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## **An Analysis of PPH 25 Incentive Utilization**

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***Abstract:***

This study aims to determine how the implementation of PT.X's tax obligations before and after utilizing Income Tax Article 25 incentives during the Covid-19 Pandemic, in order to assess the benefits of utilizing these incentives on the Company. The method used is descriptive analysis method with case method. The data obtained will be processed and analyzed in accordance with the theory studied to draw conclusions. From the results of the study it can be concluded that the incentives have been utilized properly by PT. X, and this utilization has a good impact or provides benefits for the company, which means that the Income Tax Article 25 incentive has been right on target for the company. The amount of Income Tax Article 25 installments before and after utilizing Income Tax Article 25 incentives during the Covid-19 Pandemic.

***Keywords:*** *Knowing, Processing, Analyzing, Drawing Conclusions, Utilization of Income Tax Article 25 Incentives*

### **1. Introduction**

Taxes are the largest source of income for the state, thus the government tries to put as much revenue as possible into the state treasury to increase state revenue from taxes. However, the 2019 corona disease virus pandemic (covid-19) which is a national disaster that affects the economic stability and productivity of the community, workers and business people, makes economic conditions under pressure, where there is an economic contraction which causes the taxpayer's business situation to experience changes, the majority of which are in the form of a business decline (Lubis et al., 2022; Bolton et al., 2021). The decline in the taxpayer's economy is of course directly proportional to the decline in state revenue from taxes, which is one of the causes of Indonesia's economy experiencing severe pressure. Seeing this situation, the government then acted by issuing General Rules Number 1 of 2020 which was a step to save the community and the economy, one of which was to carry out a fiscal expansion policy (Loupaty 2021). Seeing the threat of worsening the economy and the threat of financial system stability along with the uncertainty and not over the spread of Covid-19, which was then passed into Law No. 2 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Covid-19 Pandemic.

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Furthermore, the government has issued several incentive and relaxation policies in the field of taxation. Incentives are intended to provide cash flow flexibility for taxpayers to increase resilience in the face of pressure on economic conditions as a result of the co-19 pandemic (Chernick 2020; Machdar 2022). In addition, incentives are also intended to anticipate a decline in taxpayer business (Yusuf 2022; Zulkarnaen et al., 2020). Due to rapid changes in economic conditions, on the one hand the government needs state revenue through taxes in order to help deal with the covid-19 outbreak but on the other hand the government also does not want to burden people who are being hit by economic turmoil, the government, which is trying to achieve the tax revenue target through the Minister of Finance, finally issued an incentive and relaxation policy in the field of taxation in the form of a Minister of Finance Regulation (PMK) which has been overhauled several times as follows: Through Minister of Finance Regulation Number 23 of 2020 replaced by Minister of Finance Regulation Number 44 of 2020, then changed to Minister of Finance Regulation Number 86 of 2020 which was then replaced by PMK No. 110 of 2020, then replaced by PMK Number 9 of 2021 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Pandemic. From these regulatory changes, of course, the government also provides more tax relief, one of which is for taxpayers who are required or subject to tax installments of Income Tax Article 25. Tax Installments aim to ease the tax burden of taxpayers within one year so that the installments of Income Tax Article 25 paid per month can approach the value of tax payable in one tax year. even so, the installments that are expected to ease the tax burden at the end of this year with the covid-19 pandemic are heavy due to the decline in taxpayer economic stability. Therefore, the government provides relief for tax installments. The relief given to Income Tax Article 25 tax installments that attracts attention is the incentive to reduce tax installments or discount tax installments, besides that the changes in these regulations are also followed by the addition of the Business Field Classification Code.

Tax revenue excluding excise revenue, import duties and export duties, is still the main foundation of state revenue with a contribution of around 41.3% of the total State Budget (APBN). The realization of Income Tax (PPH) in 2020 reached IDR 594 trillion or contracted 23.1% compared to the realization in 2019. With an achievement of only 88.6% of the 2020 target. This condition comes from Corporate Income Tax which contracted quite deeply due to several factors. First, the slowing profitability of business entities in 2019 as the basis for 2020 tax calculations. Second, tax incentives in the form of installment deductions of 30% and up to 50%. Third, the reduction in the corporate income tax rate from 25% to 22%. (Masdi, 2021). From the relief provided for tax installments, the reality is that the relief makes state revenues decrease, but on the other hand, the relief can help taxpayers to maintain and run their businesses, because if taxpayers experience bankruptcy or lose their business due to the economic downturn during this pandemic, it will certainly make matters worse. So that this tax relief policy is maintained. PT. X, which is a company in the field of animal husbandry support that is subject to installments of Income Tax Article 25 and is one of those affected by the covid-19 pandemic. with the covid-19 pandemic, many breeders have experienced a decline in business which has caused losses and of course has an impact on the company's economic rate. with the incentive for installments of

Income Tax Article 25, it is hoped that it can ease the tax burden and have a good impact on the survival of the company.

