

Comparative Analysis of Income Tax Article 21 and Article 22 in the Indonesian Tax System: Implication for Compliance and State Revenue

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Abstract

This research aims to comparatively analyze Income Tax Article (PPh) 21 and Income Tax Article (PPh) 22 within the Indonesian taxation system, and examine their implications for taxpayer compliance and state revenue. PPh Article 21 is a tax on income related to employment, services, or activities received by individual domestic taxpayers, such as salaries, wages, honoraria, allowances, and other payments in any name and form. Meanwhile, PPh Article 22 is a tax levied by certain parties related to the import of goods, the purchase of goods by government treasurers, or the sale of goods by certain industries. The research method employed is a literature review and comparative analysis of applicable tax regulations, taxpayer compliance data, and tax revenue data. The findings indicate that differences in object characteristics, collection mechanisms, and tax rates between PPh Article 21 and PPh Article 22 lead to varied implications. PPh Article 21, with its deduction by employers, tends to have a higher level of compliance due to the withholding tax mechanism which reduces the potential for tax evasion. However, regulatory and calculation complexities can affect taxpayer understanding and compliance. On the other hand, PPh Article 22, which functions as a control and revenue security instrument for certain transactions, plays a strategic role in maintaining fiscal stability. Nevertheless, challenges may arise such as potential economic distortions or administrative burdens for certain business actors. The implications for state revenue show that both types of PPh contribute significantly, albeit with different patterns and challenges. This study recommends policy alignment and increased public awareness to optimize taxpayer compliance and the effectiveness of state revenue collection from both types of taxes.

Keywords: Tax Compliance, Income Tax Article 21, Income Tax Article 22, Withholding Tax, Fiscal Policy, Indonesia

INTRODUCTION

A robust and efficient taxation system forms the bedrock of any modern nation's fiscal health, serving as the primary mechanism for governments to finance essential public services, stimulate economic growth, and address societal needs (Panggabean, 2021). In Indonesia, a sprawling archipelago with a diverse economy, the complexity of the tax system is a reflection of its unique socio-economic landscape. Among the various instruments employed to collect government revenue, income taxes play a pivotal role. Specifically, this research focuses on two significant components of Indonesia's income tax framework: Pajak Penghasilan (PPh) Pasal 21 and Pajak Penghasilan (PPh) Pasal 22. While both fall under the broader category of income taxation, their distinct characteristics, collection methodologies, and targeted economic activities warrant a detailed comparative analysis.

PPh Article 21, broadly defined, is the income tax levied on income derived from employment, services, or other activities received by individual domestic taxpayers. This encompasses a wide spectrum of earnings, ranging from regular salaries and wages to various forms of honoraria, commissions, bonuses, and allowances (Undang-Undang Republik

Indonesia Nomor 36 Tahun 2008 tentang Pajak Penghasilan). The distinguishing feature of PPh Article 21 is its reliance on a "withholding tax" mechanism, where the tax liability is typically calculated and deducted by the income payer—most commonly, the employer—before the net income is disbursed to the recipient. This system is designed to streamline the collection process, reduce the administrative burden on individual taxpayers, and inherently improve compliance rates by making tax collection an obligation of the entity making the payment. The effectiveness of this system, however, can be influenced by the clarity of regulations, the administrative capacity of employers, and the level of awareness among taxpayers regarding their tax obligations and rights (Nofianti & Suseno, 2014).

In contrast, PPh Article 22 operates as a tax imposed on specific types of transactions and economic activities, often acting as a prepayment of income tax or, in some cases, a final tax. Its scope extends to activities such as the import of goods, purchases made by government treasurers, and sales of certain goods by designated industrial sectors (Peraturan Menteri Keuangan Nomor 146/PMK.010/2014 tentang PPh Pasal 22 atas Impor Barang dan Penjualan Barang yang Tergolong Sangat Mewah). The rationale behind PPh Article 22 is multifaceted: it serves as an upfront collection mechanism for potential future income tax liabilities, acts as a control mechanism to monitor significant economic transactions, and contributes directly to immediate state revenue (Ramadhan et al., 2023). This article is strategically applied at points where economic activity is easily identifiable and quantifiable, thus mitigating potential tax evasion and ensuring a steady flow of funds into the state coffers. However, its implementation can sometimes lead to debates regarding its potential impact on business costs, market competitiveness, and administrative complexities for businesses involved in these specific transactions (Sari & Azzahra, 2023).

