

Assessment and Recommendations for Enhancing Compliance in Income Tax Article 21 Calculations: A Case Study of XYZ Hospital

Utari Priyanti

*Accounting Study Program, Faculty of Economics and Business, Universitas Potensi
Utama, Sumatera Utara, Indonesia*
E-Mail: priyantiutary25@gmail.com

525

Siti Aisyah

*Accounting Study Program, Faculty of Economics and Business, Universitas Potensi
Utama, Sumatera Utara, Indonesia*
E-Mail: aisyah10041993@gmail.com

**Submitted:
26 FEBRUARY 2023**

Accepted:

ABSTRACT

XYZ Hospital, situated in Medan City, North Sumatra Province, is a private healthcare facility established with the vision of delivering exceptional services to fulfill the health requirements of the community. In the context of compensating specialist doctors, XYZ Hospital employs the PPh Article 21 calculations. This study seeks to assess and analyze whether XYZ Hospital in Medan has accurately executed PPh Article 21 calculations and to identify the challenges encountered in this process. Data collection involved interviews with XYZ Hospital in Medan, utilizing NVivo software and a framework of matrices for analysis. The findings indicate that the computation of Income Tax Article conducted by XYZ Hospital in Medan deviates from the stipulated legal rate of 5%. Identified obstacles include a lack of precision in the financial department's calculations. Additionally, XYZ Hospital in Medan has implemented efforts to enhance its understanding of taxation and to adhere to applicable tax regulations.

Keywords: *PPh Article 21, Healthcare, Tax Compliance, NVivo, matrices of framework*

ABSTRAK

XYZ Hospital, yang terletak di Kota Medan, Provinsi Sumatera Utara, merupakan fasilitas kesehatan swasta yang didirikan dengan tujuan memberikan pelayanan yang luar biasa untuk memenuhi kebutuhan kesehatan masyarakat. Dalam hal memberikan kompensasi kepada dokter spesialis, XYZ Hospital menggunakan perhitungan PPh Pasal 21. Penelitian ini bertujuan untuk menilai dan menganalisis apakah XYZ Hospital di Medan telah melakukan perhitungan PPh Pasal 21 dengan benar dan mengidentifikasi kendala yang dihadapi dalam proses ini. Pengumpulan data melibatkan wawancara dengan XYZ Hospital di Medan, menggunakan perangkat lunak NVivo dan kerangka matriks untuk analisis. Temuan menunjukkan bahwa perhitungan Pajak Penghasilan yang dilakukan oleh XYZ Hospital di Medan tidak sesuai dengan tarif yang berlaku sebesar 5%. Kendala yang diidentifikasi termasuk kurangnya ketelitian dalam perhitungan di bagian keuangan. Selain itu, XYZ Hospital di Medan telah melakukan upaya untuk meningkatkan pemahaman tentang perpajakan dan mematuhi regulasi perpajakan yang berlaku.

Kata kunci: *PPh Pasal 21, Kesehatan, Kepatuhan Pajak, NVivo, matriks kerangka.*

JIMKES

INTRODUCTION

Government revenue primarily stems from the tax sector (Imam & Jacobs, 2014), constituting a vital source for financing both routine and investment expenditures at the state level (Nasution, 2017). Economically, taxes function as a means of transferring resources from the private sector, i.e., companies, to the public sector, potentially influencing the purchasing power of the former (Boadway & Flatters, 2023). Efficient management of tax compliance is essential to prevent disruptions to business operations. Companies adopt diverse strategies to enhance profits, such as reducing production costs, though they encounter challenges given the numerous deductions, including taxes, that require consideration. To support its activities and promote equitable resource distribution, the Indonesian government necessitates capital, sourced domestically and internationally as part of the national income. Taxes levied on various industries contribute significantly to the State Budget as a revenue stream. Fundamentally, minimizing tax payments is a universal objective. Companies pursue tax-saving measures by exploiting existing tax regulations, aiming to maximize net profits after taxes. Notably, opportunities for corporate tax savings often revolve around costs associated with employee benefits, particularly Article 21 income tax linked to employee earnings.

