

## Literature Study on the Effectiveness of PPnBM and PPh Article 22 Collection in Increasing State Revenue

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### *Abstract*

Taxes are one of the main sources of state revenue that are crucial for financing development and the needs of society, such as infrastructure, education, and other public services. Among the various types of taxes available, VAT on Luxury Goods (PPnBM) and Article 22 Income Tax (PPh Pasal 22) play a unique role as they are applied selectively and target specific activities, such as the purchase of luxury goods or import activities. This study is conducted using a literature method, by collecting and analyzing data from various sources such as journals, government documents, and legislation. The results show that PPnBM and PPh Pasal 22 contribute significantly to state revenue. However, in practice, there are still many challenges such as complex regulations, lack of public knowledge, and low tax compliance. Therefore, more friendly strategies are needed, such as easily understandable socializations, simpler administrative systems, and the utilization of technology so that the public becomes more compliant and the tax collection process becomes more efficient. If this can be realized, taxes can truly function as an important tool to achieve fair and equitable development.

**Keywords:** Tax, PPnBM, PPh Pasal 22, State Revenue, Literature Study.

## INTRODUCTION

Tax is one of the three main pillars in the structure of modern state financing. As an instrument, almost all countries use taxes as the main source of state revenue to fund government spending, stimulate infrastructure development, provide public services, and maintain economic stability. In the case of Indonesia, tax revenue accounts for more than 80 percent of the income in the State Budget, making it a crucial element in long-term development. Therefore, tax optimization is the primary focus of the government's fiscal policy. In Indonesia's tax system, there are various types of taxes that have different characteristics and functions. Two types of taxes that play a strategic role in the national tax structure are the Luxury Goods Tax (PPnBM) and Income Tax Article 22 (PPh Article 22). PPnBM is levied on the consumption of luxury goods as a means of controlling consumption and creating social justice by taxing high-income individuals who purchase non-essential products. On the other hand, PPh Article 22 functions as a withholding mechanism on certain incomes, especially from import activities and procurement of goods by the government or state-owned enterprises. These two types of taxes have their own distinctive features due to their dual roles; in addition to serving as control instruments (regulatory function), they also contribute directly to state revenue (revenue function). However, in practice, the effectiveness of collecting PPnBM and PPh Article 22 often faces various challenges, including those related to regulation, administration, and taxpayer compliance. Regulatory complexity, disparities in implementation at the field level, and a lack of

understanding of tax matters hinder the achievement of the desired effectiveness. Along with the dynamics of the global and national economy, as well as the increasing demand for transparency and fiscal accountability, evaluating the effectiveness of tax instruments has become increasingly important. This is in line with the ongoing tax reform efforts by the government, including improvements in the collection system, digitization of administration, and revisions of tax policies that are more adaptive and responsive to economic conditions.

## RESEARCH METHODS

This research is conducted to assess the effectiveness of the collection of PPnBM (Luxury Goods Tax) and Article 22 PPh (Income Tax) using a literature study approach, through analysis of various relevant bibliographic sources such as laws, academic journals, government reports, and theoretical studies on taxes. The main objective of this research is to evaluate the extent to which these two types of taxes are effective in increasing state revenue, as well as to analyze the factors that support and hinder their implementation. By understanding these aspects, it is hoped that more efficient policy recommendations can be formulated to support fiscal goals and national development.

## RESULTS AND DISCUSSION

### 1. TAX

Definition of tax Tax is a contribution that must be paid by the community either directly or indirectly, is compulsory, without direct compensation, and is used for state financing. According to Mardiasmo (2011), tax is a contribution of the community to the state treasury based on law (which can be enforced) without receiving direct compensation (counterpart) that can be identified and used for the public interest. According to Prof. Dr. Rochmat Soemitro, SH in Mardiasmo (revision 2016: 4), tax is a contribution of the community to the state treasury in accordance with the law which is compulsory without receiving visible direct compensation and is used to finance public expenditures. In Law Number 16 of 2009 on the Fourth Amendment to Law Number 6 of 1983 concerning general provisions and tax procedures, tax is a contribution that must be paid by taxpayers, both individuals and entities, which is compulsory in accordance with the law, which does not receive direct compensation and is used to fund the needs of the state to achieve the well-being of the people.

