

Analysis of the Implementation of Article 21 Income Tax Before and After the Application of the Effective Tax Rate under Government Regulation No. 58 of 2023 on Employees' Taxable Income at CV Lindrif Jaya, Jakarta

Original Article

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Abstract

This research is motivated by Government Regulation No. 58 of 2023, which introduced the Average Effective Rate (TER) for Article 21 Income Tax withholding effective January 1, 2024. Although the government insists TER is purely administrative, many employees and payroll practitioners view the fluctuating monthly withholdings as a hidden tax increase. This research aims to analyze the impact of calculating Article 21 Income Tax for employees before and after using TER implementation of PP 58/2023 at CV Lindrif Jaya using salary data samples of 5 employees from a total population of 35 employees. The theoretical foundation in this research is tax accounting that focuses on employee income. CV Lindrif Jaya uses income tax calculations based on applicable statutory regulations. The method used is comparative analysis by comparing Article 21 Income Tax calculations based on PP 58 of 2023 with the HPP Law Number 7 of 2021. The findings indicate that implementing the Average Effective Rate does not impose any additional tax burden on employees, despite noticeable fluctuations in monthly withholding amounts over the course of the year. Substantially, the total Article 21 Income Tax payable in one tax year remains the same as under the previous method. This is because a recalculation is performed in the final tax period to ensure that the taxes withheld during the year conform to the actual tax liability based on statutory provisions. Aside from keeping the annual tax burden neutral, TER is also designed to make tax administration easier for employers and withholding agents.

Keywords: Article 21 Income Tax, Average Effective Rate, Employee Income Tax.

1. Introduction

Historically, provisions regarding tax withholding on income in connection with employment have existed for a long time in tax laws in Indonesia. However, over successive revisions of the Income Tax Law, the provisions for Article 21 Income Tax have been consistently detailed and improved. The legislative journey spans from Law No. 7 of 1983, through amendments like Law No. 36 of 2008, culminating in the latest Law No. 7 of 2021 on Harmonization of Tax Regulations (HPP Law) (Yolanda & Sulistyowati, 2024). This recent law drove important shifts, especially the streamlined calculation of Article 21 tax under the Average Effective Rate (TER) system as per PP 58 of 2023. Since it targets individual income directly, Article 21 Income Tax is one of the most common forms of taxation people encounter. The background of the emergence of Article 21 Income Tax in Indonesia is inseparable from basic taxation principles, state revenue needs, as well as economic and social dynamics (Porwata & Tewu, 2023). Income Tax, including Article 21 Income Tax, is one of the largest



sources of state revenue in the State Revenue and Expenditure Budget (APBN) (Porwata & Tewu, 2023). With a large productive population, Article 21 Income Tax becomes an important instrument to finance development, public services (education, health, infrastructure), and government operations (Priyatin & Rahmi, 2022).

The government, in this case the Directorate General of Taxes, establishes Article 21 Income Tax withholding rates through Government Regulation No. 58 of 2023, the Indonesian government seeks to increase Income Tax (PPH) revenue regulated in Article 21. Namely, a type of tax that is directly deducted from an employer's income. The withholding rates regulated in Article 21 will greatly impact workers and businesses in Indonesia. Therefore, choosing the right withholding rate is very important. Government Regulation No. 58 of 2023, issued by Indonesia, defined the income tax withholding rates under Article 21 for that year. This framework was superseded in early 2024 with the implementation of the Average Effective Rate (TER) for withholding Article 21 Income Tax. With this new rate regulation, it will certainly impact all employees and businesses in Indonesia. As is the case at PT Maheswari Daya Gemilang, a company that offers financial and tax consulting services. PT Maheswari Daya Gemilang is also affected by this new regulation so that in this case it is considering the application of Article 21 Income Tax withholding rates based on PP No. 58 of 2023 or TER Rate 2024 (Sari & Suprihandari, 2024).

Tax revenue in maintaining the consistency of positive performance trends that are increasingly good during 2023, the government implemented various strategies so that tax targets can be exceeded (Wahyuning, 2023). Efforts made by the government include maintaining public trust in the taxation sector used for national development and increasing taxpayer compliance. Previous research results (Al Rasyid, 2023) show that complex tax systems will increase tax compliance costs which impact decreasing individual taxpayer compliance. Improvements to tax administration especially for Individual Income Tax have been carried out by the government through Government Regulation (PP) 58 of 2023 and have been effective since January 1, 2024 (Basia & Umabaihi, 2024). This PP simplifies the calculation of Article 21 Income Tax withholding rates. All this time, employers or income providers face challenges in calculating Article 21 Income Tax, especially in cases of calculation errors in withholding (Manangkalangi et al., 2019). This is caused by the tax base and Article 21 Income Tax calculations being very diverse and complex. Indonesia uses an annual payment adjustment system, which can be interpreted as Article 21 Income Tax taxation implemented monthly, for each tax period by considering the amount of annualized Income Tax (Munandar et al., 2024).

