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## **Analysis Of The Impact Of Tax Reform On Income Tax (PPH) 21 Revenue In Indonesia**

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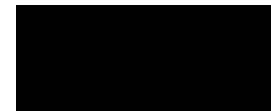
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### Abstract

This research aims to analyze the impact of tax reform on Income Tax (PPH) 21 revenues in Indonesia. Tax reform was carried out by the government to increase efficiency and fairness in the tax system. The main focus of this research is identifying tax policy changes that have been implemented and analyzing how these changes affect PPH Article 21 revenue. This research uses a qualitative approach with descriptive methods, while the type of research uses literature study research to analyze tax policy, as well as the impact of tax reform on revenue. PPH Article 21. It is hoped that the results of this research will provide a better understanding of the effectiveness of tax reform in increasing income tax revenues from high-income employees.



## **INTRODUCTION**

Indonesia's development can be understood through increased development planning, one of which is through taxes as an obligation of a person or entity based on legal regulations to achieve general welfare and cover the costs of producing goods and services. In Indonesia, taxation plays a crucial role in supporting the country's development which contributes most of the government's income (Oktavia Helda & Chandra Yopie, 2023). Taxes that have been known to the public since the time of the kingdoms are known as tribute or a form of retribution from the community towards leaders who have provided prosperity for their people (Rahimallah et al., 2020). In recent years, the transformation of the Indonesian tax system has become an inevitable reality, because the changes reflect Indonesia's commitment to maintaining its competitiveness (Burga, 2019).

Tax reform and regulatory changes to maintain economic competitiveness are an integral part of the government's efforts to increase efficiency and fairness (Mayasari & Narsa, 2020). At the national level, the implementation of various fiscal policies has been a response to global economic dynamics and internal challenges. Simplifying tax procedures, developing information technology and increasing transparency are the main focuses. In addition, adaptation to international trends, such as international financial reporting standards, has played an important role in changing the face of the Indonesian tax system (Salam, 2021). Therefore, tax reform is not just an adjustment to the rules, but a comprehensive transformation in redesigning the foundation of state taxation to suit the demands of the times and support the vision of national development.

The transformation of taxation in Indonesia has experienced fundamental changes in all aspects of taxation, including the mandatory terms and conditions for income tax receipts or PPh Article 21 (Priyatin & Rahmi, 2022). Tax changes are regulated in Law No.7 of 2021 Part III Article 17. Meanwhile, changes in progressive tax rates for Individual Taxpayers revise the previous regulations in Article 17 paragraph 1 letter (a) of the Income Tax Law Law No.36 of 2008 concerning Tax Income known as the Income Tax Law (Puspitasari et al., 2021).

Meanwhile, one of the changes contained in the Income Tax Law relates to the level of income that is subject to Income Tax or PPh (Aryani, 2023). These changes will always be followed by impacts both positive and negative, as well as having an impact on systems or regulations that provide benefits to society. Therefore, this research aims to determine the impacts of tax reform on changes in taxpayers' PTKP in receipt of PPh Article 21.

Taxes are contributions that must be submitted by individuals or companies to the government, are mandatory and are used to fund public needs and provide support for various programs and projects launched by the government (Dafina et al., 2023). Meanwhile, Income tax Article 21 is a type of tax imposed on income obtained from salaries, wages, honorariums, allowances and other payments received by individuals, whether in the form of money or goods. This tax is related to work, positions, services and activities carried out by individuals (C. A. Putri & Ni'am, 2023). Another definition of income tax (PPh) Article 21 is a tax imposed on income in the form of wages, salaries, costs, allowances and other amounts, regardless of first name and position in any way related to work or occupation, position, service and activities carried out by individual taxpayers (Isnain et al., 2022).

Aisyah, (2019) in their research stated that the legal basis for withholding income tax (PPh) Article 21 is as follows: (1) Law Number 6 of 1983 concerning General Provisions and Tax Procedures. Last amended by Law Number 7 of 2021 concerning Harmonization of Tax Regulations. (2) Regulation of the Directorate General of Taxes Number PER-16/PJ/2016 concerning Technical Guidelines for Procedures for Withholding, Depositing and Reporting Income Tax Article 21 and/or Income Tax Article 26 relating to work, services and activities of individual individuals. (3) Minister of Finance Regulation Number 252/PMK.03/2008 concerning Guidelines for Implementing Tax Withholding on Income in connection with work, services and activities of individual individuals.

Tax reform is a process that involves economic variables and studies in making tax policies (Heriyanto & Sari, 2021). Tax reform carried out by the state is a step to improve and improve global economic conditions through the tax

system to improve the quality of tax administration to make it more efficient (D. A. Putri et al., 2021). Therefore, reform in taxation has the impact of expanding the scope of tax objects, including increasing the types of income subject to tax, as well as the impact on tax rates (Siregar & Budiarto, 2022).

## **METHOD**

This research uses a qualitative approach with descriptive methods, while the type of research uses library research by studying, researching, studying and reviewing literature in the form of books, journals, laws and regulations and previous research related to the problem being studied. Several things need to be done in processing this research data, including: 1) Editing, namely the data that has been obtained, is checked, researched and edited, 2) Classifying, namely all data that has been obtained, is reviewed and grouped, 3) Verification, namely the data and information what has been obtained is examined, 4) Concluding, namely the process of processing data from which a conclusion is previously drawn. The most important part of the data testing process is data analysis. Meanwhile, the type of data analysis in this research is descriptive analysis which aims to explain the current state of research objects and subjects based on existing facts.