#### • Tax Socialization

Tax socialization is an effort to provide understanding, information, and guidance to the general public and taxpayers, especially related to everything that relates to taxation and applicable law (Dharma, 2014). In Articles 2 and 3 of the Regulation of the Directorate General of Taxes Number 3 of 2013 regarding tax counseling aimed at increasing understanding and skills in taxation, as well as changing the behavior of taxpayers to be more aware, understand, and care in exercising their rights and fulfilling their tax obligations. In order to achieve the objectives of Article 2, tax counseling needs to pay attention to counseling methods, the material presented, the counselors, as well as supporting facilities for counseling. The government realizes the importance of tax socialization because the public's intention to avoid tax is

decreasing, therefore efforts are needed to increase awareness and compliance to be more caring about taxes.

- **Taxpayer Awareness**

Taxpayer awareness is a condition of being knowledgeable and understanding about taxes without any pressure from other parties in fulfilling tax obligations. Taxpayer awareness reflects an individual's good faith in fulfilling the obligation to pay taxes based on their sincerity. This research is related to the compliance of individual taxpayers where the awareness of individual taxpayers is very much needed to understand the level of taxpayer awareness in compliance with tax payments. The higher the taxpayer's awareness, the better the understanding and implementation of tax obligations will be, and it can enhance compliance.

- **Tax Sanctions**

Sanctions are actions that violate the law, and individuals who violate them will be subjected to legal action in accordance with tax policies and legal provisions in the Taxation Law. According to Mardiasmo (2013), sanctions serve as a fundamental security shield for the implementation of rules containing rights and obligations. In tax law, sanctions are divided into two categories: administrative sanctions and criminal sanctions. Administrative sanctions are penalties applied to administrative violations as regulated in Law Number 16 of 2009, where sanctions may include fines, interest, and surcharges.

## **2. Luxury Goods Sales Tax (PPnBM)**

- **Definition of PPnBM**

Based on the 2009 VAT and PPnBM Law, PPnBM is a tax imposed only on various types of goods classified as luxurious or expensive. According to the Minister of Finance Regulation on the Implementation of Law Number 11 of 2020 concerning Job Creation in the Sector of Income Tax, VAT, and PPnBM, as well as General Provisions for Tax Procedures, this tax is applied to a good if it is classified as luxurious. The PPnBM tax is charged to registered entrepreneurs who are taxpayers in the production or import of luxury goods. VAT is a tax imposed on other parties. According to Law Number 42 of 2009, the PPnBM rate is at least ten percent and at most two hundred percent. Therefore, if a businessman exports goods that fall into the category of luxury goods, a tax rate of zero percent is applied; this tax is applied to goods categorized as luxury items produced by manufacturers or entrepreneurs intended for the production or import of those luxury goods in their commercial activities. The Luxury Goods Sales Tax (PPnBM) is a tax imposed on the delivery of taxable goods that are included in the category of luxury goods carried out by entrepreneurs producing taxable luxury goods within the Customs territory as part of their business activities, as well as the import of taxable goods classified as luxury based on Law No. 42 of 2009. The PPnBM rate is set at a minimum of ten percent and a maximum of two hundred percent. If an entrepreneur exports goods that fall into the luxury category, the tax imposed is zero percent. (Masyitah, 2016)

- **The subject of the Luxury Goods Tax (PPnBM)**

Law No. 16 of 2000 as amended by Law No. 28 of 2007 regarding General Provisions of Taxation does not provide a definition or explanation of what is meant by a tax subject, but there is a definition of a taxpayer explained as an individual or entity designated to fulfill tax obligations. A tax subject is a person, entity, or other unit that meets the subjective criteria, that is, having a residence or domicile in Indonesia. An individual becomes a taxpayer if they meet the objective criteria, that is, receiving or earning income subject to tax. Personal (or subjective) taxes are taxes whose amount is greatly influenced by the conditions and status of the taxpayer,

such as being single, married, married with children, or the elderly status of the taxpayer which can affect the amount of tax, because those expenses can be deducted as income costs. Objective tax is a tax whose amount is not influenced by the circumstances of the taxpayer but is determined entirely by the nature of the object, such as Excise on Tobacco, Motor Vehicle Tax, Value Added Tax, Luxury Goods Tax (PPnBM), and others.