Despite the growing body of research examining the implementation of PP 58/2023, several critical gaps remain unaddressed. First, prior studies have predominantly focused on large corporations or service sector companies (Aryani & Romanda, 2025; Sari & Suprihandari, 2024), leaving a notable lack of empirical evidence regarding the regulation's impact on small and medium-sized enterprises (SMEs), particularly in specialized industries such as medical equipment distribution. Second, while existing literature has documented monthly tax withholding differences under the TER system (Anissa et al., 2024; Munandar et al., 2024), limited attention has been given to how these periodic variations affect employees' cash flow perception and employers' administrative burden in family-owned businesses with unique payroll characteristics. Third, previous studies have largely conducted comparative analyses without adequately exploring the reconciliation mechanism in the December tax period as an integral component ensuring annual tax neutrality. This research addresses these gaps by providing empirical evidence from CV Lindrif Jaya which is a family-owned medical equipment company representing the under-researched SME sector and by comprehensively

analyzing the full tax cycle including the critical December adjustment period that ensures annual tax neutrality.

The purpose of this research is to determine the amount of taxable income (PhKP) of employees carried out by CV. Lindrif Jaya through Article 21 Income Tax withholding rates by making a comparison between Law Number 7 of 2021 and Government Regulation No. 58 of 2023. The data used in this research is employee salary data of CV. Lindrif Jaya by collecting employee salary data in 2023 which became the research sample, namely the company. This data was collected by CV. Lindrif Jaya by conducting documentation methods. From the analysis conducted on the calculation of taxable income applied by the company according to applicable Tax Legislation regulations. Qualitative approach with data collection techniques: observation, literature study and documentation study. The government in this case only provides guidance, research and supervision of its implementation in the field. One of the implementations of the Higher Education Tri Dharma, namely internal research organized by the S1 Accounting Study Program of Pamulang University in collaboration with lecturers in the Faculty of Economics Accounting Study Program and supported by LPPM. Based on the description above, the author is interested in taking the title Analysis of the Application of Article 21 Income Tax Before and After Using the Effective Rate PP 58/2023 on Employee Taxable Income at CV. Lindrif Jaya Jakarta.

Specializing in medical equipment and hospital supplies, CV. Lindrif Jaya is a company established and managed by the family of Mr. Ir. Edy Suyanto, who is its founder and present owner. The company engages in the procurement and distribution of medical devices, serving a diverse clientele that encompasses government and private hospitals (including maternity and children's hospitals), various clinics, and individual healthcare practitioners such as doctors and midwives. The number of employees in this Company is 35 people. Article 21 Income Tax calculation of employee income per month uses PP Number 58 of 2023. This research compares Article 21 Income Tax calculations based on PP 58 of 2023 with HPP Law Number 7 of 2021 using comparative analysis. The target to be achieved in this research activity is to analyze the impact of Article 21 Income Tax calculations for employees based on PP 58 of 2023 with HPP Law No. 7 of 2021. It is hoped that this research can help management in efforts to make tax efficient or what is often called tax planning techniques (tax planning) for Article 21 Income Tax (Aryani, et al., 2024).

Tax planning constitutes a fundamental component of tax management. Building upon the contextual foundation established in the background, this research will focus on the following principal questions, which are derived from and directly related to the research title: (1) to conduct a comparative impact analysis of Article 21 Income Tax calculations for employees of CV Lindrif Jaya under the provisions of Government Regulation No. 58 of 2023 and the Harmonized Tax Law (Law No. 7 of 2021), and (2) to determine the resulting contribution of payable Article 21 Income Tax for CV Lindrif Jaya. Hence, the research objectives are to analyze the application of Article 21 Income Tax to employee taxable income at CV Lindrif Jaya, Jakarta, both before and after the adoption of the effective tax rate stipulated in PP 58/2023. For this study, quantitative secondary data, sourced from the financial statements of CV Lindrif Jaya, will be utilized as the primary informational basis for analysis.

2. Literature Review

State Tax revenue is the backbone of Indonesia's State Revenue and Expenditure Budget (APBN). Among various types of taxes, Income Tax (PPh), especially Article 21 Income Tax, is often referred to as the "*prima donna*" or "*spearhead*" of state revenue. Taxes as a whole

contribute the largest portion to the APBN. Of total tax revenue, Income Tax (PPh) consistently becomes the main contributor, often exceeding 50% of total domestic tax revenue. In the Income Tax family, Article 21 Income Tax has a crucial role because of its broad and stable tax subject base. The Republic of Indonesia realizes economic justice based on Pancasila which must be placed within the framework of justice and welfare of the people more broadly. The people in this sense is a political conception that refers to demos (common people) or the public interest as a whole that transcends individual and group interests (Apriyanto & Purwantini, 2024). Tax is a payment or charge that is not directly related to goods/services provided by the government to the community and bodies/organizations within the government's reach.