## **RESULT AND DISCUSSION**

### **1) Impact of Reform on Taxpayer Compliance Level PPh Article 21**

Tax reform has a significant impact on the level of taxpayer compliance with PPh Article 21 (Putra et al., 2022). One of the main aspects of this reform is the simplification of tax rules and procedures, which can make it easier for taxpayers to understand and implement tax obligations. For example, changes in reform have an impact on the level of taxpayer compliance with PPh article 21, namely, simplifying tax regulations by reducing the complexity of forms and administrative requirements (Pertiani et al., 2021). By making it easier to understand and implement tax obligations, taxpayers tend to be more capable and more willing to fulfill their tax responsibilities (Ferianto & Mildawati, 2022). In addition, fairer tax rate adjustments can also encourage compliance. If taxpayers perceive tax rates that are lower or more in line with

income levels, they may be more motivated to comply with tax regulations. Likewise, attractive tax incentives, such as tax deductions or easier online reporting facilities, can encourage compliance because taxpayers experience greater benefits in complying with their obligations (Salim et al., 2023).

There is empirical data that can provide a clearer picture of the impact of reform on the level of taxpayer compliance with PPh 21. For example, statistical research shows that countries that have succeeded in implementing effective tax reform generally record a significant increase in tax compliance. This data can include a decrease in the level of tax avoidance, an increase in the number of timely tax reports, and an increase in total tax revenue. As a concrete example, country X implemented tax reform by reducing tax rates for certain categories and providing incentives for online tax reporting. In the few years following the reform, the level of taxpayer compliance with PPh 21 in country X increased by 20%, with an increase in tax revenue of 15%. This data shows that tax reform can have a real positive impact on the level of taxpayer compliance with PPh 21.

## **2) Financial Impact of Reform on PPH Revenue Article 21**

Reforms to Income Tax (PPh) Article 21 have a substantial financial impact on tax revenues, with the potential for significant changes in the structure of fiscal revenues (Pendit et al., 2021). Before the reform, data for 2022 showed that PPH 21 revenues in the previous year reached IDR 1,171.8 trillion, with a growth of 58.1%, with a taxpayer compliance level of around 75%. At that time, tax rates ranged from 5% to 30%, with several quite complex forms and administrative requirements. After the implementation of the reform, actual tax revenues reached IDR 95 trillion, exceeding initial projections by 5%. The level of taxpayer compliance has also increased to 80%. This shows that the reform has succeeded in creating an environment that is more conducive to tax compliance (Hartanti & Gazali, 2023).

Through the implementation of reforms, projected tax revenues are expected to increase along with increased compliance (Widodo & Hetty, 2021). For example, the projected tax revenue after reform is estimated to reach IDR

100 trillion within three years. The reforms include reducing tax rates for certain categories, which is expected to stimulate investment and increase corporate profits (Saputro & Taufiequrrohman, 2021). In addition, significant changes in administrative structures, including reducing bureaucracy and implementing information technology, are anticipated to increase the efficiency of tax collection (Kusuma & Simanyngkalit, 2022). A concrete example of this financial impact is the increase in the number of taxpayers who report income on time, along with the increase in revenue from certain sectors that receive tax incentives (Miranti, 2021). Thus, the financial impact of the reform on PPH Article 21 revenues is not only reflected in an increase in nominal tax revenues, but also through increased compliance, administrative efficiency, and encouragement of certain economic sectors.

### **3) The Effect of Tax Reform on Investment Levels and the Economy**

Tax reform is a policy instrument that can have a significant impact on the level of corporate investment and certain sectors that an important role in shaping a country's economic climate (Zaelani, 2019). Its influence can be seen through various mechanisms, especially in providing fiscal incentives to companies. A reduction in tax rates, for example, tends to increase a company's net profits, which can then be used as a source of capital to increase investment (Octavia & Sari, 2022). Smart tax reform could also create special incentives for certain sectors considered strategic, such as technology, renewable energy or manufacturing. By providing facilities or tax reductions in these sectors, the government can stimulate investment growth in fields that are considered vital for economic development.

The impact of tax reform on investment levels is also closely related to its effect on overall economic growth. Empirical research shows that successful tax reform can make a positive contribution to economic growth (Yurianto & Tantowi, 2021). Simplifying tax regulations, improving tax structures, and providing appropriate incentives can create a conducive environment for investment and more productive economic activity (Kusbandini et al., 2023). In addition, tax reform can improve the efficiency

of the tax system, reduce administrative costs, and increase taxpayer compliance, which in turn can support tax revenues and government spending programs.

## **CONCLUSION**

The conclusion of the analysis of the impact of tax reform on income tax revenue (PPH) Article 21 in Indonesia shows that there are significant changes in the tax system that affect both parties, namely taxpayers and the government. Tax reform aims to increase efficiency, fairness and transparency in tax revenue collection. With the introduction of more proportional tax rates and various fiscal incentives, taxpayers will receive some relief from the tax burden, which is expected to encourage economic growth and investment. However, the analysis also shows that adjustments to tariffs and incentive policies need to be balanced with increasing the effectiveness of tax enforcement to ensure that tax revenues remain optimal. This tax reform opens up opportunities for further improvements in Indonesia's tax system to achieve sustainable economic development goals.

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