This study focuses on the phenomenon observed in relation to Income Tax Article 21 applied to the remuneration of specialist doctors at XYZ Hospital. An inconsistency exists between the hospital's salary deduction system and the government's system, resulting in inaccuracies in the deduction of Article 21 income tax from the salaries of specialist doctors. Within the contextual background provided, several research inquiries arise concerning the computation of Gross Income for Specialist Doctors under Article 21 Income Tax at XYZ Hospital. Firstly, how does the hospital perform this calculation on a monthly basis? Secondly, what challenges does the hospital encounter when calculating Article 21 Income Tax pertaining to the income of specialist doctors? And thirdly, what measures has XYZ Hospital taken to address the issues arising in the calculation of Article 21 Income Tax? These research questions are centered around the calculation process, challenges faced, and the hospital's efforts in the realm of tax management related to the income of specialist doctors. The primary focus of the research is on the application of Income Tax Article 21 calculations on the salaries of specialist doctors at XYZ Hospital. The study has three principal objectives. First, to analyze and evaluate whether the hospital has adhered to government regulations in implementing the Article 21 Income Tax calculation. Second, to analyze and identify the challenges encountered by the hospital in computing Article 21 Income Tax on the salaries of specialist doctors. And third, to analyze and comprehend the efforts made by XYZ Hospital to tackle the issues arising in the calculation of Article 21 Income Tax. Through these objectives, the research aims to offer a comprehensive understanding of the implementation and challenges involved in the income tax calculation for specialist doctors at XYZ Hospital, along with the efforts undertaken to address them.

This study is anticipated to yield substantial advantages for diverse stakeholders. Firstly, in the realm of academia, it has the potential to enrich and apply knowledge acquired during academic pursuits to real-world scenarios, particularly within the domain of income tax. Secondly, for companies, the research findings can serve as crucial input and information concerning the computation of Article 21 Income Tax, functioning as an assessment tool in managing Article 21 Income Tax matters. Thirdly, practitioners can leverage the research as a valuable point of reference in the context of Article 21 Income Tax calculation, offering additional insights into taxation aspects in accordance with relevant laws. Consequently, it is envisaged that this research will positively contribute to the advancement of knowledge and comprehension pertaining to the implementation of Article 21 Income Tax at XYZ Hospital.

LITERATURE REVIEW

Tax represents a contribution from individuals to the state treasury, governed by enforceable laws and not entailing direct reciprocal services (Prena et al., 2019; Solichin & Astuti, 2022). Its primary purpose is to cover general expenditures (Purnama, 2017). Taxes fulfill dual roles: budgetary and regulatory. In the budgetary context, taxes serve as a source of government revenue for funding both routine and developmental expenditures. The government aims to maximize revenue collection for the state treasury as a means of state finance. The regulatory aspect entails taxes functioning as tools to implement government policies in the social and economic realms, working toward specific objectives beyond financial considerations (Majone, 2019; Masithoh & Mardikaningsih, 2022; Viscusi et al., 2018). Income Tax Article 21 applies to the income of domestic individuals, encompassing wages, salaries, fees, allowances, and other payments (Evi & Pramesworo, 2021; Khikmah & Sumanto, 2022). This tax is required to be withheld and directly paid by the taxpayer, which can include government treasurers, employers, corporations or institutions, businesses, pension fund managers, or organizers of relocation activities. Income Tax Article 21 serves as a mechanism to collect taxes directly from the source of individual income (Malau & Sudjiman, 2023). Income Tax Article 21, with its two-fold functions of budgetary and regulatory roles, serves as one of the sources of government revenue for both routine and developmental expenditures. The government, as the source of state finance, endeavors to maximize revenue collection for the state treasury. Additionally, the regulatory function of the tax plays a crucial role in implementing government policies in the social and economic spheres, aiming to achieve specific objectives beyond financial considerations. The income tax rate for PPh Article 21 serves as a pivotal benchmark for determining the tax burden, as stipulated in Law Number 36 of 2008 with provisions detailed in Table 1.