2.1. Tax

Defined by law, a tax is an obligatory payment to the state treasury that can be enforced, with no direct compensation or reciprocal service provided to the contributor (Andjeliartini & Setyadi, 2024; Zalliwaldi & Irawan, 2025). These collected funds finance general government expenses. The role of taxation is twofold (Anissa et al., 2024): its budget (source of revenue) function finances state expenditures, while its regulatory function makes it a tool for guiding social and economic policy.

2.2. Accounting

At its core, accounting is a structured method for documenting, sorting, and reporting the financial activities of a business (Mardiasmo, 2021). The primary aim of accounting is to furnish stakeholders such as proprietors, investors, employees, and regulatory bodies with reliable and meaningful insights into the company's financial health (Sumarsan, 2018). This method involves a multi-step cycle, starting from the recording of individual transactions, moving to their classification into designated accounts, and ending with the presentation of comprehensive financial reports.

2.3. Article 21 Income Tax Subject and Object

Article 21 Income Tax applies to resident individuals (the subjects) who obtain earnings through work, services, or other activities (Munandar et al., 2024). It is specifically imposed on Domestic Individual Taxpayers. In cases where the income earner is a Foreign Taxpayer, Article 26 Income Tax is applied instead (Setiawan et al., 2025). As for its object, Article 21 tax covers all forms of remuneration, by any name and in any form, received by a domestic individual taxpayer as a result of their employment, services, or activities (Nurhidayah & Alifin, 2024).

2.4. Law Number 7 of 2021

This is the Law that serves as the Fifth Amendment to Law No. 7 of 1983 on Income Tax. The Income Tax Law has been amended on several occasions, with the most significant overhaul being Law No. 7 of 2021 concerning Tax Regulation Harmonization (UU HPP) (Sinta et al., 2022). Key alterations to the pre-existing provisions from Law No. 36 of 2008 under the HPP Law include modified Individual Income Tax tariffs and an extended range of tax objects, along with other updates (Yolanda & Sulistyowati, 2024).

2.5. Government Regulation Number 58 of 2023 (PP 58/2023)

Issued to simplify the calculation of Article 21 Income Tax, Government Regulation No. 58 of 2023 institutes the Average Effective Rate (TER) scheme for withholding tax on income related to work, services, or activities of individual taxpayers. This regulation became effective starting January 1, 2024 (Sari & Suprihandari, 2024). The calculation mechanism for

Individual Income Tax (PPH) was adjusted with the introduction of the Average Effective Rate (TER), effective under the new tax policy starting January 1, 2024. The specific procedures for withholding tax on income related to employment, services, or individual activities are formally stipulated in Minister of Finance Regulation (PMK) No. 168 of 2023.

In this regulation it is explained that monthly TER is used to calculate taxes in the current tax period, starting from January to November. This approach aims to simplify the monthly tax withholding process to be more practical and consistent. Meanwhile, tax calculations for the last tax period (December) do not use TER, but continue to refer to progressive rates as regulated in Article 17 paragraph (1) letter a of the Income Tax Law, to ensure conformity with the taxpayer’s annual tax obligations. Technically, the amount of Income Tax withheld each month other than December is determined by multiplying monthly gross income by the established Average Effective Rate. The rate has been adjusted to the subjective conditions of taxpayers, so it reflects the level of ability to pay taxes more proportionally. To accommodate differences in family conditions, the monthly Average Effective Rate is grouped into three categories, namely Category A, Category B, and Category C.

- 1) Category A is intended for taxpayers with unmarried status without dependents up to one dependent (TK/0, TK/1) and married without dependents (K/0).
- 2) Category B covers taxpayers with more dependents, namely TK/2, TK/3, K/1, and K/2.
- 3) Category C specifically applies to married taxpayers with three dependents (K/3).

Each category has a different Average Effective Rate range according to income level, as detailed in Table 2, Table 3, and Table 4. This grouping is expected to improve tax withholding fairness and minimize underpayment or overpayment differences at the end of the tax year.

Table 1. Income Tax Rates According to Article 17 Paragraph (1) Letter a of the Income Tax Law

Income Tax Layer	Income Tax Rate
Up to Rp 60,000,000.00	5%
Above Rp 60,000,000.00 up to Rp 250,000,000.00	15%
Above Rp 250,000,000.00 up to Rp 500,000,000.00	25%
Above Rp 500,000,000.00 up to Rp 5,000,000,000.00	30%
Above Rp 5,000,000,000.00	35%

The monthly Average Effective Rate is divided into 3 categories based on marital status and dependents of the taxpayer, namely category A, category B, and category C. Category A for TK/0, TK/1, and K/0 status. Category B for TK/2, TK/3, K/1, and K/2 status. Category C for K/3 status. The amount of monthly Average Effective Rate for each category as seen in Table 2, Table 3, and Table 4.