The continued relevance and effectiveness of PPh Article 21 and PPh Article 22 are critical for Indonesia's fiscal sustainability. However, despite their importance, a comprehensive comparative analysis that systematically examines their individual characteristics, assesses their respective contributions to taxpayer compliance, and evaluates their overall impact on state revenue often remains underexplored. Existing literature frequently addresses these taxes in isolation or as part of broader tax policy discussions, but a direct comparison highlighting their distinct implications is less common (Farshadfar et al., 2022; Supraja, 2024).

Therefore, this research aims to fill this gap by conducting a rigorous comparative analysis of PPh Article 21 and PPh Article 22 within the intricate Indonesian taxation system. The study will delve into their legal frameworks, operational mechanisms, and the practical ramifications for both taxpayers and the government. By examining the unique features of each tax, assessing their efficacy in fostering compliance among different taxpayer segments, and quantifying their respective contributions to state revenue, this research seeks to provide a holistic understanding of their roles. Furthermore, the study will explore potential challenges and opportunities associated with each tax article, paving the way for policy recommendations aimed at enhancing their efficiency, fairness, and overall contribution to Indonesia's economic development. This in-depth investigation is crucial for policymakers seeking to refine tax legislation, for tax administrators aiming to improve collection efficiency, and for taxpayers striving to better understand and comply with their obligations within the dynamic Indonesian tax landscape.

RESEARCH METHODS

This research employs a qualitative descriptive research approach to systematically analyze and compare PPh Article 21 and PPh Article 22 within the Indonesian taxation system. A descriptive research design is particularly suitable for this study as it aims to provide a comprehensive and factual account of the current state of these tax articles, their operational mechanisms, and their observed implications without manipulating variables (Díaz & Cano, 2022; McDermott, 2023). This approach allows for a detailed understanding of the nuances and complexities inherent in tax regulations and their practical application. The scope of this research is specifically focused on presenting a real and accurate picture of the phenomena surrounding the comparative analysis of PPh Article 21 and PPh Article 22, and their impact on taxpayer compliance and state revenue within Indonesia's current taxation landscape.

To achieve a holistic understanding, a multi-pronged data collection strategy will be utilized, drawing from both primary and secondary sources. The primary data collection methods include:

1. **Literature Review and Documentary Analysis:** This technique involves a systematic review and analysis of existing literature, including academic journals, research papers, books, and official government publications related to taxation in Indonesia. Key documents to be analyzed include: **Legal Frameworks:** The primary sources of data will be the relevant tax laws and regulations, particularly Undang-Undang Republik Indonesia Nomor 36 Tahun 2008 tentang Pajak Penghasilan (Indonesian Income Tax Law), Peraturan Pemerintah (Government Regulations), Peraturan Menteri Keuangan (Minister of Finance Regulations), and Direktorat Jenderal Pajak (Directorate General of Taxes) circulars and guidelines pertaining to PPh Article 21 and PPh Article 22. This will allow for a thorough understanding of the legal basis, definitions, scope, rates, and collection procedures of both tax articles. **Previous Research:** Reviewing prior academic studies and policy analyses on tax compliance, tax administration, and the economic impacts of various tax types in Indonesia will provide a foundational understanding and help identify existing knowledge gaps. **Official Reports:** Reports from the Ministry of Finance, the Directorate General of Taxes, and other relevant government agencies concerning tax revenue collections, taxpayer compliance rates, and audit findings related to PPh 21 and PPh 22 will be crucial for empirical insights.
2. **Semi-structured Interviews:** While the core of this research is descriptive, interviews with key informants will provide valuable qualitative insights into the practical implementation and challenges associated with PPh 21 and PPh 22. Potential interviewees will include: **Tax Practitioners/Consultants:** To gather perspectives on the practical difficulties faced by taxpayers and businesses in complying with PPh 21 and PPh 22 regulations, common errors, and areas of ambiguity. **Academics/Tax Experts:** To gain deeper theoretical insights and expert opinions on the design, effectiveness, and potential reforms for these tax articles.

Representatives from Business Associations: To understand the compliance burden and economic implications from the perspective of various industries affected by PPh 22, particularly those involved in import or specific industrial sales.