Table 1. Article 21 Income Tax rates

Layers of Taxable Income	Tax Rates
< Rp 50.000.000,00	5%
Rp 50.000.000,00 – Rp 250.000.000,00	15%
Rp 250.000.000,00 – Rp 500.000.000,00	25%
≥ Rp 500.000.000,0	30%

Source: Law No. 36 of 2008

Additionally, Non-Taxable Income (PTKP) represents the income threshold exempt from taxation for individual taxpayers (Damajanti & Karim, 2017). Essentially, PTKP marks the point at which an individual's income is no longer considered taxable in income calculations (Syarifudin, 2022). According to the regulations outlined in the Income Tax Bill, the annual PTKP amount remains constant at Rp 54,000,000 for individual taxpayers. Married taxpayers enjoy an additional PTKP of Rp 4,500,000, a further sum for a combined income with a spouse at Rp 54,000,000, and an additional amount for each dependent at Rp 4,500,000 for a maximum of three dependents. These provisions delineate the threshold of income exempt from tax and provide additional considerations for married taxpayers or those with dependents.

The procedure for calculating Income Tax Article 21, as per Minister of Finance Regulation Number 252/PMK.03/2008, involves multiple stages. Firstly, net income per month is determined by deducting gross income from position fees and THT contributions paid by employees. Subsequently, the net monthly income is annualized by multiplying it by the number of months in a year, i.e., 12 months. Finally, taxable income is computed by subtracting the annualized net income from the non-taxable portion. This process outlines the systematic steps in calculating Income Tax Article 21, starting from monthly calculations and extending to annual calculations, considering elements such as office costs, old-age contributions, and non-taxable income.

The legal foundation for calculating Income Tax Article 21 in Indonesia is grounded in several laws. Primarily, Law of the Republic of Indonesia Number 7 of 1983 concerning Income Tax serves as the main basis. Subsequent amendments to this law

were made through Law of the Republic of Indonesia Number 7 of 1991, further revised through Law of the Republic of Indonesia Number 10 of 1994. Law of the Republic of Indonesia Number 17 of 2000 also contributes to the legal basis for income tax. Ultimately, significant changes are embodied in Law of the Republic of Indonesia Number 36 of 2008, constituting the fourth amendment to Law Number 7 of 1983 concerning Income Tax. These collective laws establish the legal framework regulating the calculation of Income Tax Article 21 and stipulate provisions related to income tax in Indonesia (Juhandi et al., 2019; Siregar et al., 2019; Tan & Sudirman, 2020).

METHODS

The research methodology employed in this investigation is qualitative in nature. The author undertook the processes of data collection, data processing, and data analysis to derive conclusions from the research. By analyzing the implementation of income tax Article 21 Calculation on the Salaries of Specialist Doctors at XYZ Hospital, the researcher concentrated on gathering, processing, and analyzing data pertaining to the calculation of income tax under Article 21 applied to the salaries of specialist doctors at the hospital.

The research object is Income Tax Article 21, with the subjects being specialist doctors at XYZ Hospital. The study aims to scrutinize the process of calculating Income Tax Article 21. Drawing from field study activities, literature reviews, and consultations with the thesis advisor, the researcher formulated problems pertinent to the conditions in the company. The problem formulation revolves around a case study focused on the analysis of the implementation of the calculation of Income Tax Article 21 on the salaries of specialist doctors at XYZ Hospital.

Primary and secondary data constitute the data used in this study. Primary data involve interviews, while secondary data encompass books, records, existing evidence, or archives, whether published or unpublished. These data were sourced from employees at XYZ Hospital in Medan. The data collection techniques employed include observation, interviews, and documentation. Observation entails direct observation at XYZ Medan Hospital. Interviews were conducted directly with the finance department to obtain relevant data for the research, while documentation involved collecting necessary data for the study. The descriptive method serves as the data analysis approach, aimed at comprehending and analyzing the procedures for calculating Article 21 Income Tax and the withholding of Article 21 Income Tax at XYZ Hospital. The data analysis process involved presenting and examining data obtained from the finance and accounting departments related to Income Tax Article 21. Additionally, the analysis was supported by the application of Nvivo with Nvivo 12 Plus software, a qualitative data analysis tool produced by QSR, designed with various features for investigating a qualitative research project with text-based sources.

RESULTS

According to Table 2, detailing salaries and deductions for Article 21 Income Tax applicable to Specialist Doctors at XYZ Hospital in Medan, the prescribed system, as mandated by the Government, stipulates a deduction of only 5%.

