ANALYSIS OF TAX PLANNING APPLICATION ON INCOME TAX ARTICLE 21 USING NET AND GROSS-UP METHODAS AN EFFICIENCY STRATEGY FOR COMPANY INCOME TAX
(Case Study on PT. X, Bali)

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ABSTRACT

Tax is a compulsory contribution to the country owed by an individual or entity that is compelling under the law. For the country, tax is an important source of revenue, however for an individual or entity, tax is a cost that can reduce their profits. This study aims to determine the efficiency of Company Income Tax through tax planning on Income Tax Article 21, using the net method and the gross up method based on Law Number 36 of 2008. The type of this research is replication with the differences in object and time of research. This research is a qualitative descriptive study with case study research approach, where describing the application of the net method and gross up method on Income Tax Article 21 and its implications for Company Income Tax. This study uses secondary data sources obtained directly from data sources, namely PT. X, Bali through interview and documentation. The results of this study indicate that with appropriate tax planning and using the gross up methods in the calculation of Income Tax Article 21, then utilizing the applicable rules and rates in accordance with Law Number 36 of 2008 Article 17 and Article 31E, Company Income Tax is efficient with the amount of IDR 17,149,313.

Keywords: tax planning, income tax, net method, gross up method, company income tax efficiency.

ABSTRAK

Pajakadalahkontribusiwajibkepadanegara yang terutangoleh orang pribadiataubadan yang bersifatmemaksaberdasarkanUndang-Undang. Baginegara, pajakmerupakansumberpendapatanpenting, namunbagiindividuataubadan, pajakadalahbiaya yang dapatmengurangilabamereka. PenelitianinibertujuanuntukmengetahuiefisiensibebanPajakPenghasilanBadanmelaluiperencanaanpajakpadaPajakPenghasilanPasal 21, denganmenggunakanmetode net danmetode gross up berdasarkanUndang – UndangNomor 36 Tahun 2008. Jenispenelitianiniadalahreplikasidenganperbedaanpadaobjekdanwaktupenelitian. Penelitianinimerupakanpenelitiandeskriptifkualitatifdenganpendekatanpenelitianstudikasus, dimanamendeskripsikanaplikasidarimetode net danmetode gross up padaPajakPenghasilanPasal 21 danimplikasinyapadapajakpenghasilanbadan. Penelitianinimenggunakansumber data sekunder yang diperolehlangsungdarisumber data yaitu PT. X, Bali melaluiwawancaradandokumentasi. Hasildaripenelitianinimenunjukkanbahwadenganperencanaanpajak yang tepatdanmenggunakanmetode gross up padaperhitunganpajakpenghasilanpasal 21, lalumemanfaatkanaturansertatarif yang berlakusesuaiUndang – UndangNomor 36 Tahun 2008 Pasal 17 danPasal 31E, terdapatefisiensipadaPajakPenghasilanBadansebesarRp. 17,149,313.

Kata kunci: perencanaanpajak, pajakpenghasilan, metode net, metode gross up, efisiensipajakpenghasilanbadan.

INTRODUCTION

National development is the government's efforts to improve people's welfare, both materially and spiritually, and continuously. To make it happen, the government needs a lot of capital. By not ruling out the funds sources obtained from abroad, one form of independence of a country in development is to explore the potential sources of funds originating from within the country optimally.

Indonesian's national development is growing rapidly as the amount of 5.01% per 2017 as stated on Minister of Finance (*www.kemenkeu.go.id, 2019*) and an adequate spending must support it. Development in Indonesia is supported by state revenue sources, which are one of the most important sectors is the taxation sector beside petroleum and natural gas. Tax revenues realization during the end period of June 2018 was record at 721 trillion rupiahs, increasing from 647 trillions rupiah on May 2017 that includes non-oil income tax and oil income tax. The APBN (State Budget and Expenditure) targets 1,617 trillion rupiahs, so it can be concluded that this realization is around 896 trillion rupiahs compared to last year has increased to 2.31%. In 2017, the tax reached 38.20%, while in 2018 the tax reached 40.51% (*www.kemenkeu.go.id, 2019*).

In accordance with Article 1 Act (1) on Law Number 28 of 2007 concerning General Provisions and Procedures for Taxation: "tax is a compulsory contribution to the state owed by an individual or entity that is compelling under the law, by not getting compensation directly and used for the state's needs for the greatest prosperity of the people".

For the country, tax is an important source of revenue that used to fund their expense and national development (Mardiasmo, 2011). However, on the other hand for entrepreneurs, taxes are costs that can reduce company profits, so they tend to avoid tax obligations. No matter how much company's tax burden it will decrease after-tax profit and cash flow. Since it, fulfilling the tax obligation needs a-good management by the management team in order to avoid tax overpayment or underpayment because it also avoids the company of sanction.

In addition, the taxpayer want the payment of their tax obligation as low as possible. Several of ways done by the taxpayer in order to lower their tax, whether the law allows it or even disobey the tax's law. In addition, according to Waluyo and Wirawan (2000), the characteristics and patterns inherent in the definition of tax are divided into three that can be mentioned as the first is tax collection is an embodiment of service obligations and taxpayers participation to directly and jointly carry out tax obligations required for state financing and national development. The second is responsibility for the obligation to implement taxes, as a reflection of obligations in the field of taxation is in the community members of the taxpayer themselves and the third is taxpayers' community members are trusted to be able to carry out national cooperation through a system of calculating and paying their tax payable (self-assessment system).

The taxpayer always found a way to lower their tax payment, and this is a real concrete evidence of how a taxpayer does not like to pay tax. The people do not like to pay the tax and our government do not want to force people to pay the tax. However, tax payment need to be done in order to fund our national development equally.

Therefore, in term of raising the profit of the company itself, a good plan for the company tax is one of the solutions. Many ways are done by the company in minimizing the tax burden that will be paid (Aryanti,*et. al.* 2013), namely by making two financial statements where the original financial statements will be used for the owners themselves as personal interests, while for financial statements that are engineered for their tax reports and cooperating with tax officials.