• **Object of Luxury Goods Tax (PPnBM)**

Sales of luxury goods (PPnBM) are levied according to the purchasing power of the taxpayers who can afford to buy luxury goods, and are deemed mandatory if imposed by a larger tax. PPnBM is imposed alongside Value Added Tax (PPN), meaning that on the delivery or import of luxury goods, PPN will first be applied, and in addition, PPnBM will be applied as well. The imposition of this tax aims to control the consumption pattern of luxury items among the public while also helping to achieve social solidarity. The object of PPnBM Tax:

1. Delivery of tangible taxable goods categorized as luxury.
2. Import of tangible taxable goods categorized as luxury.

PPnBM that has already been paid cannot be compensated with Value Added Tax (PPN) that must be paid. Without the credit tax in the calculation of Luxury Goods Sales Tax (PPnBM), the collection principle is only applied once to prevent luxury goods prices from becoming too high. Article 5 of Law No. 18 of 2000 concerning VAT on Goods and Services and PPnBM states that taxable goods (BKP) that are considered luxury are: The goods are not basic necessities; The goods are used by certain groups of people; Generally, the goods are consumed by individuals with high income; The goods are used to maintain social status; If consumed, these goods may harm public health and morality and disturb public order, examples include alcoholic beverages.

• **Collection Mechanism PPN/PPnBM**

collectors are required to collect, deposit, and report the owed VAT and/or PPnBM from the Partner Taxable Entrepreneur (PKP Rekanan) who provides Taxable Goods (BKP) and Taxable Services. In the mechanism of PPN/PPnBM collection by PPN and PPnBM collectors, there are three key moments:

1. At the Time of Delivery, when the PKP Rekanan delivers the BKP to the PPN and PPnBM collector. At this point of delivery, there is no tax administration obligation yet.
2. At the Billing Stage, which is when the PKP Rekanan prepares the tax invoice that has been completely filled out, and the Tax Deposit Slip (SSP) which has also been filled out with the complete identity of the PKP Rekanan and the amount of tax owed. For partners (Non PKP/Non NPWP) who deliver based on a Contract Agreement Letter (SKP), they are allowed to create a payment receipt that can be used as a Simple Tax Invoice.
3. At the Time of Payment, when the PKP Rekanan receives payment for the delivery of BKP/JKP from the PPN/PPnBM collector. The Tax Invoice and Tax Deposit Slip (SSP) are proof of tax collection and evidence of the deposit of VAT and PPnBM which will be included in the Payment Application Letter (SPP) addressed to the State Treasury and Cash Office (KPKN), in order to obtain a Payment Order Letter (SPM).

• **Contribution of PPnBM to the State**

Quoting from several previous academic journals, the following conclusions were obtained:

1. **Anggraswati, Hanifah, Nimas, & Verra (n.d.).** The research findings indicate that the total PKP or entrepreneurs registered as taxpayers, the gross domestic product of the nation, the value of exports and imports, the level of consumption, and the population size have a positive impact

on VAT and PPnBM revenues. On the other hand, inflation and interest rates negatively affect VAT and PPnBM revenues. Furthermore, collectively all variables can significantly contribute to VAT and PPnBM revenues.

**2. Mardikwati, K. N. N., Putri, W. A., & Pratiwi, M. W. (2022).** The results of the conducted research indicate that VAT and PPnBM revenues since they were first introduced and implemented in 1985, have always provided significant contributions to state revenue. This is because VAT and PPnBM serve important functions and positions for tax revenue, with increasing achievements each year. VAT and PPnBM play a very important role in taxation, as VAT and PPnBM revenues have contributed 30-40% of total tax revenues. In an effort to increase state revenue, the government has implemented various efforts; however, during these efforts, the government encounters several obstacles, one of which is resistance from taxpayers, both active and passive. To address these hurdles, several solutions exist to ensure that the initial efforts can be continued and obstacles can gradually be resolved.

**3. Nenti Arianti Dewi, Ria Haryatiningsih (2022).** The research findings indicate that individually, the GDP variable does not have a significant impact on VAT and PPnBM revenues, whereas the inflation variable and the proportion of the poor population have a significant effect on VAT and PPnBM revenues. Furthermore, all variables can jointly provide a significant impact on VAT and PPnBM revenues.

#### **4. Income Tax (PPh)**

##### **• Definition of PPh Income Tax**

According to Mardiasmo (2018: 60) Income Tax is a tax imposed on individuals, companies, or other legal entities on the income they earn.

##### **• Definition of PPh Article 22 PPh**

Article 22 is a tax collected by the collector of PPh Article 22 in accordance with the Minister of Finance's Decree or the Director General of Tax's Decree. Income Tax Article 22 is the obligation to pay Income Tax for the relevant year, collected by:

1. Government treasurers, including treasurers in the Central Government, Regional Government, agencies or government institutions, as well as other state institutions, related to payment for the delivery of goods, which also means that the treasurer is the cash holder and other officials performing similar functions.
2. Certain entities, both government and private agencies, related to activities in the import sector or business activities in other sectors, such as manufacturing certain goods including automotive and cement. Certain types of taxpayers must collect taxes from buyers for the sale of goods classified as very luxurious. Tax collection by certain entity taxpayers will be applied to the purchase of goods that meet certain criteria as goods classified as very luxurious both in terms of type and price, such as yachts, super luxury houses, very luxurious apartments and condominiums, as well as super luxury vehicles.