Table 2. Income Tax Calculations for Article 21 for January 2022

No.	Doctor's Initial	Total Income for January 2022	PPh 21 January 2022
1.	CAB	Rp. 8.420.000	Rp. 210.500
2.	TMI	Rp. 7.700.000	Rp. 192.500
3.	IKN	Rp. 11.525.000	Rp. 288.125
4.	BIS	Rp. 10.200.000	Rp. 255.000
5.	ANY	Rp. 2.275.000	Rp. 56.875
6.	BRN	Rp. 35.890.000	Rp. 897.250
7.	ISY	Rp. 10.250.000	Rp. 256.250
8.	STF	Rp. 18.580.000	Rp. 464.500
9.	ARO	Rp. 17.670.000	Rp. 441.750
10.	REV	Rp. 21.560.000	Rp. 539.000

Source: XYZ Hospital in Medan

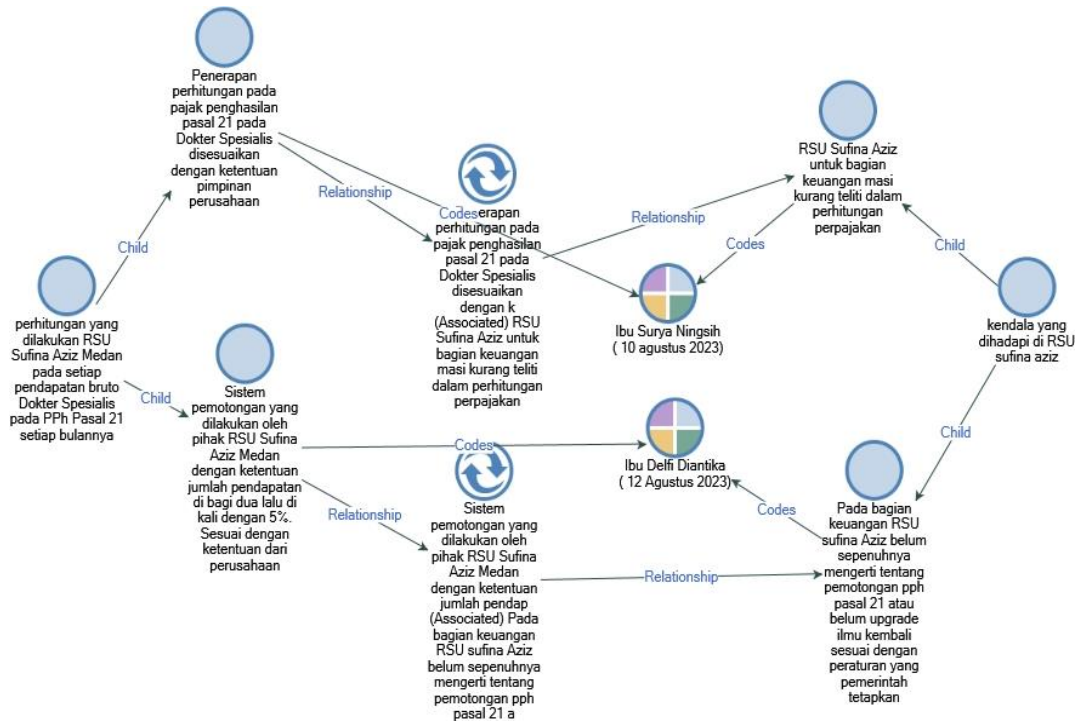
However, the computation of PPh Article 21 on income does not align with the government-set standard of a straightforward multiplication by 5% in each calculation. This observation was articulated by the general and finance section at XYZ Hospital in Medan. The current approach involves dividing each income by 2 and subsequently multiplying the result by 5%, resulting in the monthly income being the gross income multiplied by 5%.

Table 3. Analysis of the Income Tax Article 21 calculation results for specialist doctors at XYZ Hospital in Medan for January 2022.

