West Science Law and Human Rights
Vol. 1, No. 01, January, 2023, pp. 1~7

Income Tax System Rates (Pph) As Well As Effectiveness Towards the State in Indonesia

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Article Info

Article history:

Received January 2023
Revised January 2023
Accepted January 2023

Keywords:

PPh
Tax
Indonesian

ABSTRACT

Taxes are a very dominant source of state revenue. This makes taxes the backbone of state finances. Income Tax (PPh) is a tax imposed on individuals or entities on income received or accrued in a Tax Year. Income tax adheres to the Self-system Assessment System, the tax collection system is a system in which the Taxpayer himself calculates, deposits, and reports the tax owed to the Tax Service Office where he is registered. In Income Tax there are various types of rates. Income Tax is obtained as a source of state revenue. The effectiveness of Income Tax in Indonesia runs smoothly as it should. The purpose of this study is to find out how the rates of income tax and the effectiveness of income tax against the Indonesian state. Taxpayers often do not have the awareness and compliance to calculate, report, and pay their taxes owed. To overcome this problem, the Government implements Tax Sanctions. Tax sanctions can be said as a preventive tool so that taxpayers do not violate tax norms, tax sanctions are also made as a shock. therapy so that violators of tax norms do not make the same mistake again. The purpose of this study was to determine whether tax sanctions affect increasing compliance with Taxpayers namely against income tax.

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1. INTRODUCTION

Tax from a legal perspective according to Soemitro as written by Adrian Sutedi in his book Tax Law is an agreement that arises because of a law that causes the obligation of citizens to deposit a certain amount of income to the state, the state has the power to coerce, and tax money must be used for government administration [1]. This legal approach, according to Adrian Sutedi, shows that the taxes collected must be based on the law to guarantee legal certainty, both for tax collectors as tax collectors and taxpayers as taxpayers. [2] Taxes are a very important source of state revenue for the government and the implementation of national development.

In Indonesia, there are 3 ways to tax collection system, namely Official Assessment System, Self-Assessment System, and With Holding system. One of the taxes included in Self The assessment system is income tax or (PPh) income tax, which is a tax that is imposed on a tax subject for income received or earned in a tax year. Income tax is regulated in law number 36 of 2008 which regulates how much tax is imposed on workers. Income tax

1Adrian Sutedi, *Tax Law* , Sinar Graphic, Jakarta, 2016, p. 1 [2] Ibid is imposed on tax subjects on income received or accrued in a tax year. Taxpayers are subject to tax on income received or accrued during a tax year or may also be taxed on income in part of a tax year if their subjective tax obligations begin or end in a tax year.

The basis for collecting taxes is stipulated in Article 23 Paragraph (2) of the 1946 Constitution which reads "Tax collection is intended for general government financing purposes in the context of carrying out government functions, both routine and development, this has been regulated in law". In carrying out tax obligations, it is appropriate if the public and tax officials understand the tax laws and regulations, so that the taxpayer community understands and is aware and obedient in carrying out their tax obligations, the tax apparatus can foster, examine and supervise the implementation of tax obligations by taxpayers by applicable regulations.

Income tax is classified as a subjective tax, namely a tax that considers the personal circumstances of the taxpayer as the main factor in tax imposition. Income tax adheres to the Self-system Assessment System, the tax collection system is a system in which the Taxpayer himself calculates, deposits, and reports the tax owed to the Tax Service Office where he is registered [2]. So changes to the tax collection system, place the participation of the Taxpayer community be very important and decisive in supporting development financing and its path through tax payments [3].

Therefore, every year tax revenues are always strived to continue to increase. Three elements determine tax revenue, namely proper tax laws, compliance, and awareness of competent and clean taxpayers and tax officials. However, the tax collection system in Indonesia, especially the income tax, has not fully run smoothly due to a lack of public awareness and socialization by the government towards the community.

2. LITERATURE REVIEW

2.1 Definition of Self-Assessment System

Self The Assessment System is a tax collection system that authorizes taxpayers to self-calculate, self-report, and pay their taxes owed that should be paid. The characteristics of this tax collection system are:

1) Income tax is calculated by the taxpayer himself
2) Taxpayers are active by reporting and paying their taxes owed that should be paid
3) The government does not need to issue a tax assessment letter at any time except for certain cases such as taxpayers being late in reporting or paying taxes owed or some taxes that should be paid but not paid.

