross, and Gross Up Methods

Based on the calculation of income tax article 21 using the net, gross, and gross up method, the efficiency level of the third application of the income expense at PT. Khatulistiwa. The comparison of the level of efficiency of the tax burden will be explained in the table as follows:

Table 12. Comparison of the Efficiency of the Tax Expense of PT. Khatulistiwa

Information	Clean Method	Dirty Method	Gross up method	Efficiency of paid taxes
Income Tax Article 21	190,327,736	190,327,736	258,498,231	Increase 68,170,495
Corporate Income Tax	485,026.769	485,026.769	405,216,554	A decrease of 99,875,392
Tax Expense	675,354,505	675,354,505	663,714,785	11,639,720

Based on the comparison table above, it can be seen that by using the gross up method, the calculation of income tax article 21 in 2021 increases by Rp. 68,170,495, the calculation of corporate income tax in 2021 decreases by Rp. 99,875,392, with this amount, the company gets a tax savings of Rp. 11,639. .720. The amount of tax using the net and gross methods is the same because the only difference is the charge. This is because the cost of income tax article 21 borne by the company is included in the form of enjoyment as described in the act.

With the policy, it will certainly increase employee motivation and so will improve employee performance which will then have a positive impact on the operating profit of PT. Khatulistiwa. This policy is an alternative to tax planning that does not violate the taxation law that can be carried out by PT. Khatulistiwa by applying the gross up method as a method of calculating income tax article 21 for its employees.

Conclusions

Results based on the calculation of income tax article 21 on permanent employees at PT. The Khatulistiwa by using three methods, namely the net, gross , and gross up methods, it can be seen that the most efficient method is the gross up method where PT. Khatulistiwa provides a tax allowance equal to article 21 Income Tax of Rp 258,498,231. The gross up method provides efficiency for corporate income tax where the amount of tax borne by PT. Khatulistiwa is Rp. 405,216,554 smaller than using other methods, although the gross up method makes article 21 income tax borne by PT. The Khatulistiwa is larger in number. In the total tax burden borne if PT. Khatulistiwa uses the Net method and the gross result is the same, namely IDR 675,354,505, whereas if the company uses the gross method the company will pay IDR 663,714,785 which is smaller and will provide tax savings of IDR 11,639,720.

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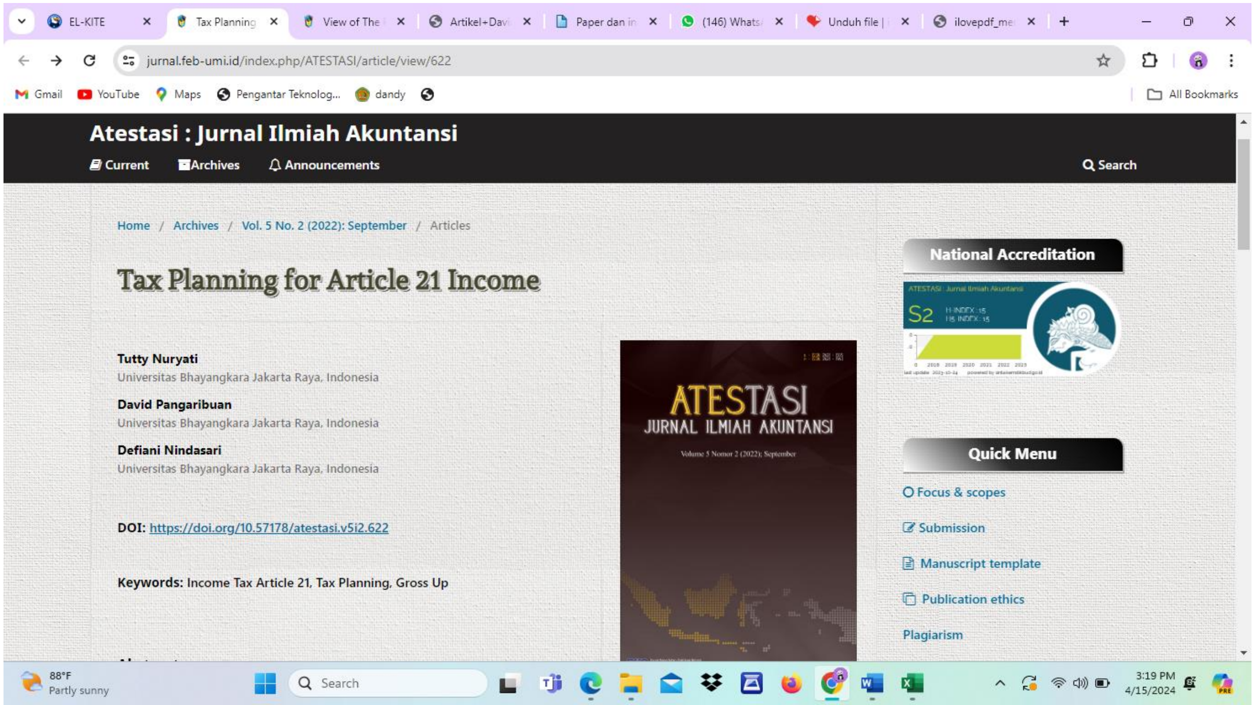
Tax Planning for Article 21 Income