No.	Doctor's Initial	Total Income for January 2022	PPh 21 January 2022 (Company)	PPh 21 January 2022 (Government)	Difference
1.	CAB	Rp. 8.420.000	Rp. 210.500	Rp 421.000	Rp. 210.500
2.	TMI	Rp. 7.700.000	Rp. 192.500	Rp 385.000	Rp. 192.500
3.	IKN	Rp. 11.525.000	Rp. 288.125	Rp 576.250	Rp. 288.125
4.	BIS	Rp. 10.200.000	Rp. 255.000	Rp 510.000	Rp. 255.000
5.	ANY	Rp. 2.275.000	Rp. 56.875	Rp 113.750	Rp. 56.875
6.	BRN	Rp. 35.890.000	Rp. 897.250	Rp 1.794.500	Rp. 897.250
7.	ISYP	Rp. 10.250.000	Rp. 256.250	Rp 512.500	Rp. 256.250
8.	STF	Rp. 18.580.000	Rp. 464.500	Rp 929.000	Rp. 464.500
9.	ARO	Rp. 17.670.000	Rp. 441.750	Rp 883.500	Rp. 441.750
10.	REV	Rp. 21.560.000	Rp. 539.000	Rp 1.078.000	Rp. 539.000

Source: XYZ Hospital in Medan

Table 3 highlights the disparities between company practices and government regulations as per applicable laws. The data pertaining to PPh 21 deductions at XYZ Hospital in Medan reveals that the company continues to apply rates in line with the hospital's internal regulations when calculating taxable income for employees. This approach stands in clear contradiction to government regulations.



Source: Data processed using Nvivo software

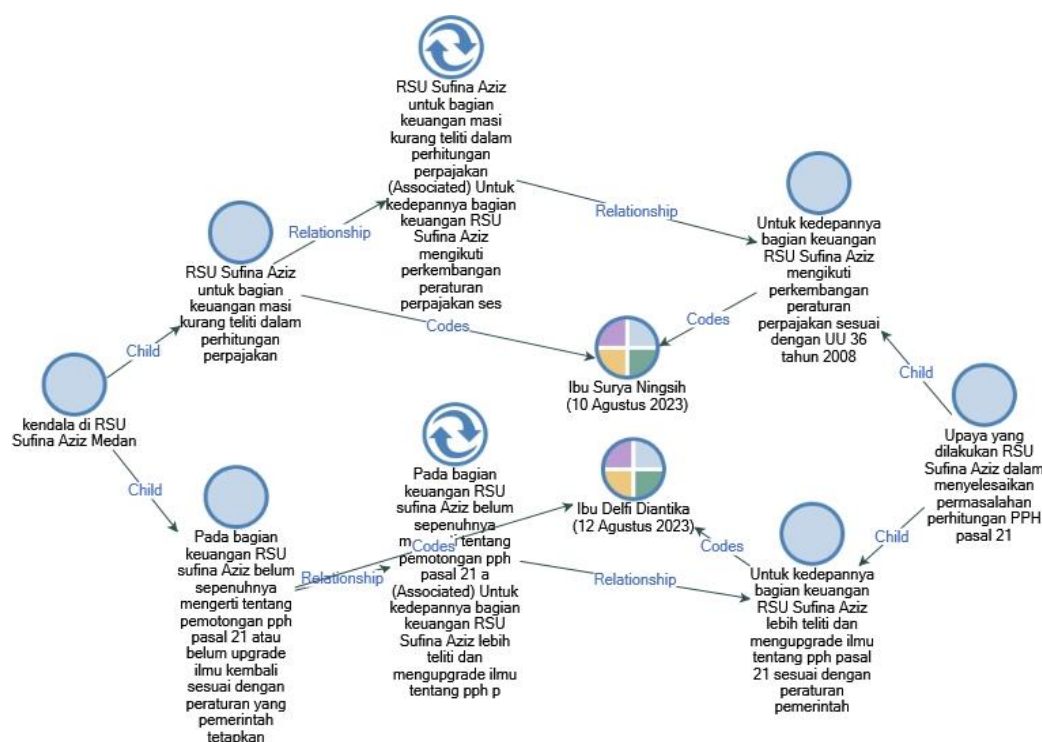
Figure 1. Calculation of Income Tax Article 21 Income Tax on the Salary of a Specialist Doctor at XYZ Hospital