The secondary data collection will primarily involve:

1. **Quantitative Data Analysis:** Collection and analysis of aggregated quantitative data from official sources, such as: Tax Revenue Data: Historical data on the annual collection of PPh Article 21 and PPh Article 22 will be obtained from the Directorate General of Taxes to assess their respective contributions to state revenue over time. Taxpayer Compliance Data: Where available, data on tax filing rates, audit results, and penalty imposition related to PPh 21 and PPh 22 will be analyzed to infer compliance levels.

Data Analysis Technique

The data analysis technique employed in this qualitative descriptive research will follow a systematic approach, primarily drawing from the framework proposed by Miles, Huberman, and Saldana (as cited in Habu & Henderson, 2023; Nguyen & Davidson, 2023). This framework suggests three concurrent flows of activity for qualitative data analysis: data reduction, data display, and conclusion drawing/verification.

1. **Data Reduction:** This is the process of selecting, focusing, simplifying, abstracting, and transforming the data that appears in written field notes or transcriptions (Habu & Henderson, 2023). For this research, data reduction will involve:
 - Summarizing and Coding:** Interview transcripts, regulatory documents, and literature review notes will be summarized. Key themes, concepts, and categories related to the characteristics, challenges, and implications of PPh 21 and PPh 22 will be identified and coded.
 - Filtering Irrelevant Information:** Data not directly pertinent to the comparative analysis of PPh 21 and PPh 22, taxpayer compliance, or state revenue implications will be excluded. This includes filtering out specific operational details not relevant to the broader comparison.
 - Categorization:** Grouping similar information and identifying patterns across different sources (e.g., challenges in PPh 21 compliance across different industries, or specific implications of PPh 22 on import activities).
2. **Data Display:** After data reduction, the organized and condensed data will be presented in a structured and comprehensible format. This may include:
 - Narrative Text:** Detailed descriptions of the characteristics of PPh 21 and PPh 22, including their legal basis, tax objects, and collection mechanisms, will be presented in a clear and coherent narrative.
 - Matrices and Tables:** To facilitate comparison, matrices or tables will be used to highlight key differences and similarities between PPh 21 and PPh 22 regarding aspects such as withholding obligations, reporting requirements, and compliance rates (where quantitative data allows for such display).
 - Flowcharts (if applicable):** To illustrate complex processes, such as the typical flow of PPh 21 withholding or PPh 22 collection on imports.
 - Comparative Analysis Sections:** Dedicated sections will be developed to directly compare and contrast the implications of each tax on taxpayer compliance (e.g., ease of

compliance, common non-compliance issues) and state revenue (e.g., stability of collection, susceptibility to economic fluctuations).

3. **Conclusion Drawing/Verification:** This final stage involves interpreting the analyzed data to formulate meaningful conclusions that address the research questions.

Identifying Relationships and Patterns: Based on the reduced and displayed data, the researcher will identify relationships, commonalities, and differences between PPh 21 and PPh 22, and how these factors contribute to their respective impacts on compliance and revenue.

Formulating Insights: Conclusions will be drawn regarding the effectiveness of each tax article in achieving its intended objectives, including specific strengths and weaknesses.

Verification and Triangulation: Conclusions will be continually verified against the raw data, and where possible, triangulated with insights from different data sources (e.g., findings from literature review corroborated by interview data) to enhance reliability and validity. The conclusions will directly address the implications of PPh 21 and PPh 22 on taxpayer compliance and state revenue, offering evidence-backed interpretations.

By employing this systematic qualitative descriptive approach, the research aims to provide a comprehensive, nuanced, and evidence-based comparative analysis of PPh Article 21 and PPh Article 22, offering valuable insights for policymakers, tax administrators, and taxpayers alike

RESULTS AND DISCUSSION

1. Legal Basis and Tax Objects

PPh 21 is governed by Law No. 36 of 2008, with the object being individual income derived from employment or services. In contrast, PPh 22 is regulated by Ministry of Finance Regulation No. 34/PMK.03/2017 and is aimed at trade transactions, especially imports or government purchases.

2. Collection and Reporting Mechanisms

PPh 21 is directly withheld by the employer and reported monthly, creating an automatic control system that reduces tax avoidance opportunities. On the other hand, PPh 22 is collected during transactions and requires active compliance from the collecting entity. The main challenge lies in the timeliness of payment and reporting by collectors.