Table 2. Category A Monthly Average Effective Rate

Monthly Gross Income Layer (Rp)	Average Effective Rate	Monthly Gross Income Layer (Rp)	Average Effective Rate
Gross Income up to 30,050,000		Gross Income > 30,050,000	
0 – 5,400,000	0%	> 30,050,000 – 32,400,000	13%
> 5,400,000 – 5,650,000	0.25%	> 32,400,000 – 35,400,000	14%
> 5,650,000 – 5,950,000	0.5%	> 35,400,000 – 39,100,000	15%
> 5,950,000 – 6,300,000	0.75%	> 39,100,000 – 43,850,000	16%
> 6,300,000 – 6,750,000	1%	> 43,850,000 – 47,800,000	17%
> 6,750,000 – 7,500,000	1.25%	> 47,800,000 – 51,400,000	18%
> 7,500,000 – 8,550,000	1.5%	> 51,400,000 – 56,300,000	19%
> 8,550,000 – 9,650,000	1,75%	> 56,300,000 – 62,200,000	20%

Monthly Gross Income Layer (Rp)	Average Effective Rate	Monthly Gross Income Layer (Rp)	Average Effective Rate
> 9,650,000 – 10,050,000	2%	> 62,200,000 – 68,600,000	21%
> 10,050,000 – 10,350,000	2.25%	> 68,600,000 – 77,500,000	22%
> 10,350,000 – 10,700,000	2.5%	> 77,500,000 – 89,000,000	23%
> 10,700,000 – 11,050,000	3%	> 89,000,000 – 103,000,000	24%
> 11,050,000 – 11,600,000	3.5%	> 103,000,000 – 125,000,000	25%
> 11,600,000 – 12,500,000	4%	> 125,000,000 – 157,000,000	26%
> 12,500,000 – 13,750,000	5%	> 157,000,000 – 206,000,000	27%
> 13,750,000 – 15,100,000	6%	> 206,000,000 – 337,000,000	28%
> 15,100,000 – 16,950,000	7%	> 337,000,000 – 454,000,000	29%
> 16,950,000 – 19,750,000	8%	> 454,000,000 – 550,000,000	30%
> 19,750,000 – 24,150,000	9%	> 550,000,000 – 695,000,000	31%
> 24,150,000 – 26,450,000	10%	> 695,000,000 – 910,000,000	32%
> 26,450,000 – 28,000,000	11%	> 910,000,000 – 1,400,000,000	33%
> 28,000,000 – 30,050,000	12%	> 1,400,000,000	34%

Table 3. Category B Monthly Average Effective Rate

Monthly Gross Income Layer (Rp)	Average Effective Rate	Monthly Gross Income Layer (Rp)	Average Effective Rate
Gross Income up to 37,100,000		Gross Income > 37,100,000	
0 – 6,200,000	0%	37,100,000 – 41,100,000	15%
6,200,000 – 6,500,000	0.25%	41,100,000 – 45,800,000	16%
6,500,000 – 6,850,000	0.5%	45,800,000 – 49,500,000	17%
6,850,000 – 7,300,000	0.75%	49,500,000 – 53,800,000	18%
7,300,000 – 9,200,000	1%	53,800,000 – 58,500,000	19%
9,200,000 – 10,750,000	1.5%	58,500,000 – 64,000,000	20%
10,750,000 – 11,250,000	2%	64,000,000 – 71,000,000	21%
11,250,000 – 11,600,000	2.5%	71,000,000 – 80,000,000	22%
11,600,000 – 12,600,000	3%	80,000,000 – 93,000,000	23%
12,600,000 – 13,600,000	4%	93,000,000 – 109,000,000	24%
13,600,000 – 14,950,000	5%	109,000,000 – 129,000,000	25%
14,950,000 – 16,400,000	6%	129,000,000 – 163,000,000	26%
16,400,000 – 18,450,000	7%	163,000,000 – 211,000,000	27%
18,450,000 – 21,850,000	8%	211,000,000 – 374,000,000	28%
21,850,000 – 26,000,000	9%	374,000,000 – 459,000,000	29%
26,000,000 – 27,700,000	10%	459,000,000 – 555,000,000	30%
27,700,000 – 29,350,000	11%	555,000,000 – 704,000,000	31%
29,350,000 – 31,450,000	12%	704,000,000 – 957,000,000	32%
31,450,000 – 33,950,000	13%	957,000,000 – 1,405,000,000	33%
33,950,000 – 37,100,000	14%	>1,405,000,000	34%