Self The Assessment System is a tax collection system that gives trust to Taxpayers (WP) to calculate/calculate, pay, and self-report the amount of tax that should be owed based on tax laws and regulations. Self We can see the Assessment System in article 12 of the KUP Law which in paragraph (1) states that every Taxpayer is obliged to pay the tax owed by the provisions of the tax laws and regulations, without relying on the existence of a tax assessment letter. Then in paragraph (2) it is stated that the amount of tax payable according to the notification letter (SPT) submitted by the Taxpayer is the amount of tax payable by the provisions of the tax laws and regulations. And in paragraph (3) if the Director General of Taxes finds evidence that the amount of tax payable according to the SPT as referred to in paragraph (2) is incorrect, the Director General of Taxes determines the amount of tax payable.[4]

2Haula Rosdiana, Edi Slamet Irianto, *Introduction to Tax Science: Policy and Implementation in Indonesia* , PT Raja Grafindo Persada, Jakarta, 2012. Pg. 106

3http://elib.unikom.ac.id/files/disk1/539/jbptunikompp-gdl-atengandri-26931-2-unikom_a-1.pdf (accessed, 06 December 2022)

4Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983

2.2 Definition of Income Tax

According to Law no. 7 of 1983 as last amended by Law no. 36 of 2008 Article 4 paragraph 1. Income is any additional economic capacity received or accrued by a Taxpayer, both originating from Indonesia and from outside Indonesia, which can be used for consumption or to increase the wealth of the Taxpayer concerned, in whatever name and form. Income Tax (PPh) is a tax imposed on individuals or entities on income received or accrued in a Tax Year. What is meant by income is any additional economic capability originating either from Indonesia or from outside Indonesia that can be used for consumption or to increase wealth in whatever name and form. Thus, the income can be in the form of business profits, salary, honorarium, prizes, and so on.

2.3 Subject to Income Tax

According to Income Tax Law No. 36 of 2008 which are included in the income subject are as follows [5]:

1) Individuals, individuals residing in Indonesia, individuals who are in Indonesia for more than 183 (one hundred and eighty-three) days within a period of 12 (twelve) months, and Indonesian individuals who run a business or carry out activities through a permanent establishment in Indonesia.
2) Entity, Entity is a group of people or capital that is a good entity that conducts business which includes limited liability companies, limited liability companies, other companies, state-owned enterprises, firms, and any form of business entity that is established or located in Indonesia.
3) Inheritance, an inheritance that has not been divided as a whole replaces the rightful.
4) Business Form, Permanent business establishment is a subject whose tax treatment is equated with corporate tax subject.

2.4 Income Tax Objects

Income objects based on Income Tax Law No. 36 of 2008, namely any additional economic capabilities received or obtained by taxpayers, both from Indonesia and from outside Indonesia, which can be used or increase the wealth of the taxpayer concerned in whatever way and any form. Income that is included as a tax object according to the Tax Law is as follows:

1) Reimbursement or compensation in respect of work or services received or obtained, including salaries, wages, benefits, honoraria, commissions, bonuses, gratuities, pensions, or other forms of compensation unless otherwise provided for in the Income Tax Law.
2) Prizes from sweepstakes or jobs or activities and awards.
3) Operating profit.
4) Profits due to sales or due to the transfer of assets.
5) Interest includes premiums, discounts, and rewards for guaranteed debt repayments.
6) Dividends are the share of profits earned by shareholders.
7) Royalty is an amount paid or payable in any way, whether done periodically or not as compensation.
8) Rent and other income related to property.
9) Receipt or acquisition of property payments.
10) Profits due to debt relief.
11) Exchange rate gain.
12) The difference is more due to the revaluation of assets.
13) Insurance premium.

Contributions received by associations from their members consist of taxpayers who run businesses or independent jobs, as long as these contributions are determined based on the volume of business or independent work of its members.

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concerning General Provisions and Tax Procedures.

5Income Tax Law No. 36 of 2008.

3. METHODS

The type of research conducted is normative juridical, where the law is conceptualized as what is written in laws and regulations (law in books) or law is conceptualized as rules or norms which are standards for human behavior that are considered appropriate. This normative legal research is based on primary and secondary legal materials, namely research that refers to the norms contained in statutory regulations that are still valid today.

4. RESULTS AND DISCUSSION

4.1 Rates of Income Tax Collection System in Indonesia

Self-type This Assessment System is applied to the type of central tax. Examples of types of taxes that use the Self-Assessment System, namely Value Added Tax (VAT) and Income Tax (PPh). In Indonesia, there are various types of rates for the Income Tax collection system to important articles in the Income Tax Law. Following are the rates for the Income Tax collection system in Indonesia, namely:[6]

1. Article 4 paragraph 2: Final Tax

The income below is subject to the final tax

a) Income in the form of interest on deposits and other savings, interest on bonds and government bonds, and interest on deposits paid by cooperatives to individual cooperative members.
b) Income in the form of raffle prizes.
c) Income from transactions in shares and other securities, derivative transactions traded on the stock exchange, and transactions in the sale of shares or the transfer of equity participation in partner companies received by venture capital companies.
d) Income from transactions of transfer of assets in the form of land and/or buildings, construction service businesses, real estate businesses, and land and/or building rentals.
e) Other certain income, which is regulated by or based on Government Regulations.