Although paying tax is an obligation of every citizen based on law, almost no one is delightful to pay taxes. Like the assumption of Pohan (2011), that taxpayers always try to pay the tax owed as little as possible, as long as it made possible by law. Beside of it, taxpayers tend to smuggle tax (tax evasion), which is a tax avoidance effort that owed illegally, as long as the taxpayer has a compelling reason that they are unlikely to be arrested and believe that other people are doing the same.

Tax management can carry out tax saving efforts in accordance with applicable law. Nevertheless, the legality of tax management depends on the instrument used. Legality will be known with certainty after the court ruling (Suandy, 2011). A right tax management can minimize the amount of tax that must be paid by the company, so it will get the expected profit and liquidity (Suandy, 2011). Therefore, in emphasizing taxes as low as possible the company makes tax-planning management, but still, by paying attention to tax legality.

According to Rori (2013), the efforts to minimize tax obligation efficiently legally throughtax planning. Tax planning is the first step in tax management by collecting and researching tax regulations so the types of tax-saving measures that can be selected in order to minimize tax obligations are selected but are still in the taxation laws and regulations. Minimizing the agency's outstanding income tax, by optimizing deductible income, and maximizing fiscal costs, minimizing costs that are not allowed as deductions and selection of accounting methods. By delaying the time oftaxes payment until the time limit allowed in accordance with the law, companies can save cash flow the concept of time value for money.

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Referring to Warren, *et al.* (2008), the goal of most companies is to maximize profits. Profit is the difference between the amount received from customers for goods or services produced by the amount spent to buy natural resources or other expenses in producing these goods or services. Therefore, the company will increase revenue and reduce the expense to a minimum level, including the tax burden.

According to Resmi (2014) Income tax is a tax imposed on a tax subject on income received or earned in a tax year. Income tax companies have a close relationship in paying company taxes, and have a large space for tax planning. Employee income tax planning can be done by optimizing that can be financed, diverting it in the form of giving natural, allowances as costs and can be deducted according to tax legislation.

The tax planning on income tax article 21 is also company policy because in addition to the profit the company must consider the welfare of its employees. Because giving large salaries and benefits will make employees more motivated to be more active in work, which can make the company's performance better (Hussin, 2013).

Income tax article 21have a subjective and varied nature, so in calculating the income tax article 21 is not an easy job. The subjective definition here involves the conditions and status of each employee, like employee's status which can be a new employee, expatriate, the non-taxable income (PTKP) status also tax identification number (NPWP). Moreover, the variative nature involves various types and characteristics of income received by employees.

According to *DitjenPajakRepublik Indonesia* (2018),every company has its own Income Tax Article 21 calculation method that is adjusted to the tax allowance or net salary received by its employees. There are three most common Income Tax Article 21 calculation methods, namely gross method,net method and gross-up method (Pohan, 2011). By choosing one of those three ways of planning, a company income tax will help them to minimize their taxes efficiently in legal way according to applicable regulation in Indonesia also to prosper their employees and obtain higher profit.

To know the right planning on the company income tax expense, efficiency is one measure of success that can be assessed from the number of resources sacrificed to obtain certain results. Measures of efficiency, which is where companies produce fewer tax burdens than those targeted by companies. Large companies certainly have varied expenditures (Gobel, 2013). The tax planning on income tax article 21 is one of the company's policies in seeking profit, but the company must also pay attention to the welfare of its employees.

The net and gross up method has similarity which does not impose income tax article 21 payable to the employee, and it is difference when the company using gross method that will cut the employees' salary (take home pay). As stated by Pohan (2011), the use of net method or gross up method will affect to the efficiency of the company. The employee will not harmed when the company choose between these two methods.

Tax planning does not aim to manipulate taxation, but seeks to take advantage of opportunities related to tax regulations that benefit taxpayers and does not harm the government and in a legal way. Therefore, by doing the tax planning will help the company to reduce and paid the most efficient tax.

LITERATURE REVIEW

Tax

Prof. Dr. RochmatSoemitro, S.H. (1991) in Mardiasmo (2011) defined tax as the people contributions to the state treasury are based on the law (which can be enforced) by not getting lead services (counterparty) which can be directly shown and used to pay for public expenditure. According to the Law Number 28 of 2007 Article 1 Act (1) concerning General Provisions and Procedures for Taxation: "tax is a compulsory contribution to the state owed by an individual or entity that is compelling under the law, by not getting compensation directly and used for the state's needs for the greatest prosperity of the people".

Definition of Tax based on Prof. Dr. P. J. A. (Santoso, 1991):

"Tax is a contribution to the state (which can be imposed) which is owed by those who are obliged to pay according to the regulations, by not getting a return, which can be directly appointed and the point is to finance general expenses related to the duty of the state to organize the government".

According to (Waluyo, 2009) the characteristics inherent in the notion of tax are as follows:

1. Based on the law, taxes are collected and can be impose based on the implementation rules.
2. In payments, individual government counterparts cannot demonstrate taxes.
3. The state collects taxes, both the central government and regional governments.
4. Tax is intended for government expenditures, which if there is a surplus from the income, is used to finance public investment.
5. Tax also has a purpose other than budgeter, namely regulating.

In general, tax serves as a source of income used to finance expenditures or activities carried out by the government (Resmi, 2014). The tax function can be described as follows:

1. Acceptance Function (Budgeter)
2. Function set (Regular)

Income Tax

The income tax is the imposition of tax on the tax subject concerning to income received or obtained within the tax year. The subject of the income tax is taxed when receiving or earning income. Taxpayer are taxed on income received or obtained during a tax year or can also be taxed for income in some tax years if the subjective tax liability begins or ends in the tax year.

Income Tax Article 21

The Income Tax Article 21 is a tax on income in the form of salary, wages, honorarium, allowances, and other payments in whatever name and form in connection with work or position, services, and activities carried out by individual domestic tax subjects as referred to the Law of Income Tax Article 21. Income tax article 21 is a compulsory of income tax that was deducted by the employer to the employee. As stated by Resmi (2014), the amount of tax that was deducted and properly paid by the employer, also another deduction can be uses by the taxpayer as a tax credit on income tax payable at the end of the year.