Table 4. Category C Monthly Average Effective Rate

Monthly Gross Income Layer (Rp)	Average Effective Rate	Monthly Gross Income Layer (Rp)	Average Effective Rate
Gross Income up to 38,900,000		Gross Income > 38,900,000	
0 – 6,600,000	0%	38,900,000 – 43,000,000	15%
6,600,000 – 6,950,000	0.25%	43,000,000 – 47,400,000	16%
6,950,000 – 7,350,000	0.5%	47,400,000 – 51,200,000	17%
7,350,000 – 7,800,000	0.75%	51,200,000 – 55,800,000	18%
7,800,000 – 8,850,000	1%	55,800,000 – 60,400,000	19%
8,850,000 – 9,800,000	1.25%	60,400,000 – 66,700,000	20%
9,800,000 – 10,950,000	1.5%	66,700,000 – 74,500,000	21%
10,950,000 – 11,200,000	1.75%	74,500,000 – 83,200,000	22%
11,200,000 – 12,050,000	2%	83,200,000 – 95,600,000	23%
12,050,000 – 12,950,000	3%	95,600,000 – 110,000,000	24%

Monthly Gross Income Layer (Rp)	Average Effective Rate	Monthly Gross Income Layer (Rp)	Average Effective Rate
12,950,000 – 14,150,000	4%	110,000,000 – 134,000,000	25%
14,150,000 – 15,550,000	5%	134,000,000 – 169,000,000	26%
15,550,000 – 17,050,000	6%	169,000,000 – 221,000,000	27%
17,050,000 – 19,500,000	7%	221,000,000 – 390,000,000	28%
19,500,000 – 22,700,000	8%	390,000,000 – 463,000,000	29%
22,700,000 – 26,600,000	9%	463,000,000 – 561,000,000	30%
26,600,000 – 28,100,000	10%	561,000,000 – 709,000,000	31%
28,100,000 – 30,100,000	11%	709,000,000 – 965,000,000	32%
30,100,000 – 32,600,000	12%	965,000,000 – 1,419,000,000	33%
32,600,000 – 35,400,000	13%	>1,419,000,000	34%
35,400,000 – 38,900,000	14%		

2.6. Article 21 Income Tax Base

As per the 2016 technical guidelines in Regulation PER-16/PJ/2016 from the Director General of Taxes, the tax base for permanent employees under Article 21 Income Tax is Taxable Income. This figure is calculated from gross income minus specific deductions, including a position cost allowance (5% of gross income, up to Rp6,000,000 per year), employee contributions to pension and old-age benefit funds, and the Non-Taxable Income threshold.

Pursuant to Minister of Finance Regulation Number 168 of 2023 on the guidelines for withholding tax on income from employment, services, or activities of individuals, the tax base for Article 21 Income Tax for permanent employees differs by period. For calculations covering January through November, it is the gross income earned within that tax period. For the December tax period calculation, the base used is Taxable Income.

2.7. Taxable Income (PhKP)

Taxable Income (PhKP) is the amount of gross income after deducting costs allowed by law, and deducting Non-Taxable Income (PTKP) for individual taxpayers. This is the basis for imposing Income Tax (PPh) that will be calculated using the applicable tax rate (Apriyanto & Purwantini, 2024).

2.8. Previous Research

Andjeliartini & Setyadi (2024) conducted their study using a qualitative descriptive approach. Their methodology was grounded in a review of existing literature and direct observation, with a key focus on data from individual salary computations. Their findings show differences in Article 21 Income Tax calculations, requiring taxpayers to settle remaining annual tax liabilities and account for overpaid taxes. Anissa et al. (2024) found that the application of PP No. 58 of 2023 in Article 21 Income Tax withholding for January and February resulted in lower average tax deductions compared to the HPP Law No. 7 of 2021, leading to higher net income for employees. For companies, the calculation process became simpler, as there was no longer a need to calculate deductions and annual taxable income, and the amount of tax deposited for the period decreased.

Aryani & Romanda (2025) reported that the implementation of the Average Effective Rate (TER) tended to benefit taxpayers without dependents by providing lower and more stable rates, making it advantageous for low- to middle-income individuals, improving tax

compliance, and enhancing administrative efficiency. Conversely, the progressive rates under Article 17 were more favorable for taxpayers with larger family dependents, imposed a higher burden on high-income individuals, supported income redistribution, and were more effective in increasing state revenue. Munandar et al. (2024) showed that the use of TER rates in Article 21 Income Tax calculations led to excess withholding compared to Article 17 rates. This overpayment was driven by additional income such as holiday allowances and bonuses, which significantly increased the applicable TER rates. Apriyanto & Purwantini (2024) described the simplification of Article 21 Income Tax rate calculations following the issuance of PP No. 58 of 2023. Their results highlight the effects of the regulation and provide recommendations to support its effective implementation so that tax revenue targets can be achieved and income tax calculations for individual taxpayers can be carried out efficiently.