The Minister of Finance Regulation (PMK) regarding the provision of incentives for Income Tax Article 25 has changed several times including, the first incentive was stipulated during the Covid-19 pandemic stipulated in the Minister of Finance Regulation of the Republic of Indonesia No. 23 / PMK.03 / 2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Virus "CHAPTER IV concerning Income Tax Article 25 Installment Incentives" Article 8 paragraph 1 reveals that a reduction in the amount of Income Tax Article 25 installments of 30% of the Income Tax Article 25 installments that should be payable is given. On April 27, 2020 PMK No. 23 of 2020 was updated with PMK No. 44 / PMK.03 / 2020. "CHAPTER V Regarding Incentives for Income Tax Article 25 Installments" Article 11 paragraph 1 reveals that a reduction in the amount of Income Tax Article 25 installments of 30% of the Income Tax Article 25 installments that should be owed is given, valid until the September 2020 tax period.

On July 16, 2020 PMK No. 44 / PMK.03 / 2020 was revoked and replaced by PMK No. 86 / PMK.03 / 2020 concerning Tax Incentives for Taxpayers Affected by the Covid-19 Virus "CHAPTER V concerning Income Tax Article 25 Installment Incentives" article 10 paragraph 1 reveals that a reduction in the amount of Income Tax Article 25 installments of 30% of the installments of Income Tax Article 25 that should be payable, valid until the December 2020 tax period. On August 14, 2020 PMK No. 110 / PMK.03 / 2020 was stipulated to replace PMK No. 86 / PMK.03/On February 11, 2021 the Minister of Finance stipulates the latest PMK, namely PMK No. 9 / PMK.03 / 2021 concerning Tax Incentives Affected by the Covid-19 Virus "CHAPTER III A concerning Incentives for Income Tax Installments Article 25" article 10 Paragraph 1, which states that a reduction in the amount of Income Tax installments 25 of 30% of the installments that should be payable, until the December 2020 tax period.

## **2. Methodology**

The object of research is an activity that has certain variations that have been determined by the researcher to study and then draw conclusions. In this study, the object of research is PT. X. The reason for choosing the object of research at PT. X is because it explores practical material at the tax consultant office and the problems to be reviewed were found when undergoing practical material at this tax consultant office so that it can facilitate the author in examining the material to be discussed in more detail.

The method used in this research is a descriptive analysis method of case analysis with a Qualitative approach. The method aims to describe, describe or describe systematically, process, analyze and process data obtained based on research theory to draw conclusions (Rukajat, 2018; Sugiyono 2017). The author chooses the type of qualitative research in order to review and get an explanation of the object to be studied. So that research with a qualitative approach by describing data in the form of

Minister of Finance Regulations, PT. X Tax data, which then the data can be processed so as to produce conclusions in the form of words.

The primary data used in this study are data obtained from PT. X in the form of Tax Returns for 2019 and 2020 and Reports (Details) of Income Tax Article 25 Installments for tax periods or months in 2020. Secondary data is obtained from studying books and literature regarding the Minister of Finance Regulation for handling the Covid-19 Pandemic regarding "Reduction or Discount of Income Tax Article 25 Installments", General Rules No. 1 of 2020 which has been passed into Law No. 2 of 2020.

Researchers made direct observations to the place of the object under study, where the data used was obtained by sharing with the tax and accounting team of PT. X for the provision of information and data to be used for research, as well as searching for data related to research on book sources, articles and laws and regulations relevant to the research. In writing this research using descriptive analysis method of case analysis by collecting data, processing, analyzing and drawing conclusions about the tax obligations of PT X before and after utilizing Income Tax Article 25 incentives.

### **3. Empirical Findings/Result**

PT. X is a family-based company established in Blitar in 1970 as a company engaged in poultry farming, especially chicken poultry, both laying hens and broilers. In running its business PT. X cooperates with several parties to meet the daily needs of the farm, and in its tax obligations PT. X is subject to tax installments of Income Tax Article 25. Becoming a leading company that always prioritizes customer satisfaction and provides benefits to the community. Performing the best trading activities by prioritizing services to micro, small and medium enterprises to support the improvement of the community's economy. Providing optimal benefits and benefits to those who play a role in supporting the company. Creating an independent society that is able to be empowered.