##### **• Collection of Income Tax**

The collection of Article 22 Income Tax must be paid by the collector to the state treasury through the Post Office, foreign exchange banks, or banks designated by the Minister of Finance using the Tax Payment Receipt. The tax collector is required to issue a Receipt for the Collection of Article 22 Income Tax in triplicate, namely:

1. The first copy for the Taxpayer from whom the tax is collected.

2. The second copy as an attachment to the monthly report to the Tax Service Office (attached to the Notification Letter for the Income Tax Reporting Period of Article 22).
3. The third copy as documentation for the tax collector.

• **Object of Article 22 Income Tax**

The object of Article 22 Income Tax according to (Bawono & Novelsyah, 2016) is the income tax associated with government treasurers, which is payment for goods totaling more than Rp 2,000,000 even if the transaction is carried out in stages. Article 22 Income Tax is not imposed on:

- a.) Payments for the purchase of fuel oil, electricity, gas, drinking water, and postal items.
- b.) Disbursement of Social Safety Net (JPS) payment funds carried out by the State Treasury Service Office (KPPN).
- c.) Payments for the purchase of rice and/or unhusked rice by Bulog.
- d.) Transactions for the purchase of goods related to the use of School Operational Assistance (BOS) funds.
- e.) Import of goods and/or delivery of goods in accordance with the statutory provisions regarding income tax.
- f.) Import of goods that are exempt from import duties and/or Value Added Tax.

• The Role of Income Tax Article 22 Income Tax (PPh) Article 22 plays a strategic role in increasing Indonesia's state revenues, especially due to its nature as a tax collected at the beginning of transactions, commonly known as withholding tax. This tax is imposed on certain activities such as the importation of goods, sales of luxury goods, and purchases by government agencies or state-owned enterprises. Its impact on state revenue is quite significant because PPh Article 22 provides direct and quick income to the state treasury without having to wait for the end-of-year reporting from taxpayers. Moreover, this upfront collection system also functions as a monitoring tool for strategic economic transactions and can enhance taxpayer compliance by reducing opportunities for tax evasion. The contribution of PPh Article 22 is particularly evident in the import sector and in the sale of products such as fuel, cement, and automotive, which are among the largest contributors in the non-oil and gas PPh category. However, on the other hand, the implementation of this tax also poses challenges, such as potential cash burdens for small business operators and the risk of double taxation if not credited properly. Nevertheless, overall, PPh Article 22 remains an important instrument in supporting tax revenue stability and strengthening the country's fiscal structure.

Taxes are used for vital sources of state financing essential for the functioning of the country. Therefore, the state makes tax collection an obligation of the community. In addition, it also serves as a means of financing the state in realizing the implementation of national development. In Indonesia, development essentially is a process of improving the welfare of the community, or in other words, facing various challenges to humanize humans. Hence, regulations and laws regarding taxes are established by the government, with the hope of supporting state finances and providing insight to the public about the importance of taxes for the country.

## CONCLUSION

From the literature review conducted, we can conclude that PPnBM (Luxury Goods Tax) and PPh Article 22 are two types of taxes that play an important role in increasing state revenue. However, in its implementation, the collection of PPnBM and PPh Article 22 still faces many challenges. Some of these include the lack of public understanding about taxes, fairly complex regulations, and the still low compliance of taxpayers. Many people are not yet aware that taxes are important and are obligations that must be fulfilled. In fact, the money from taxes is used to finance development, such as roads, schools, hospitals, and other public services that benefit all levels of society. For taxes to be truly effective and for the results to be felt, joint efforts are required. The government needs to continue to conduct easily understandable outreach, especially for the general public. In addition, the tax collection and reporting system should also be made more practical and transparent, for example by utilizing technology or digital systems. The hope is that the public can become more aware, more knowledgeable, and more compliant in paying taxes. If all parties can support the government as a provider of good policies and systems, and the public as compliant and tax-aware participants, then the collection of PPnBM and PPh Article 22 can be conducted more effectively. Ultimately, this will help the state in collecting funds for development and ensuring the welfare of society at large.

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