The NVivo Brainware Analysis model presented in Figure 1 illustrates that the PPH calculation conducted by XYZ Hospital is substantiated by interview and field observation data. These data are associated with aspects integral to the calculation process at XYZ Hospital, specifically the PPH Article 21 calculation carried out by the company, which is found to deviate from legal requirements. The applicable law mandates a 5% rate, but as revealed in the researcher’s interviews with finance department employees, there is a lack of understanding of the calculations, and the company continues to adhere to its internal regulations. Furthermore, Figure 2, depicting the framework for interview matrices, elucidates the reasons why the calculation of income tax under Article 21 for specialist doctors’ salaries does not align with statutory regulations.

Table 4. Framework Matrices Obstacles faced by XYZ Hospital

	A: The adjustment of calculations for income tax Article 21 for specialist doctors to the provisions of the organization.	B: The non-compliance of the article 21 calculation with the law is an outcome of company regulations.	C: Nonconformity with the law in the calculation of Article 21 results from adherence to organizational regulations.
Mrs. SUN (August 10, 2023)		The deduction system implemented by XYZ Hospital in Medan, involving the division of the income amount by two and subsequent multiplication by 5%.	Non-conformity in the Article 21 calculation due to organizational regulations.
Mrs. DEL (August 12, 2023)	Alignment of the calculation system with applicable laws coupled with a partial understanding of the deduction for income tax Article 21 by the finance department.		

Source: data processed by Nvivo



Source: Data processed using Nvivo software, 2023

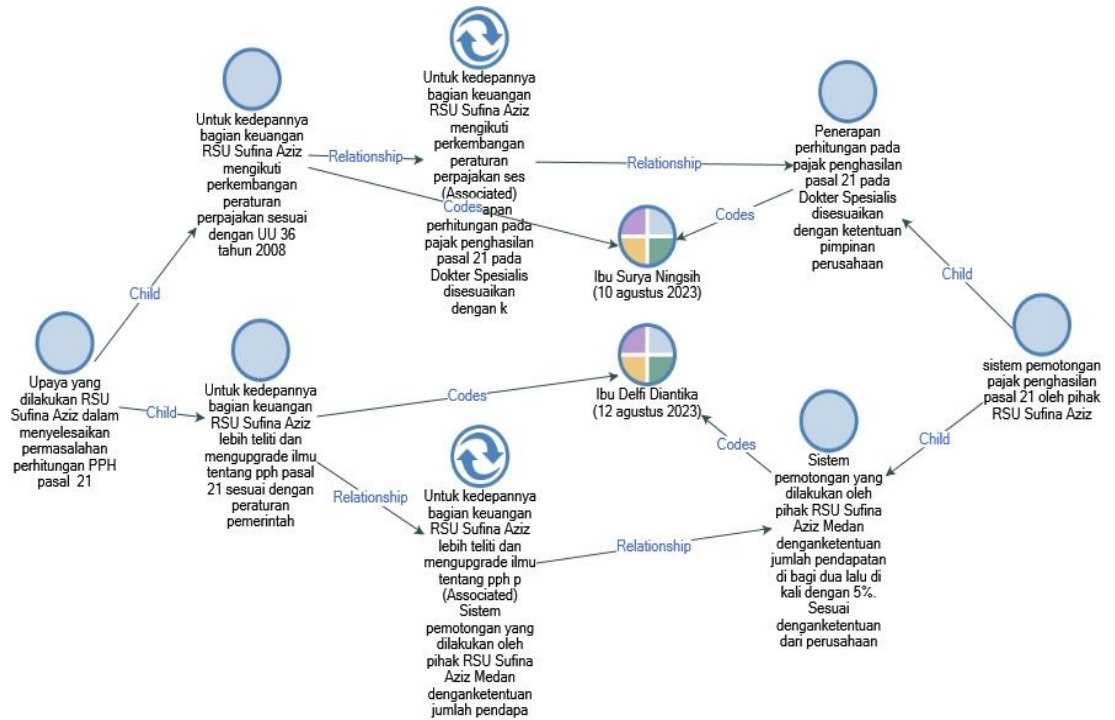
Figure 2. Challenges encountered by XYZ Hospital in the process of Income Tax Article 21 calculation.