Based on Law Number 36 of 2008 Article 2 concerning the fourth amendment to Law Number 7 year 1983 concerning income tax, the subject of the tax are an individual, an undivided inheritance as a whole replacing the right, permanent body and business. There are two types of tax subjects, namely: domestic tax subjects and foreign tax subjects.

Recipient of income that will not deducted from Income Tax Article 21 as follows:

1. Diplomatic and consular representative officials or other officials from a foreign country, and persons seconded to those who work with and reside with them, provided that they are not Indonesian citizens and in Indonesia do not receive or earn other income outside the position or job and the country concerned provides reciprocal treatment;
2. Officials representing international organizations as referred to in Law Number 36 of 2008, which has stipulated by the Minister of Finance, if they are not Indonesian citizens and do not carry out business or activities or other jobs to earn income from Indonesia.

According to Law Number 36 of 2008 Article 4 Act (1) on concerning Income Tax, the object of tax is income, namely any additional economic capacity received or obtained by taxpayers, both from Indonesia and from outside Indonesia, which can be used for consumption or increase the taxpayer's wealth in question, by whatever name and form.

These are several examples of an object that are not included in calculating Income Tax Article 21, which are:

1. Insurance claims, or insurance received from health insurance companies, accident insurance, life insurance, scholarship insurance, and dual-purpose insurance (based on Law Number 36 of 2008 Article 4 Act (3) Letter “E”).
2. Other benefits and benefits received from taxpayers (employers) that are not subject to final income tax and are not subject to income tax based on deemed profit.
3. Pension contributions paid to pension funds whose establishment approved by the Minister of Finance and *JHT* contributions paid to the “Jamsostek” organizer paid by the employer.
4. Zakat received by the rightful from the agency or "amil zakat" formed or authorized by the Government.
5. Scholarships.

Here is the formula to calculate the income tax article 21:

Income Tax Article 21 Calculation Formula

= (Gross Income – Cost reduction) – Non Taxable Income x Tariff based on Article 17
= (Net Income – Non Taxable Income) x Tariff based on Article 17
= Taxable Income x Tariff based on Article 17
= Income Tax Article 21 Payable

To find the taxable income we need to calculate between net income and non-taxable income rate (PTKP). The tariff of non-taxable income is based on the status of the employee, which is:

Non Taxable Income (PTKP) Tariff

Single Men or Women Non-Taxable Income

Status	Tariff
TK	IDR 54.000.000
TK/1	IDR 58.500.000
TK/2	IDR 63000.000
TK/3	IDR 67.500.000

Married Men Non-Taxable Income

Status	Tariff
K	IDR 58.500.000
K/1	IDR 63.000.000
K/2	IDR 67.500.000
K/3	IDR 72.000.000

Single Men or Women Non-Taxable Income

Status	Tariff
K/I/0	IDR 112.500.000
K/I/1	IDR 117.000.000
K/I/2	IDR 121.500.000
K/I/3	IDR 126.000.000

Source: Law Number 36 of 2008

The amount of income tax article 21 payable we need to adjust and calculate the taxable income based of the tariff or rate of income tax article 21 as stated in Income Tax Law Article 17, that is:

Income Tax Tariff

Taxable Income	Tax Rate
Until 50.000.000	5%
Above IDR 50.000.000 Until IDR 250.000.000	15%
Above IDR 250.000.000 Until IDR 500.000.000	25%
Above IDR 500.000.000	30%

Efficiency

Understanding efficiency in general, as defined by Gobel (2013), is a measure of success assessed from the number of resources sacrificed in order to obtain certain expected results.

For companies, tax is a burden that can reduce net income. The direct tax burden is generally borne by the person or entity that receives or earns income, while the community does not directly bear the tax burden. For companies, taxes imposed on income received or obtained can be considered as a cost or expense in running a business or conducting activities as stated by Suandy (2011).

The efficiency of tax burden emphasis can apply tax planning that is legal. The company can allocate resources by doing all the right activities on the efficiency of financial decisions, not doing waste that can affect the company's profits.

Company Income Tax

According to Diana and Setiawati (2014), a company or an institution or body is a group of people and / or capital, which is a good entity, does business, and does not conduct business. The company income tax formula based on Income Tax Law Article 31E is:

Formula of Company Income Tax Article 31E

Tariff 1: $\frac{4.800.000.000}{\text{Operating Revenue}}$ x Net Profit (Loss) = A x 50% 25%

Tariff 2: Net Profit (Loss) - A = $\frac{\text{B x 25\%}}{\text{C}}$ +

*C = Total Company Income Tax Payable

Tax Planning

Tax planning is an effort to minimize the amount of tax liability for tax obligations but remains on the legality frame. (Suandy, 2011). As defined by Mardiasmo (2011), tax planning is a structuring action that is related to the consequences of its tax potential, the pressure to control every transaction that has tax consequences.

A. Tax Planning Activities

According to Hajarani (2018), activities in tax planning is divided in to two, which are.

1. Tax avoidance is an act for reducing tax debt legally or not violating the taxation law. The goal is to tax savings that can affect reducing tax payments and raising cash flow.
2. Tax Evasion is an act for reducing tax debt illegally or violating the law (tax violation) intentionally in paying taxes.

B. Tax Planning on Income Tax Article 21

As stated by Novita (2016), the steps of tax planning in income tax article 21 are as follows:

1. Maximizing Income excluded by Business
   Maximizing earnings excluded an attempt to maximize income not subject to tax based on income rather than as a variable tax.
2. Maximizing Fiscal Costs.
   This action is in the form of actions carried out by increasing costs that can be deducted.
3. Tax Tariff Savings.
   This action can be carried out with tax imposition efforts as efficiently as possible.