Providing work challenges, rewards and a comfortable working environment for employees where the company highly values healthy competition and a responsible attitude (Parashakti et al., 2020). And, take a role and be responsible for the surrounding environment in an effort to socialize and society.

Every company needs a management system, one of which is by forming an organizational structure where the organizational structure itself is used as a smooth running of all company activities. The calculation of installment payments is based on the previous year's taxable income of 24,707,086,000. then multiplied by a single corporate income tax rate of 22%, the income payable is IDR 5,435,558,920. PT X has paid off the tax credit (Rp 3,610,639,507), so the income tax that must be paid by itself is Rp 1,824,919,413. Income tax used as the basis for payment of the following year's corporate income tax installments is divided by 12 months, the monthly income tax paid under Article 25 is Rp 152,076,618.

In this case PT. X meets one of the above criteria, namely including one of the 1080 business field classification codes (KLU) for the Livestock Support sector. If the criteria of the taxpayer are met, it will automatically display the taxpayer's submission is accepted. If the criteria are not met, a notification of rejection of submission will appear, the picture above is an example of the form of rejection that will be given by the registered Tax Office to the Taxpayer. Taxpayers utilizing the reduction in the amount of Income Tax Article 25 as referred to in Article 12 paragraph (1) must submit a realization report on the reduction in the amount of Income Tax Article 25 installments every month through the [www.pajak.go.id](http://www.pajak.go.id) page. Taxpayers must submit a realization report no later than the 20th of the following month after the tax period ends as referred to in paragraph (1).

The calculation as the basis for installment payments is taken from the previous year's taxable income of Rp 24,707,086,868. Because PT X is one of the companies that gets government incentives, PT X's taxable income is multiplied by the reduced corporate tax rate of 22%, so that the income tax payable is IDR 5,435,558,920. PT X has paid off the tax credit (3,610,639,507), so the income tax that must be paid by itself is Rp 1,824,919,413. Income tax is used as a reference for the payment of the following year's corporate income tax installments divided by 12 months. The monthly Income Tax Article 25 payment is IDR 152,076,618, because the Income Tax Article 25 incentive obtained by PT X is reduced by 30% (IDR 45,622,985) which is utilized in June, then Article 25 of the Income Tax Law becomes IDR 106,453,633, after receiving compensation. then in July to December PT X obtained a 50% reduction (IDR 76,038,309), then Article 25 of the Income Tax Law becomes IDR 76,038,309 after receiving compensation.

During 2020 PT. X utilizes the incentive facility for 7 months, for the months of January-March the amount of installments uses the installments of December 2019. Then in April 2020, a Minister of Finance Regulation was issued, one of which regulates a discount or reduction in tax installments during the Covid-19 pandemic. in April-May PT. X has not taken advantage of the incentive and began to take advantage of the incentive facility in June, namely with an incentive or discount of 30%, the reduction in installments obtained by PT. X is Rp.  $152,076,618 \times 30\% =$  Rp. 45,622,985, so that the tax installment in June is Rp.  $152,076,618 -$  Rp. 45,622,985 = Rp. 106,453,633. Furthermore, in July the PMK was updated by increasing the discount from 30% to 50%, but in July PT. X still used the 30% incentive, starting in August PT. X utilized the 50% incentive until December, the reduction in installments obtained by PT. X was Rp.  $152,076,618 - 50\% =$  Rp. 76,038,309, so the installments for the tax period that utilized the 50% incentive were Rp.  $152,076,618 -$  Rp. 76,038,309 = Rp. 76,038,309. Because in July PT. X has not utilized the 50% incentive, there is an overpayment of Rp.  $106,453,633 -$  Rp. 76,038,309 = Rp. 30,415,324 so that in August PT. X makes a correction, the overpayment in July is used to pay off the August tax installment so that PT. X pays off Rp. 76,038,309 - Rp. 30,415,324 = Rp. 45,622,985.

From this data, the total amount of tax installments without utilizing incentive facilities in a year is Rp. 1,970,209,761. and the total amount of tax installments by

utilizing incentives in a year is Rp. 1,468,356,922. so that in the installments paid for each tax period for 12 months the company gets a savings of Rp. 1,970,209,761 - Rp. 1,468,356,922 = Rp. 501,852,839 from what is

The calculation of tax payments for 2020 is based on 2020 taxable income of Rp. 15,304,005,000. then multiplied by a single corporate income tax rate of 22%, the income payable is Rp. 3,366,881,100. PT X has paid off the tax credit (Rp. 1,578,784,765), so the income tax that must be paid by itself is Rp. 1,788,096,335. then the calculation is carried out to assess the benefits the company gets for the Covid-19 incentive. If the company does not take advantage of incentives, the tax that must be paid by itself in 2020 - Total tax installments for 12 months = Rp. 1,788,096,335 - Rp. 1,970,209,761 = Rp. -182,113,426 which means the company has overpaid. If the company utilizes incentives, the tax that must be paid by itself - Total tax installments for 12 months = Rp. 1,788,096,335 - Rp. 1,468,356,922 = Rp. 319,739,413 which indicates that with the use of incentives the company has underpaid. So that the profit on incentives is = Total installment savings for 12 months - Total tax underpayment at the end of the year = Rp. 501,852,839 - Rp. 319,739,413 = Rp. 182,113,426.