In the realm of PPh Article 21 calculations, challenges are ubiquitous across various companies, and XYZ Hospital is no exception. Within its calculations, there persist instances of employees who lack a comprehensive understanding and precision, failing to adhere to the established government regulations. The hurdles encountered by XYZ Hospital in this calculation process encompass a financial department that still lacks thoroughness due to adherence to company regulations. Consequently, the financial department has yet to update its knowledge to align with the pertinent government regulations. This assertion is substantiated through an interview with Mrs. DEL, and the data has been methodically processed utilizing the Nvivo application. The Interview Matrices Framework elucidates the impediments faced by XYZ Hospital, as outlined in Table 5 and Figure 3.

Table 5. Framework Matrices Obstacles faced by XYZ Hospital

A: The finance department's insufficient attention to detail in conducting tax calculations.	B: Constrained by insufficient payment when fulfilling annual tax obligations.	C: Restricted by the continuation of calculations based on the previous employee's data.
Mrs. SUN (August 10, 2023)	The issue pertains to the consistent inquiries from specialist doctors regarding tax calculations.	
Mrs. DEL (August 12, 2023) In the finance department of XYZ Hospital, there is a lack of complete comprehension regarding the deduction of income tax Article 21, or an absence of updates to align knowledge with government regulations.		The calculations conducted by the company do not align with statutory regulations, necessitating a reevaluation and an upgrade of knowledge to ensure compliance with government regulations.

Source: data processed by Nvivo, 2023



Source: Data processed using Nvivo software

Figure 3. Obstacles faced by XYZ Hospital in the Income Tax Article 21 Calculation Process

In addressing the encountered challenges, it is imperative for the management to enhance their understanding of taxation and diligently adhere to the prevailing tax regulations in Indonesia. Additionally, XYZ Hospital may consider appointing an individual with expertise in taxation. The Brainware Analysis model presented above underscores the necessity of these efforts to overcome obstacles faced by XYZ Hospital in Medan. Furthermore, the interview matrices framework, as depicted in Table 6, represents XYZ Hospital’s initiative to mitigate issues arising in the process of calculating PPH Article 21.

Table 6. Framework Matrices XYZ Hospital’s efforts to minimize problems faced in the Article 21 Income Tax Calculation Process

A: Following developments in tax regulations	B: Enhancement of understanding and knowledge upgrade regarding Income Tax Article 21 in alignment with government regulations.
Mrs. SUN (10 agustus 2023)	Future compliance of XYZ Hospital’s financial department with tax regulations in accordance with Law No. 36 of 2008.
Mrs. DEL (August 12, 2023)	Enhanced diligence and knowledge upgrading on Income Tax Article 21 in alignment with government regulations anticipated in the future for the financial department of XYZ Hospital.

Source: data processed by Nvivo, 2023

CONCLUSION

Drawing from the conducted data and analysis, several conclusions can be derived concerning the execution of Income Tax Article 21 calculations at XYZ Hospital. Firstly, gleaned from interviews and received reports, it is evident that the execution of Income Tax Article 21 calculations does not entirely align with government regulations. This discrepancy introduces the possibility of underpayment in tax deductions for specialist doctors at the hospital. Secondly, despite the alignment of Income Tax Article 21 calculations with company regulations, non-compliance with government regulations persists. The primary contributor to this non-compliance is the inadequate understanding and insufficient retraining of the financial department employees according to government regulations. Their limited comprehension of Income Tax Article 21 calculations necessitates endeavors to augment their understanding and knowledge of the pertinent tax regulations.

Based on these conclusions, the authors propose several recommendations. First, there is a suggestion that the company should dedicate more attention to the computation of Income Tax Article 21 on the salaries of specialist doctors, ensuring strict adherence to prevailing tax laws. Second, it is recommended that the company refrains from establishing its own rules governing the deduction of Income Tax Article 21 and instead strictly follows existing laws. This approach aims to guarantee that the deduction process for the income tax of specialist doctors aligns with applicable regulations, averting potential issues related to underpayment or overpayment of taxes in the future.