C. Calculation Method for Income Tax Article 21

There are three methods that can be used in calculating Income Tax Article 21 (Pohan, 2011) by companies in carrying out tax planning, namely:

A. Gross Method
   The gross method is a method of calculating Income Tax Article 21 where employees of the company bear their income tax, which usually deducted directly from the salary of the employee concerned.

B. Net Method
   The net method is a method of tax deduction where the company bears the tax of its employees.

C. Gross-Up Method
   The gross up method is a method of tax deduction in which companies provide tax benefits that are equal to the amount of tax to be deducted from employees.

   The formula to find the income tax article 21 using gross up method is a bit different from gross method also net method since we need to find the tax allowance first. Here is the formula to find the amount tax allowance of income tax article 21:

Gross Up Tariff Formula

Level of Taxable Income (Gross-Up)	Allowance Rate
IDR 0 until IDR 50,000,000	$\frac{(Annual\ Taxable\ Income \times 5\%)}{0.95}$
IDR 50,000,000 until IDR 250,000,000	$\frac{(Annual\ Taxable\ Income \times 15\%) - 5.000.000}{0.85}$
IDR 250,000,000 until IDR 500,000,000	$\frac{(Annual\ Taxable\ Income \times 25\%) - 30.000.000}{0.75}$
Above IDR 500,000,000	$\frac{(Annual\ Taxable\ Income \times 30\%) - 55.000.000}{0.70}$

Source: Data Processed (2020)

RESEARCH METHOD

The research was conducted using qualitative descriptive research method. According to Sekaran and Bougie (2016), descriptive studies are often designed to collect data that describe characteristics of objects (such as persons, organizations, products, or brands), events, or situations. As stated by Bungin (2013), social and economic research using a descriptive approach aims to describe, summarize various conditions, various situations, or various variables that arise in the community that are the object of that research. Descriptive research is either quantitative or qualitative in nature. It may involve the collection of quantitative data such as satisfaction ratings, production figures, sales figures, or demographic data, but it may also entail the collection of qualitative information.

According to Sekaran and Bougie (2016), the qualitative (qualitative data are data in the form of words) as generated from the broad answers to questions in interviews, or from responses to open‐ended questions in a questionnaire, or through observation, or from already available information gathered from various sources such as the Internet.

The researcher-using case study design in order to obtain a clear picture of a problem one must examine the real‐life situation from various angles and perspectives using multiple methods of data collection. Based on Sekaran and Bougie (2016), case studies focus on collecting information about a specific object, event or activity, such as a particular business unit or organization. In case studies, the case is the individual, the group, the organization, the event, or the situation the researcher is interested. In this research, the case study has function in order to describe in depth the practice of tax planning on PT. X, Bali. One may define a case study as a research strategy that involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple methods of data collection (Sekaran and Bougie, 2016). The use of this method is to find out the relation between income tax article 21 and company income tax in order to find efficiency in term of company income tax expense.

This research takes PT. X, Bali as the object of research because of several considerations. PT. X, Bali is a company that runs in hotel, villa and restaurant industry. The most important one is PT. X Bali has a legal entity. This company is located in Ubud, Bali that is very accessible. The other reason and consideration is PT. X, Bali using Net Method in order to calculate their income tax article 21.

The period taken in this research is from the beginning of January 2017 until the end of December 2017 (January 1st 2017 – December 31st 2017). In addition, the variable used in this study is Income Tax Article 21 Planning and PT. X, Bali tax burden.

RESEARCH RESULTS AND DISCUSSION

PT. X, Bali Financial Statements and Performance

PT. X, Bali' Balance Sheet Report as 31 December 2017

ASSETS	2017
Current Assets	
Cash & Bank	1,814,552,851
Account Receivable	545,001,614
Inventory	4,386,574,847
Total Current Assets	**6,746,172,312**
Fixed Assets	
Total Depreciation	(12,838,467,391)
	18,756,772,960
TA Assets	**18,248,189,271**
Others Assets	
Pre Operation	3,711,581,560
Amortization	(3,711,581,560)
TOTAL ASSETS	43,751,134,533

LIABILITIES	2017
Current Liabilities	
Account Payable	836,972,615
Shareholder Cash Flow Loans	6,504,277,098
Total Current Liabilities	**7,341,249,713**
Long-Term Debt	
Total Long-Term Debt	**29,579,209,872**
Equity	
Total Equity	**6,830,674,948**
TOTAL LIABILITIES	43,751,134,533

Source: PT. X, Bali' Balance Sheet, Data Processed 2019

Profit and Loss Statement as December 31 2017

	COMMERCIAL	CORRECTION		FISCAL
		POSITIVE	NEGATIVE	
Income	[illegible]			[illegible]
Cost of Goods Sold	[illegible]			[illegible]
Gross Profit	[illegible]			[illegible]
Cost/Overhead				
Salaries and Allowance				
Salaries	[illegible]			[illegible]
Total Salaries and Allowance Cost	[illegible]			[illegible]
Operational Expenses				
Total Operational Cost	[illegible]			[illegible]
Total Cost	[illegible]			[illegible]
Operating Profit	[illegible]			[illegible]
Other Income				
Interest Income	[illegible]		[illegible]	
Gain Loss				
Total Other Income	[illegible]			-
Other Cost				
Bank Charge	[illegible]	[illegible]		-
Interest (Tax)	[illegible]	[illegible]		
PB (Penalty) Tax Assessment	[illegible]			[illegible]
[illegible]	[illegible]	[illegible]		-
PPh 4(2) [illegible]	[illegible]	[illegible]		-
Income Tax Article 21	[illegible]	[illegible]		
Annual Income Tax Article 25	[illegible]			[illegible]
Total Other Cost	[illegible]			[illegible]
Net Profit (Loss)	[illegible]	[illegible]	[illegible]	[illegible]

Source: PT. X, Bali' Profit and Loss Statement, Data Processed 2019

Examining from the financial report as described, can be seen that total assets (net worth) are IDR 43.751.134.533 and the total gross circulation of the business received by PT. X, Bali is IDR 19.039.652.055. The income itself only obtained from one source of income from hotel and villa services PT X, Bali. Furthermore, the company's operating profit is IDR 3.148.217.512 after deducting from gross profit with administrative costs. In addition, on PT. X, Bali' outside business income of IDR 12.131.206, it is generated from savings interest.