#### 4. Discussion

Tax installments that are expected to ease the tax burden of taxpayers at the end of the year feel heavy during the Covid-19 pandemic. The decrease in business and the amount of tax payable of PT. X underlies the company to take advantage of the Covid-19 Incentive facility in the form of a Reduction of Income Tax Installments Article 25. Implementation of the Income Tax Reduction Policy is the process of providing the policy to achieve its goal of preventing overpayments at the end of the year. The process of Providing Income Tax Article 25 Incentive Facilities is, at the initial stage, PT. X applies to obtain Income Tax Article 25 Incentive facilities in accordance with the applicable procedural requirements. In this case PT. X has met the requirements of the Classification Code and carried out procedures in accordance with the Minister of Finance Regulation. Furthermore, PT. X has been approved to be able to utilize the incentive. However, in its realization there was a regulation update with a fairly close distance, namely there was an additional reduction in installments from 30% to 50% in a fairly close time and the preparations made by the company made PT. X less than optimal in utilizing incentives, even so PT. X has been quite good in its utilization in 2020 utilizing incentives for 7 months. In the realization of the utilization of the Income Tax Article 25 Incentive facility, PT. X experienced an overpayment due to changes in regulations with an additional reduction in installments, which was then restituted to the next month. With the utilization of the Covid-19 incentive, the difference in total installments of PT. X not utilizing incentives and utilizing incentives for 12 months is Rp. 501,852,839. this shows that in 12 months PT. X saves installments of Rp. 501,852,839. Given that the use of incentives aims to prevent overpayments at the end of the year, a comparison of the calculation of the year-end tax payable of PT. X not utilizing incentives and utilizing incentives shows that if PT. X does not utilize incentives, PT. X experiences an overpayment of Rp. 182,113,426. And with the utilization of incentives PT. X underpaid by Rp. 19,739,413. so that PT.

X has a profit on the utilization of incentives of Rp. 182,113,426. This shows that Income Tax Article 25 Incentives provide benefits and benefits for the survival of the company during the covid-19 pandemic.

## 5. Conclusions

To assess the benefits of utilizing incentives in a company, it is important to consider the short-term and long-term impacts on various aspects of the organization. Incentives can take many forms, such as financial bonuses, stock options, recognition programs, or non-monetary rewards such as extra time off or professional development opportunities. It is important to note that although incentives offer many benefits, they must be designed carefully to avoid undesirable consequences, such as unhealthy competition, short-term thinking, or unethical behavior. Additionally, the effectiveness of incentives can vary based on the specific industry, company culture, and individual employee motivation. Regular assessment and adjustment of incentive programs is critical to maximizing their benefits while minimizing potential harm. The incentives have been utilized properly by PT. X, and this utilization has a good impact or provides benefits for the company, which means that the Income Tax Article 25 incentive has been right on target for the company. The amount of Income Tax Article 25 installments before and after utilizing Income Tax Article 25 incentives during the Covid-19 Pandemic. Income Tax Incentive Article 25 is one of the tax facilities provided by the government to companies in the form of income tax deductions that are lower than the normal income tax rate. This incentive aims to encourage investment, economic growth and increase employment opportunities. Income Tax Incentive Article 25 "is right on target for companies," so it can be interpreted that this incentive has succeeded in achieving the goals expected by the government. These incentives encourage companies to invest more funds in business activities, which can contribute to economic growth. Companies that benefit from these incentives can grow faster, create added value, and expand their operations. The effectiveness of tax incentives can vary depending on a variety of factors, including proper design, good implementation, and careful monitoring. Regular evaluation and review of these incentives is necessary to ensure that they are still serving their intended purpose and are not being misused. The incentives have been utilized properly by PT. X, and this utilization has a good impact or provides benefits for the company, which means that the Income Tax Article 25 incentive has been right on target for the company. The amount of Income Tax Article 25 installments before and after utilizing Income Tax Article 25 incentives during the Covid-19 Pandemic.

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