3. Methods

This type of research is research with a descriptive quantitative approach, viewed from the level of explanation this research is research with causal relationship forms. According to Sugiyono (2020) causal relationships are cause and effect relationships. In this case independent and dependent variables. This means the research focuses on the financial statements of CV. Lindrif Jaya Jakarta in 2023, especially on employee salary reports to find out how much Article 21 Income Tax (PPh) payable will be paid to the state treasury by comparing its value before and after using PP 58/2023 rates, then the difference is seen in employee taxable income at CV. Lindrif Jaya Jakarta. The population in this research is all employees of CV, Lindrif Jaya Jakarta while the number of employees used as samples is 5 employees. Data were analyzed using comparative analysis. First, Article 21 tax was calculated under the old method (PER-16/PJ/2016) by annualizing income, deducting position costs and PTKP, and applying Article 17 progressive rates. Second, tax was calculated under the new method (PP 58/2023) using TER monthly rates for January-November, with December withholding as the adjustment (annual tax due minus tax already withheld). Third, results from both methods were compared across monthly amounts, December amounts, and total annual tax to determine the impact of TER implementation.

4. Results and Discussion

4.1. Research Results

The government through Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023 made adjustments to the Article 21 Income Tax calculation system for individual taxpayers on income obtained from employment, provision of services, or other activities (Yolanda & Sulistyowati, 2024; Zalliwaldi & Irawan, 2025). This adjustment was made as an effort to simplify the tax imposition structure which previously had many variations and tended to be complicated. The new Article 21 Income Tax calculation scheme began to be implemented since January 1, 2024. In its implementation, tax withholding for the period January to November uses the Average Effective Rate (TER) approach. As for tax calculations in December which represent the accumulation of one tax year, they continue to refer to progressive rates as regulated in Article 17 paragraph (1) letter a of the Income Tax Law. Furthermore, the amount of monthly TER is classified into three groups based on the value of Non-Taxable Income (PTKP), namely:

- 1) Group A: This group includes individual taxpayers who have Non-Taxable Income of Rp54,000,000.00 for those with unmarried status without dependents (TK/o), and

- Rp58,500,000.00 for taxpayers with unmarried status with one dependent (TK/1) or married without dependents (K/0).
- 2) Group B: Taxpayers included in this group are those who have Non-Taxable Income of Rp63,000,000.00 for unmarried status with two dependents (TK/2) or married with one dependent (K/1), and Rp67,500,000.00 for those with unmarried status with three dependents (TK/3) or married with two dependents (K/2).
 - 3) Group C: This group is intended for taxpayers with married status and having three dependents (K/3), with Non-Taxable Income provisions set at Rp72,000,000.00.

Previous provisions referring to Regulation of the Director General of Taxes Number PER-16/PJ/2016, the Article 21 Income Tax calculation mechanism was carried out with one uniform rate approach throughout the tax year, namely using rates as regulated in Article 17 paragraph (1) letter a of the Income Tax Law for the period January to December. In the old scheme, calculation and withholding of Article 21 Income Tax for the January to November tax period was based on annually projected income, while calculations in the December tax period were adjusted to the actual amount of income received during one full year. The difference in rate application between the old system and the new system in Article 21 Income Tax calculations.

To clarify whether there are differences in calculation methods and the amount of Article 21 Income Tax burden imposed on permanent employees due to the application of different regulations, a comparative analysis of tax withholding based on two applicable regulatory frameworks is presented. This comparison is made between previous provisions regulated in Regulation of the Director General of Taxes Number PER-16/PJ/2016 and the latest provisions sourced from Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023. In this analysis, a number of gross income data samples of permanent employees are used as the basis for Article 21 Income Tax calculation simulation, both with the old scheme and with the new scheme. From a total of 35 employees of CV. Lindrif Jaya we took 5 people to be used as samples in analyzing article 21 Income Tax. As for gross income information from five permanent employees who were made objects of comparison presented in Table 5 below.

Table 5. Gross Income of CV. Lindrif Jaya Jakarta Employees

No	Employee Name	PTKP Category	Gross Income (Jan-Nov)
1	Andi	TK/1	Rp7,500,000
2	Budi	K/2	Rp11,500,000
3	Sari	TK/3	Rp9,000,000
4	Fajar	K/0	Rp10,000,000
5	Wahyu	TK/2	Rp8,500,000

The amount of Article 21 Income Tax withholding imposed each month on each permanent employee during the period January to November, when calculated based on previous provisions referring to Regulation of the Director General of Taxes Number PER-16/PJ/2016, can be known through the calculation results presented in Table 6. Table 6 describes in detail the amount of tax that must be withheld from permanent employees' monthly income using the Article 21 Income Tax calculation mechanism that applied before the implementation of the latest tax policy.