The company income taxwere calculated using Company Income Tax article 31E with the tariff of 25% and the Income Tax Article 21 is IDR 108.925.450 because they pays the employees income tax.

Research Finding

The first thing to be identified is the population of research that is PT. X, Bali employees, because the researcher need to know the amount wages, status (correlated with tax), and tax identification number (NPWP). This helps us to understand which employees that can be included in our research samples.

Employee Income Tax Policy on PT. X

PT. X, Bali using the net method in order to calculate their Income Tax Article 21 policy. The net method is a tax calculation method where the company pays the employees' income tax payable bills. This policy chooses by the company in order to give a motivation to the employee to work harder.

Mrs. A Income Tax Article 21 Calculation

Mr. A (TK/0)		
Annual Gross Salary		IDR 255.000.000
Deduction		
- Position cost (Max IDR 6.000.000)		
5% x IDR 255.000.000	IDR 6.000.000	
		(IDR 6.000.000)
Annual Net Income		IDR 249.000.000
Non-Taxable Income (PTKP) (TK/0)		
- Own Taxpayer	IDR 54.000.000	
		(IDR 54.000.000)
Annual Taxable Income		IDR 195.000.000
Annual Income Tax Article 21 Payable Calculation		
5% x IDR 50.000.000 =		IDR 2.500.000
15% x IDR 145.000.000 =		IDR 21.750.000
Total Annual Income Tax Article 21 Payable		IDR 24.250.000
Take Home Pay		IDR 255.000.000

The amount of Mr. A's take home pay as many as the gross income, which is as the amount of IDR 247.652.876. The take home pay calculation is the amount of gross income reduced by Income Tax Article 21 payable. Therefore, the annual gross income from Mr. A (IDR 247.652.876) were reduced by position cost with the amout of IDR 6.000.000 (the formula is 5% x Gross income but the maximal value is IDR 6.000.000). Then the researcher get the net income, which will be reduced by the non-taxable Income (PTKP). Mr. A status is married and he has 2 kids, and he has tax ID number (NPWP) so the non-taxable income is IDR 67.500.000, therefore the taxable income of Mr. A is IDR 153.015.000.

The next thing to do is calculating the Income Tax Article 21 payable from Mr. A. Since the taxable income is IDR 153.015.000, the calculation will have 2tarif, which are 5% and 15%. Therefore, after the calculation the researcher can get the amount of Income Tax Article 21 is IDR 17.952.250, the company pays this amount of tax. The effect to the employees would be very good such as a motivation and work harder in every kind of situation.

Income Tax Article 21 Calculation on PT. X, Bali

A. Net Method

Income Tax Article 21 Calculation Example using the net method

Mr. F (K/2)		
Annual Gross Salary		IDR 226.515.973
Deduction		
- Position cost (Max. IDR 6.000.000)		
5% x IDR 226.515.973	IDR 6.000.000	
		(IDR 6.000.000)
Annual Net Income		IDR 220.515.973
Annual Net Income Rounding		IDR 220.515.000
Non-Taxable Income (PTKP) (K/2)		
Own Taxpayer	IDR 54.000.000	
- Additional Married Taxpayer	IDR 4.500.000	
- Additional 2 Kids	IDR 9.000.000	
		(IDR 67.500.000)
Annual Taxable Income		IDR 153.015.000
Annual Income Tax Article 21 Payable Calculation		
5% x IDR 50.000.000 =		IDR 2.500.000
15% x IDR 103.015.000 =		IDR 15.452.250
Total Annual Income Tax Article 21 Payable		IDR 17.952.250
Take Home Pay (Gross Income)		IDR 247.652.876

Source: Data Processed (2019)

It can be seen that the amount of Income Tax Article 21 on Mr. F (K/2) is borne by the company amounting to IDR 17.952.250 in a year or in other words IDR 1.496.021 in a month. Mr. F has annual gross salary as the amount of IDR 226.515.973, then it deducted with position cost (5%) with the maximum value is IDR 6,000,000. The annual net income obtained after it with the amount IDR IDR 220.515.973 then we round it to a thousand so the amount is IDR 220,525,000. The annual tax income will be deducted by non-taxable income (PTKP) corresponding to the status of Mr. F which is married and has 2 kids, therefore the amount of non-taxable income would be IDR 67,500,000 directly deducting the net income to obtain taxable income and the amount it is IDR 153,015,000.

Since the taxable income amount is more than IDR 50,000,000, so it will be charged by two tariffs, first 0 - IDR 50,000,000 for 5% and IDR 50,000,000 – IDR 250,000,000 for 15% so we will get Mr. F's tax payable as the amount of IDR 17.952.250.

Then, apply that calculation on the employee of PT. X, Bali that has a taxable income.