3. Technical Comparison

Aspect	PPh 21	PPh 22
Taxpayer	Individual	Business Entity / Government Institution
Tax Object	Income	Purchase / Import of Goods
Withholder / Collector	Employer	Treasurer / Importer
Withholding Time	Monthly	At Transaction
Reporting	Monthly PPh 21 Return	Monthly PPh 22 Return

4. Implications for Tax Compliance

PPh 21 encourages passive yet high compliance since control lies with the employer. However, miscalculations and reporting mismatches still occur. PPh 22 requires active compliance from businesses, which can vary depending on their understanding and awareness of tax obligations.

5. Contribution to State Revenue

According to DJP data from 2023, PPh 21 contributed 23.7% to total non-oil-and-gas income tax revenue, while PPh 22 contributed 9.8%. Although lower in nominal terms, PPh 22 is effective in reaching the trade sector and preventing revenue leakage in import activities.

6. Issues and Solutions

Identified Issues:

- Low tax literacy in the informal sector
- Discrepancies between manual and electronic reporting systems
- Lack of socialization of new policies to business actors

Proposed Solutions:

- Full integration of e-filing and e-withholding systems
- Regular training for tax collectors and taxpayers

Simplification of technical rules for better understanding

CONCLUSION

This comparative analysis has thoroughly examined Pajak Penghasilan (PPh) Pasal 21 and Pajak Penghasilan (PPh) Pasal 22 within the Indonesian taxation system, elucidating their distinct characteristics, implications for taxpayer compliance, and contributions to state revenue. The research confirms that both tax articles, while serving the overarching goal of fiscal sustainability, operate under unique principles that generate varying outcomes.

The findings demonstrate that PPh Article 21, primarily a withholding tax on income from employment and services, generally exhibits a higher rate of individual taxpayer compliance. This is largely attributed to its "passive compliance" model, where the burden of calculation, deduction, and remittance is effectively shifted to the income payer, typically the employer, as stipulated in Undang-Undang Republik Indonesia Nomor 36 Tahun 2008 tentang Pajak Penghasilan. This mechanism significantly streamlines collection and minimizes the potential for evasion by the income recipient (Nofianti & Suseno, 2014). However, the complexity of frequently updated regulations and the administrative overhead for employers remain critical challenges, underscoring the need for continuous simplification and clear guidance from tax authorities. PPh Article 21 consistently serves as a stable and predictable source of state revenue, directly linked to employment and wage growth, providing a reliable stream of funds for public expenditure.

In contrast, PPh Article 22 functions as a strategic instrument for upfront revenue collection at specific points of economic activity, such as imports, government purchases, and sales by designated industries, as defined by Peraturan Menteri Keuangan Nomor

146/PMK.010/2014. This "point-of-transaction" collection method proves highly effective in securing revenue early in the economic cycle and acting as a strong deterrent against tax evasion in these specific high-value transactions (Ramadhan et al., 2023). While its contribution to state revenue might be more susceptible to fluctuations in specific economic sectors (Panggabean, 2021), its role in monitoring and ensuring the immediate capture of taxes from critical transactions is indispensable for fiscal stability. Challenges for PPh 22 compliance primarily lie with accurately identifying the scope of taxable transactions and managing the administrative responsibilities for the designated collectors (Sari & Azzahra, 2023).

In essence, the study concludes that both PPh Article 21 and PPh Article 22 are indispensable components of Indonesia's taxation framework, each contributing distinctively to state revenue and compliance mechanisms. PPh 21 ensures broad-based, steady income from employment, relying on the efficiency of its withholding system. PPh 22, on the other hand, acts as a targeted and proactive measure for securing revenue from specific high-value economic activities, strengthening the overall integrity of the tax system.

To further optimize their combined efficacy, it is recommended that the Indonesian tax authorities continue efforts in: (1) Simplifying tax regulations and calculation methodologies for PPh 21 to alleviate the burden on employers and enhance accuracy; (2) Providing extensive and clear guidance on the scope and exemptions of PPh 22 to reduce ambiguities for businesses; (3) Leveraging digital platforms for seamless reporting and remittance for both tax articles to improve administrative efficiency; and (4) Maintaining a balanced approach between revenue generation and economic impact when adjusting policies related to PPh 22 to avoid unintended distortions in specific industries. By addressing these areas, Indonesia can enhance taxpayer compliance, ensure sustained state revenue, and foster a more equitable and efficient tax environment for all stakeholders.

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