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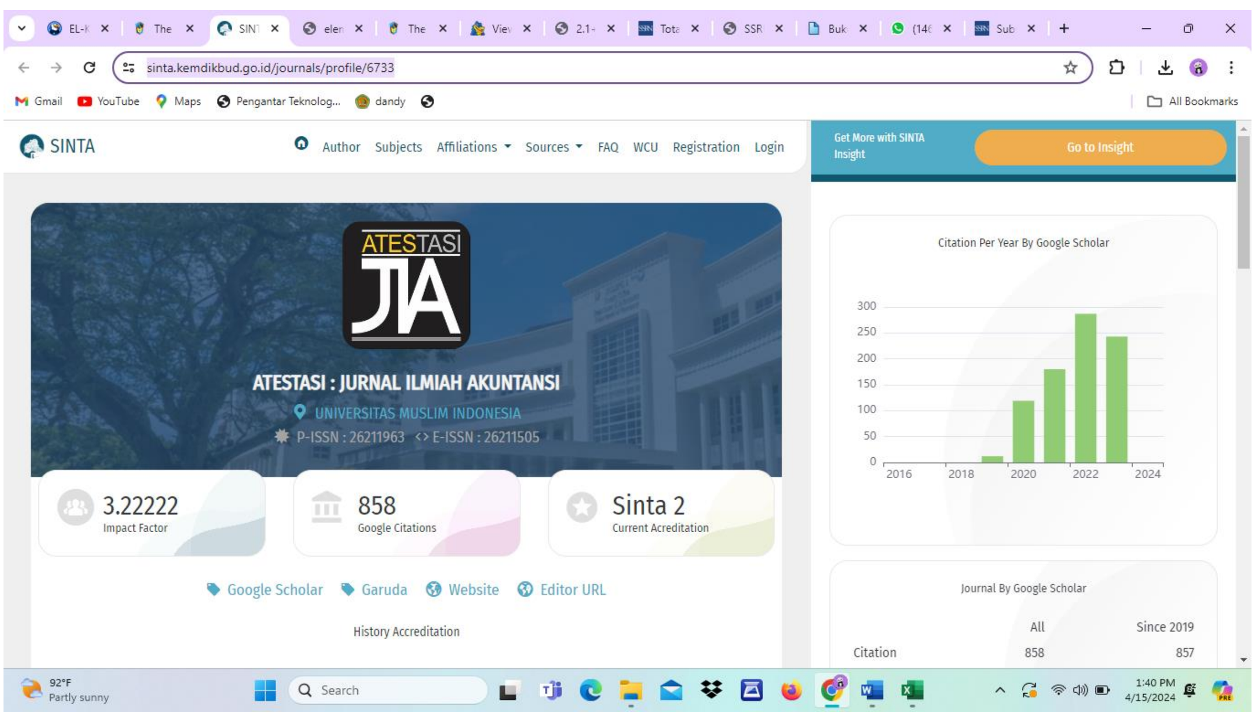

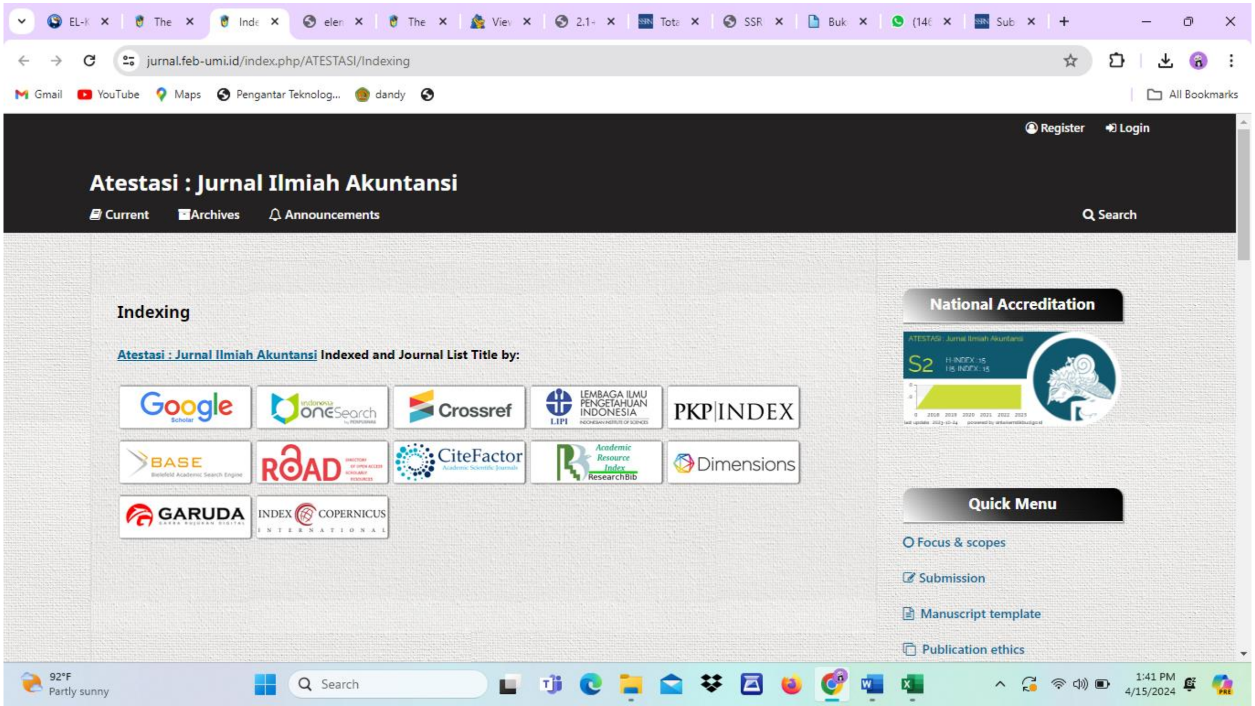
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