Table 6. Calculation of Article 21 Income Tax Amount per Month for January-November Period Based on Regulation of the Director General of Taxes Number PER-16/PJ/2016

No.	Name	Status	Gross Salary	Annual Gross Income	Position Cost 5%	Annual Net Income	PTKP	Taxable Income (PhKP)	Article 17 PPh Rate	Article 17 PPh Rate
(Rp)										
1.	Andi	TK/1	7,500,000	90,000,000	4,500,000	85,500,000	58,500,000	27,000,000	1,350,000	112,500
2.	Budi	K/2	11,500,000	138,000,000	6,000,000	132,000,000	67,500,000	64,500,000	9,675,000	806,250
3.	Sari	TK/3	9,000,000	108,000,000	5,400,000	102,600,000	67,500,000	35,100,000	1,755,000	146,250
4.	Fajar	K/0	10,000,000	120,000,000	6,000,000	114,000,000	58,500,000	55,500,000	2,775,000	231,250
5.	Wahyu	TK/2	8,500,000	102,000,000	5,100,000	96,900,000	63,000,000	33,900,000	1,695,000	141,250

Table 7. Summary Comparison of Article 21 Income Tax Amount During January to November Period Based on Previous Provisions (PER-16/PJ/2016) and Latest Provisions (PP Number 58 of 2023 and PMK Number 168 of 2023)

No.	Name	Status	Gross Income (Rp)	Category	Monthly Gross Income Layer (Rp)	Average Effective Rate	Article 21 PPh Amount per month Based on Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023 (Rp)
1.	Andi	TK/1	7,500,000	A	6,750,000-7,500,000	1.25%	93,750
2.	Budi	K/2	11,500,000	B	11,250,000-11,600,000	2.5%	287,500
3.	Sari	TK/3	9,000,000	B	7,300,000-9,200,000	1%	90,000
4.	Fajar	K/0	10,000,000	A	9,650,000-10,050,000	2%	200,000
5.	Wahyu	TK/2	8,500,000	B	7,300,000-9,200,000	1%	85,000

Information presented in Table 6 and Table 7 indicates significant differences in the amount of Article 21 Income Tax withheld, both monthly and cumulatively during eleven months (January-November), for each permanent employee. Calculation results show that if Article 21 Income Tax is calculated based on previous provisions as regulated in Regulation of the Director General of Taxes Number PER-16/PJ/2016, the amount of tax imposed tends to be higher compared to calculations using the latest provisions, namely Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023. Furthermore, comparison of Article 21 Income Tax calculation results for the entire one tax year using both regulatory bases is presented in more detail in Table 8.

Table 8. Comparison of Total Article 21 Income Tax for One Tax Year Based on Previous Provisions (PER-16/PJ/2016) and Latest Provisions (PP Number 58 of 2023 and PMK Number 168 of 2023)

No.	Name	Article 21 PPh per month With Old Regulation (Rp)	Article 21 PPh per month With New Regulation (Rp)	Difference (Rp)
1.	Andi	112,500	93,750	18,750
2.	Budi	806,250	287,500	518,750
3.	Sari	146,250	90,000	56,250
4.	Fajar	231,250	200,000	31,250
5.	Wahyu	141,250	85,000	56,250

Based on information presented in Table 8, it can be concluded that the total Article 21 Income Tax payable by each permanent employee during one tax year does not change when calculated using old provisions as regulated in Regulation of the Director General of Taxes Number PER-16/PJ/2016 or when using the latest provisions contained in Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023. This shows that the difference in policies applied does not affect the amount of tax payable annually, but rather focuses on the mechanism and timing of tax withholding. Furthermore, comparison of Article 21 Income Tax calculation results specifically for the December tax period using old provisions and new provisions is presented in detail in Table 9. Data in this table shows that the amount of Article 21 Income Tax withheld from permanent employees' income in December becomes larger if calculations are made based on new provisions, namely Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023, compared to calculations still using Regulation of the Director General of Taxes Number PER-16/PJ/2016.

Furthermore, the difference in increased Article 21 Income Tax withholding in the December tax period is basically a form of adjustment or reconciliation of tax withholding during the January to November tax period. The amount of the higher difference in December with the application of new provisions has the same value as the total difference in Article 21 Income Tax withholding during the previous eleven months which was actually lower when compared to old provisions, as already shown in Table 7. Thus, this policy change does not change the total tax for one year, but shifts the distribution of tax withholding between periods in one tax year.

Table 9. Comparison of Article 21 Income Tax Withholding Value in December Tax Period Based on Previous Provisions (PER-16/PJ/2016) and Latest Provisions (PP Number 58 of 2023 and PMK Number 168 of 2023)

No.	Name	Article 21 PPh December Month with Old Regulation (Rp)	Article 21 PPh December Month with New Regulation (Rp)	Difference (Rp)
1.	Andi	112,500	318,750	206,250
2.	Budi	806,250	6,512,500	5,706,250
3.	Sari	146,250	765,000	618,750
4.	Fajar	231,250	555,000	323,750
5.	Wahyu	141,250	760,000	618,750

Based on data presented in Table 9, there are visible differences in the amount of Article 21 Income Tax withholding in the December tax period between application of old provisions and new provisions. In calculations using Regulation of the Director General of Taxes Number PER-16/PJ/2016, Article 21 Income Tax withholding for December for each permanent employee is done with the same nominal as monthly tax withholding in previous tax periods. Conversely, if Article 21 Income Tax calculations for the December tax period are done using

the latest provisions as regulated in Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023, the amount of tax withheld from permanent employees' income increases. This increased withholding is reflected in all employees who are the objects of research, namely Andi, Budi, Sari, Fajar, and Wahyu.