Income Tax Article 21 Using the net method

Name	Total Gross Income	Position Cost	Status	Non-Taxable Income	Taxable Income	Tax	Tax (Non NPWP)	Take Home Pay Net Method
Mrs. A	255,000,000	6,000,000	TK/0	54,000,000	195,000,000	24,250,000		255,000,000
Mr. B	[illegible]	6,000,000	TK/0	54,000,000	[illegible]	[illegible]		[illegible]
Mr. C	150,000,000	6,000,000	K/3	72,000,000	[illegible]	[illegible]		150,000,000
Mrs. D	[illegible]	[illegible]	TK/0	54,000,000	[illegible]	[illegible]		[illegible]
Mr. E	[illegible]	[illegible]	TK/0	54,000,000	[illegible]	[illegible]	[illegible]	[illegible]
Mr. F	226,515,973	6,000,000	K/2	67,500,000	153,015,973	17,952,250		226,515,973
Mrs. G	124,191,029	6,000,000	TK/0	54,000,000	[illegible]	[illegible]		124,191,029
Mrs. H	155,061,386	6,000,000	TK/0	54,000,000	[illegible]	[illegible]		155,061,386
Mr. I	[illegible]	[illegible]	TK/0	54,000,000	22,412,237	1,120,600	1,344,720	[illegible]
Mr. J	111,475,477	[illegible]	K/0	58,500,000	47,401,702	2,370,050		111,475,477
Mrs. K	66,111,708	[illegible]	TK/0	54,000,000	3,106,123	155,300		66,111,708
Mr. L	150,578,827	6,000,000	K/0	58,500,000	86,078,827	7,911,900		150,578,827
Mr. M	128,457,643	6,000,000	K/2	67,500,000	55,557,643	5,587,150		128,457,643
Mrs. N	58,934,226	[illegible]	TK/0	54,000,000	2,941,195	147,050		58,934,226
Mr. O	[illegible]	[illegible]	K/1	63,000,000	[illegible]	[illegible]		[illegible]
Mr. P	[illegible]	[illegible]	TK/0	54,000,000	[illegible]	[illegible]		[illegible]
Mr. Q	[illegible]	[illegible]	K/2	67,500,000	[illegible]	[illegible]	[illegible]	[illegible]
Mrs. R	[illegible]	[illegible]	TK/0	54,000,000	[illegible]	[illegible]	[illegible]	[illegible]
Mr. S	[illegible]	[illegible]	TK/0	54,000,000	[illegible]	[illegible]		[illegible]
Mr. T	[illegible]	[illegible]	TK/0	54,000,000	16,113,089	805,650	970,250	[illegible]
Mr. U	198,164,025	[illegible]	K/2	67,500,000	35,106,024	1,755,900		198,164,025
Total					1,149,458,597	108,925,450		

Source: Data Processed (2019)

As we can see that the amount of income tax article 21 borne by the PT. X, Bali are IDR 108.925.450 and it is not deducted the gross income of employee, so the employee's take home pay are as many as the gross income.

This number is obtained by calculating Income Tax Article 21 payable by the employee who has Tax identical number (NWPW). However, if the employee does not have tax identical number (NPWP), the amount of the Income Tax Article 21 are raising by 20%. Because of that, if the company using the net method in order to calculate their Income Tax Article 21, it tend to raise their tax payable because of the sanction.

B. Gross-Up Method

Income Tax Article 21 Gross Up Method Calculation Example

Mr. F (K/2)		
Annual Gross Salary		IDR 226.515.973
Allowance		IDR 21.120.466
Deduction		
Position cost (Max. IDR 6.000.000)		
5% x IDR 247.636.439	IDR 6.000.000	
		(IDR 6.000.000)
Annual Net Income		IDR 241.636.439
Non-Taxable Income (PTKP) (K/2)		
Own Taxpayer	IDR 54.000.000	
- Additional Married Taxpayer	IDR 4.500.000	
- Additional 2 Kids	IDR 9.000.000	
		(IDR 67.500.000)
Annual Taxable Income		IDR 174.136.439
Annual Income Tax Article 21 Payable Calculation		
5% x IDR 50.000.000 =		IDR 2.500.000
15% x IDR 124.136.439 =		IDR 18.620.466
Total Annual Income Tax Article 21 Payable		IDR 21.120.466
Take Home Pay (Gross Income)		IDR 226.515.973

Source: Data Processed (2019)

It can be seen that income tax article 21 payable arising from income received by Mr.F (K /2) is IDR 246.636.439 (226.515.973 +21.120.466) or in other words PT. X, Bali bears zero rupiah of the Income Tax owed by Mr. F. This caused by the provision of tax allowances that had been previously grossed up by PT. X.

The calculation of tax allowances so that the same as the results with Income Tax Article 21 payable by employees are as follows:

Tax Allowance Calculation Example

Based on the Table 2.3 Gross-Up Calculation Method:	
- Annual Income Tax Article 21 Allowance	
((IDR 153,015,973 x 15%) – 5.000.000) / 0.85 =	IDR 21.123.466

Source: Data Processed (2019)

Calculation of the tax allowance of Mr. F is imposed on the second layer in the gross up method formula. Mr. F's taxable income is obtained from the calculation of Income Tax Article 21 is given by the company. Calculation of Income Tax Article 21, Mr. F is calculated based on the calculation of Income Tax Article 21 in general. Initially Mr. F's gross income of IDR 226.515.973 deducted with the position cost of IDR 6.000.000 resulted in a net income of IDR 220.515.973. Furthermore, net income was reduced by Non-Taxable Income assuming (K/2) of IDR 67.500.000, so Mr. F's taxable income for IDR 153.015.973. This number will be determine the tax allowance amount by calculate it using gross up allowance formula. The number of taxable income of Mr. F is more than 50 million rupiahs so we will be using the second tariff formula and we got the number of tax allowance is IDR 21.123.466.

After got the tax allowance amount, the next step is to prove the number will be the same as the tax payable. So, the tax allowance amount will be added to Mr. F's gross income and then count as usual. After several calculation it will be shown new taxable income amount which is IDR 174.136.439 and this amount will be calculated to find the tax payable by using Law Number 36 of 2008 Article 17. In the end, the amount of tax payable founded as same as tax allowance which is IDR 21.123.466.

Moreover, apply this calculation on the employee of PT. X, Bali that has taxable income.

Income Tax Article 21 Using Gross-Up Method

Name	Total Gross Income	Tax Allowance	Position Cost	Status	Non Taxable Income	Taxable Income	Income Tax Article 21	Tax (Non NPWP)	Take Home Pay Gross-Up Method
Mr. A	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Mr. B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Mr. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Mr. D	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Mr. E	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mr. F	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]		[illegible]
Total		[illegible]	[illegible]			[illegible]	[illegible]		

Source: Data Processed (2019)

The amount of allowance given by the PT. X, Bali to their employees are IDR 126,334,725, and the salary of the employee raising as much as the tax allowance given by the company.