2. Article 7 paragraph 1: Non-Taxable Income

The non-taxable income per year is given at least: a) IDR 24,300,000.00 for individual taxpayers.

b) Additional IDR 2,025,000.00 for married taxpayers.
c) IDR 24,300,000.00 additional for a wife whose income is combined with the husband's income as referred to in Article 8 paragraph 1.
d) An additional Rp. 2,025,000.00 for each member of a blood family and related family in a straight line as well as adopted children who are fully dependent, a maximum of 3 (three) people for each family.

The latest changes in the amount of PTKP that took effect as of January 1, 2016, are:

a) Individual Taxpayer of IDR 54,000,000.
b) Additional for the Marriage Taxpayer IDR 4,500,000.
c) Additional for the wife whose income is combined with that of the husband Rp. 354,000,000.
d) Additional for each dependent Rp. 4,500,000.

3. Article 14 paragraph 2: Norms of Calculation of Net Income

Individual taxpayers who carry out business activities or independent work whose gross turnover in 1 (one) year is less than IDR 4,800,000,000.00 may calculate net income using the Norms for Calculating Net Income as referred to in paragraph 1, on condition that they notify the Director General of Taxes within the first 3 months of the relevant tax year.

4. Article 17 paragraph 1: Tax Rates

Domestic individual taxpayers are as follows:

a) Layer of Taxable Income Tax Rate
b) Up to IDR 50,000,000.00 5%
c) Above IDR 50,000,000.00 sd. IDR 250,000,000.00 15%

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6 Westi Riani, Sigit Haryadi, *Equitable Income Tax Rate Determination Method* , Faculty of Economics, Bandung Islamic University, Bandung Institute of Technology, 2017.

d) Above IDR 250,000,000.00 sd. IDR 500,000,000.00 25%

e) Above IDR 500,000,000.00 30%

Taxpayers of domestic business entities and permanent establishments are 28%.

5. Article 17 paragraph 2a: The Business Entity Tax Rate is Lowered

The tariff as referred to in paragraph 1 letter b becomes 25% which came into effect since the 2010 tax year. There is again, in Article 3 paragraph 1 of Government Regulation Number 46 of 2013 (commonly referred to as PP 46), namely final income tax of 1% of income gross (gross turnover/sales) not exceeding IDR 4.8 billion, for individuals and business entities (except BUT).

6. Article 17 paragraph 2b: Public Company Tax Rates

Taxpayers of domestic business entities in the form of public companies that at least 40% of the total paid-up shares are traded on the stock exchange in Indonesia and meet certain other requirements may obtain a rate of 5% lower than the rate referred to in paragraph 1 letter b and paragraph 2a which is regulated by or based on a Government Regulation.

7. Article 17 paragraph 2c: Tax Rates for Individual Dividends

The rate imposed on income in the form of dividends distributed to domestic individual taxpayers is a maximum of 10% and is final.

8. Article 23 paragraph 1: Objects and Tax Rates of PPh 23

For the income mentioned below in whatever name and in whatever form it is paid, provided to be paid, or payment is due by a government agency, domestic tax subject, activity organizer, permanent establishment, or representative of another foreign company to the Taxpayer in the country or a permanent establishment, tax is deducted by the party obligated to pay:

15% of the gross amount for:

a) Dividends as referred to in Article 4 paragraph 1 letter g.

b) Interest as referred to in Article 4 paragraph 1 letter f.

c) Royalties.

d) Prizes, awards, bonuses, and the like other than those that have been deducted by Income Tax as referred to in Article 21 paragraph 1 letter e. 2% of the gross amount for:

a) Rent and other income in connection with the use of assets, except for rent and other income in connection with assets that have been subject to Income Tax as referred to in Article 4 paragraph 2.

b) Benefits in connection with technical services, management services, construction services, consulting services, and other services other than services that have been deducted by Income Tax as referred to in Article 21.