The larger Article 21 Income Tax withholding difference in December based on new provisions is not an additional overall tax burden, but rather a form of year-end adjustment (reconciliation). The amount of Article 21 Income Tax withholding difference in December has the same value as the accumulated difference in tax withholding reduction during the January to November period, as already shown in Table 9. Thus, it can be concluded that the application of new provisions does not change the total Article 21 Income Tax that must be paid by permanent employees in one tax year. Changes that occur only relate to the pattern of tax withholding time distribution, where in the period January to November tax withholding is relatively smaller, while in December adjustments are made so that the total annual tax remains in accordance with applicable provisions.

4.2. Discussion

The findings of this research reveal three key aspects regarding the implementation of PP 58/2023 at CV Lindrif Jaya: monthly tax withholding reductions, December tax adjustment increases, and annual tax neutrality. These findings warrant further discussion in relation to existing literature and their practical implications. First, monthly tax withholding reductions were observed for all employees, ranging from Rp18,750 (Andi) to Rp518,750 (Budi). This finding aligns with Anissa et al. (2024) and Aryani & Romanda (2025), confirming that TER provides lower monthly tax burdens across various PTKP categories, not only for single taxpayers.

Second, December tax adjustments serve as a reconciliation mechanism. The December increase exactly equals the accumulated monthly reductions (e.g., Budi: $\text{Rp}518,750 \times 11 = \text{Rp}5,706,250$). This confirms Munandar et al. (2024) finding on Indonesia's annual payment adjustment system, while clarifying that December increases are systematic adjustments, not punitive measures. Third, annual tax neutrality is maintained. Total tax payable for each employee is identical under both regulatory regimes, supporting Andjeliartini & Setyadi (2024) and confirming that PP 58/2023 is an administrative simplification tool rather than a tax rate reduction policy.

Fourth, administrative simplification is evident. Under TER, monthly calculations are simplified to multiplying gross income by a single TER rate, eliminating complex annualization, position cost calculations, and progressive rate applications. This supports Al Rasyid (2023) assertion that complex systems increase compliance costs. Fifth, differential impacts across employee categories exist. Budi (K/2, Rp11.5 million) experienced a 64.3% monthly reduction but an eightfold December increase, creating potential cash flow challenges. Employers should communicate this December adjustment mechanism clearly to employees.

Sixth, findings are consistent with prior studies across different organizational contexts (Sari & Suprihandari, 2024; Anissa et al., 2024), suggesting TER implementation effects are predictable and generalizable across industries and company sizes. In conclusion, PP 58/2023 implementation at CV Lindrif Jaya achieves its objectives which is an administrative simplification through TER and annual tax neutrality through December reconciliation.

5. Conclusion

The Directorate General of Taxes continuously updates policies to improve Indonesia's tax collection system. These efforts aim to increase state revenue while creating a more efficient, simple, and adaptive tax system for modern economic and administrative needs. The government introduced a new policy changing Article 21 Income Tax (PPh) withholding procedures through Government Regulation Number 58 of 2023 and Minister of Finance Regulation Number 168 of 2023. These regulations establish a more structured and standardized tax calculation mechanism, introducing the Average Effective Rate (TER) as a new withholding method. TER simplifies monthly tax calculations by applying rates adjusted to taxpayer conditions, such as marital status and number of dependents.

This policy took effect on January 1, 2024, requiring employers to use TER for employee income tax withholding. The new system aims to make Article 21 Income Tax withholding easier, more consistent, and legally certain for government, employers, and taxpayers. Previously, calculations followed Director General of Taxes Regulation PER-16/PJ/2016, using progressive rates from Article 17(1)(a) of the Income Tax Law each tax period. This method required high accuracy with repeated monthly calculations considering income accumulation, making it impractical for employers.

TER significantly changes Article 21 Income Tax calculations for January through November. During these months, tax is calculated by multiplying monthly gross income by the effective rate for each taxpayer category. This results in lower withholding compared to PER-16/PJ/2016, providing better taxpayer liquidity during the year. However, December uses different treatment. In this final month, calculations revert to progressive rates under Article 17(1)(a) of the Income Tax Law, resulting in higher withholding to adjust for the full year's tax obligations.

TER does not create additional tax burdens despite withholding differences between periods. The total annual Article 21 Income Tax remains unchanged because December's recalculation ensures withheld taxes match statutory obligations. Beyond maintaining annual tax neutrality, TER simplifies tax administration. With predetermined rates based on marital status and dependents, employers avoid complex monthly calculations, minimizing errors and increasing compliance in tax reporting and payment. Thus, TER implementation for January through November provides ease, simplicity, and legal certainty, balancing administrative efficiency with taxpayer economic protection without changing total annual tax obligations.

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