Comparison between Net Method and Gross-Up Method

After calculating the amount of salary received by the employee, the company deducts Income Tax Article 21 and subsequently bears 21 Income Taxes by providing gross up tax allowances. Thus, Income Tax Article 21 does not reduce the salary given to employees, because the company provides tax allowances on a gross up basis, which results in Income Tax Article 21 being deducted nil. The following are examples of PT. X, Bali employees's salary calculations during year 2017 as follows:

The Recapitulation of Income Tax Article 21 Year 2017

Description	Net Method	Gross-Up Method
Gross Income		
Salaries (Basic)	[illegible]	[illegible]
Tax Allowance	-	[illegible]
Total Gross Income	[illegible]	[illegible]
Total Deduction	[illegible]	[illegible]
Taxable Income (PKP)	[illegible]	[illegible]
Income Tax Article 21	[illegible]	-
Tax Allowance	-	[illegible]
Take Home Pay	[illegible]	[illegible]

Source: Data Processed (2019)

The results of the recapitulation of salary calculations of PT. X, Bali' employees in 2017 shows that the provision of tax allowance as the amount of IDR 126.334.725. If observed, the annual Income Tax Article 21 fee for the net method is smaller with the value is IDR 108,925,450. This means that there has been a difference from the comparison of calculations with the net method and the gross up method of IDR 17,409,275.

The Comparison of Take Home Pay and Cost Differences According to Commercial and Fiscal Costs

The effect of using net method on PT. X, Bali's income statements is:

The Comparison between Fiscal and Commercial Cost on the Net Method

	COMMERCIAL	CORRECTION		FISCAL
		POSITIVE	NEGATIVE	
Revenue	[illegible]			[illegible]
Cost of Goods Sold	[illegible]			[illegible]
Gross Profit	[illegible]			[illegible]
Cost Breakdown				
Salaries and Allowances				
Salaries	[illegible]			[illegible]
Total Salaries and Allowances Cost	[illegible]			[illegible]
Total Operational Cost	[illegible]			[illegible]
Total Cost	[illegible]			[illegible]
Operating Profit	[illegible]			[illegible]
Other Income				
Interest Income	[illegible]		[illegible]	-
[illegible]	-			-
Total Other Income	[illegible]			
Other Costs				
Bank Charge	[illegible]	[illegible]		-
[illegible]	[illegible]	[illegible]		-
[illegible]	[illegible]			[illegible]
Accounting Fees Expenses	[illegible]	[illegible]		-
Land/Building Tax	[illegible]	[illegible]		-
Income Tax Article 21	[illegible]	[illegible]		-
Annual Income Tax Article [illegible]	[illegible]			[illegible]
Total Other Cost	[illegible]			
Net Profit/(Loss)	[illegible]	[illegible]	[illegible]	[illegible]

Source: Data Processed (2019)

While the effect that happen on income statement if PT. X, Bali using gross up method is:

The Comparison between Fiscal and Commercial Cost on the Gross-Up Method

	COMMERCIAL	CORRECTION		FISCAL
		POSITIVE	NEGATIVE	
Income	13,005,652,065			19,039,652,055
Cost Of Goods Sold	3,900,751,816			3,900,751,816
Gross Profit	15,128,900,239			15,128,900,239
Cost Breakdown :				
Salaries and Allowance				
Salaries	6,552,384,868			6,552,984,668
Tax Allowance	126,334,725			126,334,725
Total Salaries and Allowance Cost	6,678,319,594			6,678,319,794
Total Operational Cost	5,429,698,098			5,428,703,098
Total Cost	13,103,017,492			12,107,017,492
Operating Result	3,021,882,777			3,021,882,787
Other Income				
Interest Income	12,151,308		12,151,308	-
Other Loss	-			-
Total Income	12,151,376			
Other Cost				
Bank Charge	2,214,260	2,214,300		-
Interest	2,436,240	2,436,240		-
PB-1 Monthly Tax Assessment	2,094,361,726			2,094,361,726
Accounting Fee/Insurance	91,821,732	91,421,793		-
Land/Building Rates Tax	31,071,655	31,071,655		-
Annual Income Tax Article 25	134,207,911			134,207,951
Total Others Cost	2,356,105,338			2,228,569,627
Net Profit/(Loss)	677,940,889	295,490,127	12,151,308	793,313,150

Source: Data Processed (2019)

It shows that the Income Tax Article 21 borne by PT. X, Bali with the amount of IDR 108,925,450 got a positive correction, because burden of the Income Tax is not a deductible cost for the company's gross income. Therefore, positive correction will add income and reduce or incur costs that should not be recognize in fiscal cost. Income Tax Article 21 that paid by the company using the net method are one of the form of enjoyment that the company gives to its employees. The amount of company's taxable profit in Net method is IDR 919.647.875. The number are not changing since PT. X, Bali using net method to calculate their Income Tax Article 21.

The differences here (gross up method) from the net method is no amount of Income Tax Article 21 borne by the company. However, when we looked up to the part of "Salaries and Allowance" and it clearly shows that there is a tax allowance given by the company to pay the employees income tax. In Gross-up method calculation, the company will incur greater employee salary costs than the Net method with the amount of IDR 126,334,725.

Companies that use the Gross-Up method will not be subject to fiscal correction, because the Income Tax Article 21 payment of their employees is provided in the form of benefits. Therefore, that it will make the company's taxable profit smaller than using the net method with the amount of IDR 793,313,150.

The difference between these methods lies in the burden that will be borne by the company. The imposition of salaries and tax allowances according to the gross up method may be deductible expense, both from a commercial and fiscal perspective. Whereas if the company bears Income Tax Article 21, the employee's fee of IDR108.925.45 may not be charged so as to create a positive fiscal correction.