4.2 The Effectiveness of the Income Tax Collection System in Indonesia

Tax is a source of state revenue that can be relied upon to meet its financial needs, but after the independence of the Republic of Indonesia the pattern of taxation still used Dutch colonial procedures in its application, confusing society at that time, and this colonial system also led to ineffective state revenue from tax sector, therefore a change is needed in making the tax system effective in Indonesia. [7]Effectiveness is used to measure the relationship between the results of a tax collection with the goals or targets that have been set.

It is said to be effective if the activity process achieves the final goals and objectives. The greater the output generated toward achieving the specified goals and objectives, the more effective the work process of an organizational unit.

In implementing the receipt of Income Tax, the preparation of the plan for receipt of Income Tax is carried out by the Central Tax Office. This revenue plan will later be used as a benchmark in the implementation of Income Tax revenue. Assessment of income tax revenue is said to be effective because the realization is bigger

7Rochmat Soemitro , *1984 Income Tax* , Eresco , Bandung, 1986. Pg.4

than the plan. [8]With the existence of regulations or laws governing Income Tax, it is expected that Income Tax revenue as the main source of financing for the State Revenue and Expenditure Budget (APBN) can obtain maximum results and can be maintained on an ongoing basis. Income tax gains are also used to stabilize finances. One way is to regulate the circulation of money in society through the collection and use of more efficient and effective Income Tax. For example, there is a price stability policy aimed at reducing the inflation rate. Examples of the country's success in dealing with inflation were during the monetary crisis in 1998 and 2008. With the income tax, it can stabilize finances.

In addition, the effectiveness of Income Tax in the country of Indonesia obtains Income Tax as a source of state revenue, the state can finance expenditures and state development. An example of infrastructure that has been implemented thanks to Income Tax is the construction of toll roads. Income Tax is a redistribution of income that can be used as capital to open new jobs, one of which is employed in the pre-employment program. Thus, the money obtained from the Income Tax sector will continue to experience circulation. It can also help increase people's income which is important for the country's economic development.

Thus, it is hoped that all people obey to pay taxes because taxes are one of the rights and obligations of Indonesian citizens. With people paying taxes on time and being obedient, it will affect state revenues and will have an impact on people's welfare in Indonesia. The development will also run smoothly and various public facilities will be provided so that people feel the benefits of paying taxes. Financial stability runs smoothly as it should, and can also create jobs for the community.

5. CONCLUSION

We can conclude that income tax is a tax imposed on a tax subject for income received or accrued in one tax year. Income tax adheres to the Self-Assessment System, the tax collection system is a system in which the Taxpayer himself calculates, deposits and reports the tax owed to the Tax Service Office where he is registered. The tax subject here is everything that has the potential to earn income and is subject to income tax. The object of income is any additional economic capacity received or obtained by the taxpayer, both originating from Indonesia and from outside Indonesia, which can be used or added to the wealth of the taxpayer in question in any way and any form.

In Indonesia, various types of the tax collection system rate Income that is too important articles in the Income Tax Law, namely the following: Article 4 paragraph 2 (Final Tax), Article 7 paragraph 1 (Non-Taxable Income), Article 14 paragraph 2 (Norms for Calculation of Net Income), Article 17 paragraph 1 (Individual and Domestic Business Entity Tax Rates), Article 17 paragraph 2a (Reduced Business Entity Tax Rates), Article 17 paragraph 2b (Public Company Tax Rates), Article 17 paragraph 2c (Private Dividend Tax Rates), and Article 23 paragraph 1 (Object and Tariff of PPh 23 Tax). All articles and types of income tax rates have their respective provisions and rates. Effectiveness of Income Tax in Indonesia obtains Income Tax as a source of state revenue, the state can finance expenses, develop the country, stabilize finances and open new jobs.

Thus, it is hoped that all people obey to pay taxes because taxes are rights and obligations for Indonesian citizens. With people paying taxes on time and being obedient, it will affect state revenues and will have an impact on people's welfare in Indonesia.

8Dessi Andika Permata Hati, *Effectiveness of Individual Income Tax Receipts at the Office Yogyakarta Primary Tax Service Period 2011-2012* , Accounting Study Program, Yogyakarta State University, 2011

ACKNOWLEDGEMENTS

The tax system in Indonesia that uses the Self-Assessment System does provide freedom for individual taxpayers to calculate, determine and report their income tax, but with a tax system like this, the taxpayer must have more awareness and understanding of the importance of fulfilling taxes and regarding income. such as what is the object of income tax. This can be done in ways such as:

1) The need for increased outreach by the government, especially the Directorate General of Taxes, either through the mass media or direct outreach in the field.
2) The taxpayer himself should understand the importance of fulfilling his income tax because the income tax paid by the taxpayer will be used as a cost for national development carried out by the government, so the taxpayer must fulfill his income tax every year.

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