REFERENCES

- [1] Boadway, R., & Flatters, F. (2023). The taxation of natural resources: principles and policy issues. In *Taxing Choices for Managing Natural Resources, the Environment, and Global Climate Change: Fiscal Systems Reform Perspectives* (pp. 17-81). Cham: Springer International Publishing.
- [2] Damajanti, A., & Karim, A. (2017). Effect of tax knowledge on individual taxpayers compliance. *Economics and Business Solutions Journal*, 1(1), 1-19.
- [3] Evi, T., & Pramesworo, I. S. (2021). Providing Income Tax Article 21 Tax Incentives during the Covid-19 Pandemic for the Stability of Economic Growth in Indonesia. *Journal of Economics, Finance and Management Studies*, 4(03), 106-119.
- [4] Imam, P. A., & Jacobs, D. (2014). Effect of corruption on tax revenues in the Middle East. *Review of Middle East Economics and Finance*, 10(1), 1-24.
- [5] Juhandi, N., Fahlevi, M., & Setiadi, S. (2019). Tax Policy and Fiscal Consolidation on Corporate Income Tax. *Journal of Business Management and Accounting*, 1(1), 21-33.
- [6] Khikmah, A. N., & Sumanto, S. (2022). CALCULATION OF INCOME TAX (PPH) ARTICLE 21 PERMANENT EMPLOYEES (Case Study at the Semarang District Attorney's Office in 2020). *Jurnal Aktual Akuntansi Keuangan Bisnis Terapan (AKUNBISNIS)*, 5(1), 12-29.
- [7] Majone, G. (2019). The rise of the regulatory state in Europe. In *The State in Western Europe* (pp. 77-101). Routledge.
- [8] Malau, C., & Sudjiman, L. S. (2023). ANALYSIS THE DEVELOPMENT REALIZATION OF INCOME TAX (PPH) AND VALUE ADDED TAX (PPN) REVENUE AT KPP PRATAMA SOREANG FOR THE YEARS 2018-2022. *Jurnal Ekonomi*, 12(04), 1104-1112.
- [9] Masithoh, N., & Mardikaningsih, R. (2022). Personal Taxpayer Compliance and the Role of Taxpayer Awareness, Tax Sanctions and Quality of Taxation Services. *Journal of Marketing and Business Research (MARK)*, 2(1), 1-10.
- [10] Nasution, A. (2017). The government decentralization program in Indonesia. *Central and Local Government Relations in Asia: Achieving Fiscal Sustainability*, 601, 276-305.
- [11] Prena, G. D., Kustina, K. T., Dewi, I. G. A. A. O., Putra, I. G. C., & Krisnanda, R. A. (2019). Tax sanctions, tax amnesty program, and tax obligation placement towards compliance report on corporate taxpayers. *International journal of social sciences and humanities*, 3(1), 26-35.
- [12] Purnama, N. I. (2017). Pengaruh Pajak dan Subsidi pada Keseimbangan Pasar. *Jurnal Ekonomikawan*, 16(1), 78085.
- [13] Siregar, R., Nasution, I. R., & Arifin, M. A. (2019). The Effect of Corporate Taxpayer Compliance, the Increase of Corporate Taxpayers' Number and Tax Audits on Income Tax Receipts of Article 25 with Taxation Sanctions as a Moderating Variable in KPP Pratama Medan Petisah. *Budapest International Research and Critics Institute-Journal (BIRCI-Journal) Vol*, 2(4), 385-400.
- [14] Solichin, M. R., & Astuti, S. (2021). Tax Payment Intention using Theory of Planned Behavior Approach. *Jurnal Ilmiah Akuntansi Dan Keuangan*, 10(1), 11-19.
- [15] Syarifudin, A. (2022). Analysis of Ptkp Changes in the Pph 21 Calculation Scheme and Its Implications for Taxpayers. *Jurnal Mantik*, 6(2), 1748-1756.

- [16] Tan, D., & Sudirman, L. (2020). Final Income Tax: A Classic Contemporary Concept to Increase Voluntary Tax Compliance among Legal Professions in Indonesia. *Journal of Indonesian Legal Studies*, 5(1), 125-170.
- [17] Viscusi, W. K., Harrington Jr, J. E., & Sappington, D. E. (2018). *Economics of regulation and antitrust*. MIT press.