Tax Planning on Company Income Tax

Company Income Tax Calculation using Income Tax Article 31E Tariff

Description	Net Method	Gross-Up Method
Formula Value	4,800,000,000	4,800,000,000
Operating Revenue	19,039,652,055	19,039,652,055
Net Profit (Loss)	919,647,875	793,313,150
A	231,846,239	199,998,567
Tariff I	28,981,030	24,999,821
B	690,646,845	706,313,597
Tariff II	222,666,711	192,078,332
C	251,647,741	217,078,153

Source: Data Processed (2019)

The researcher got the amount of Company Income Tax are:

1. Using the net method is IDR 251,647,741;
2. While using the gross up method is IDR 217,078,153.

The Comparison of Income Tax Article 21 and Company Income Tax

Description	Net Method (in IDR)	Gross-Up Method (in IDR)	Difference (in IDR)
Salary Expense	6,552,984,869	6,678,319,594	(126,334,725)
Income Tax Article 21 Payable Allowance	108,925,450	126,334,725	(17,409,275)
Company Income Tax Payable	251,647,741	217,078,153	34,569,588
Total	6,913,558,060	7,021,732,472	(108,174,412)

Source: Data Processed (2019)

According to the comparison on table 4.3.5, the researcher sees the difference between each method calculation also its effect on the Company Income Tax also Income Tax Article 21. To know which method deliver the most efficient income tax, the reseacher sum the calculation of Income Tax Article 21 and Company Income Tax, which will be:

1. The result of Income Tax Article 21 payable borne by the company by using the net method is IDR 108,925,450; while as calculated on table 24, The Company Income Tax Article 31E is IDR 251,647,741, so the total tax burden are

IDR 360.573.191 (IDR 108.925.450 + IDR 251,647,741).

2. The result of Income Tax Article 21 payable the as the amount of Tax Allowance using Gross-Up Method that given by the company is IDR 126,334,725; while as calculated on table 24, The Company Income Tax Article 31E is IDR 217,078,153. Therefore, the total tax burden would be **IDR 343.423.878** (IDR 126,334,725 + IDR 217,078,153).

The Implication of Research Results

PT. X, Bali using net method in order to calculate their income tax article 21 and their income tax article 21 payable is IDR 108.925.450, while the amount of tax allowance given by the company (PT. X, Bali) is IDR 126.334.725, this number was obtained by calculating income tax article 21 using gross up method. In terms of income tax article 21 payable/allowance, the company might be spend higher with the amount of **IDR 17.409.275** when they uses gross up method over net method (IDR 126.334.725 - IDR 108.925.450). However, the amount of allowance that given to the employee from the company can be declared as fiscal cost in PT. X, Bali' Profit&Loss Report which is the object of tax. When an amount of money declared as the fiscal cost, it tends to reduce the company income tax expenses.

The company income tax of PT. X, Bali are different. When PT. X, Bali using net method as the method to calculate the income tax article 21, the amount of company income tax would be IDR 251.647.741, when using gross-up method the amount is IDR 217.078.153. There is differences in company income tax between those methods with the amount of **IDR34,569,588**(IDR 251.647.741 - IDR 217.078.153) and this time, the company would be spend lower when they choose gross up method over net method.

In conclusion, when we combine the amount of income tax article 21 and company income tax calculation, there will be an efficieny founded. As mentioned by Gobel (2013) above, efficiency is measure of success assessed from the number of resources sacrificed in order to obtain certain expected results. The amount of Income Tax Payable borned by PT. X, Bali when they use Net Method is **IDR 360.573.191**. This number was obtained from the amount of Income Tax Article 21 payable IDR 108.925.450 added with Company Income Tax with the amount ofIDR 251,647,741. Therefore, the amount of Income Tax Payable borned by PT. X, Bali when they use Gross-Up Method is **IDR 343.423.878**. This number was obtained from the amount of tax allowance as many as Income Tax Article 21 payable IDR 126,334,725 added with Company Income Tax with the amount of IDR217,078,153. The efficiency that we got from the calculation is **IDR17,149,313**(IDR 360.573.191 - IDR 343.423.878) when they choose to use gross-up method to their income tax article 21 calculation.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

1. The impact that happen when PT. X, Bali using Net Method as the calculation method for their Income Tax Article 21 is the company income tax expense as the amount of IDR 360.573.191. This number is obtained from the income tax article 21 payable with the amount of IDR 108.925.450 added with the company income tax payable with the amount of IDR 251,647,741. The amount of income tax article 21 payable that borne by the company when using net method is lower than using the gross up method with the amount of 17.409.275.
2. The impact that happen when PT. X, Bali using Gross-Up Method as the calculation method for their Income Tax Article 21 is the company income tax expense as the amount of IDR 343.423.878. This number is obtained from the tax allowance as many as the amount of income tax article 21 payable of IDR 126,334,725 added with the company income tax payable with the amount of IDR 217,078,153. The amount of company income tax expense that borne by the company when using gross up method is lower than using the net method with the amount of IDR 17,149,313.
3. The most efficient way to calculate Income Tax Article 21 in order to find out the lower amount that should be paid by PT. X, Bali is to use Gross-Up Method over Net Method. The amount of efficiency that we got from using gross up method is IDR 17,149,313. This number was founded by deducting the total company income tax expense from both methods. The Company Income Tax Expense by using Net Method is IDR 360.573.191 while The Company Income Tax Expense by using Gross-Up Method is IDR 343.423.878.

Recommendation

1. The researcher recommends that PT. X, Bali to use Gross-Up Method in order to calculate and plan their Income Tax Article 21, because this method is more efficient and save some amount of money also beneficial for the company also their employees.
   a. The company will be able to save some amount of money from tax expense payment.
   b. The amount of take home pay given by the company to their employees are raising. This situation tend to give motivation to the employee to be more active and motivated in work, which will turn the company' performance better.
2. For the employee who do not have (do not registered) the tax identification number (NPWP), to make and register it as soon as possible, so they will not be subject to tax sanctions.
3. The company Financial Statements should be based on the source of revenue (income) and the costs of each business unit/business such as villa, bar, and restaurant to get a look at the contributions of the business units themselves.

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