

## Research Article

# Gross Up For PPH 21 Cuts: Is it the Suitable Solution?

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**Abstract.**

Implementing good university governance in totality and consistency in the academic field is essential. Finance, human resources, and accountability are important elements of higher education governance. This study aims to determine the calculation of PTKP and the reporting of Article 21 Income Tax, as well as steps that must be taken when there is an error in reporting Article 21 Income Tax by MSE employees under the XYZ Foundation. This study uses primary data. Data has been collected and then analyzed to find out various calculations, namely the net method, gross method, and gross-up method. Results show that the calculation of the Gross-Up Income Tax Method article 21 for employees according to PSAK 46 to minimize Corporate Income Tax is very appropriate as a solution for taxpayers and the XYZ Foundation.

**Keywords:** PPh 21; Gross Up; Personal Taxpayer; KUP

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## 1. Introduction

Implementing good university governance in totality and consistency in the academic field is essential. Finance, human resources, and accountability are elements of higher education governance that must be implemented. The Revenue and Expenditure Budget must be audited, both internal and external, where the budget is inseparable from taxation. The foundation is a non-profit organization that houses universities and one educational institution that regularly carries out tax obligations (Dan & Pph, 2020). Foundations must comply with the Law on Foundations provisions and follow other provisions, including tax provisions (Siregar, 2023). Universities under the auspices of the foundation must comply with existing regulations. The existence of Law No. 36 of 2008, which regulates General provisions and Tax Procedures, will make it easier for taxpayers to pay taxes to the tax fiscus and provide a form of convenience to taxpayers in the tax process. By knowing the regulations and understanding the tax administration system, it can be implemented more easily to be understood by taxpayers (Law No. 36

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of 2008). XYZ Foundation is a foundation that houses a university and is one of the educational institutions that must carry out tax obligations regularly.

Tax Planning Co, mainly known as tax planning, which is done correctly, can help companies to pay taxes efficiently. Companies can utilize tax planning to carry out tax management well. Tax Planning in question is tax planning that does not violate tax regulations or is allowed by tax law (Islamy & Ervina, 2021).

In charging PPh 21 tax, there are three methods of calculating PPh 21: the Gross method, namely PPh 21 borne by the company; the Net method, namely PPh 21 borne by the company or employer; and the Gross-Up method, namely PPh 21, given in the form of benefits. Companies can divert providing in the form of other benefits to reduce taxable income (PKP). So that companies can use the Gross-Up method. With the implementation of this Gross Up method, the company will provide benefits to employees later, which are the same amount as PPh 21 deducted from employees (Islamy & Ervina, 2021). This legal method can help companies minimize the tax burden (Khairani & Silalahi, 2022).

Each of the three methods has advantages and disadvantages, so analyzing which method is most suitable to apply to the XYZ Foundation is necessary.

## 2. Method

This type of research is qualitative research that uses permanent employee salary data to calculate PPh 21 benefits using the Gross-Up method and Net Method. This study used primary data. The data that has been collected is then analyzed using qualitative descriptive analysis methods.

The application used for XYZ Foundation employees is the Gross-Up method, which is easier and more effective than the calculation used. So, the foundation does not need to calculate in stages to find tax benefits. This gross-up method is legal or permissible and can be accounted. The advantages of using the Gross-Up method are that companies also do not need to find nominal and calculate mathematical equations to calculate tax benefits; by using the Gross-Up method, companies have a formula for calculating benefits; companies only need to adjust Taxable Income (PKP) with the Gross-Up method formula.

To reduce taxes in the manner permitted by law, companies can apply Tax Planning using Article 21 Income Tax following PSAK 46, where PSAK 46 regulates Income Tax (IAI, 1998). By providing appropriate salaries and benefits to employees, later employees

will be even more motivated to work, so employee performance will be better (Islamy & Ervina, 2021).

One method that is allowed by DGT in calculating income tax is the Gross-Up PPh 21 Method. In addition, DGT also allows tax calculation using net and gross methods in calculating income tax.

In the gross method, tax is calculated based on the employee's gross income, so the tax liability will be imposed on the employee. There is a slight difference in the net method, where employees receive a net salary from the company because the company has earned their income tax. The calculation in the Gross-Up PPh 21 Method is more complicated than the other two methods. Because in the Gross-Up PPh 21 Method calculation, the company will provide tax benefits first before tax withholding is made. The employee's salary will not be deducted because tax deductions and benefits are the same value.

In the Gross-Up PPh 21 Method, the tax deduction borne by employees can be eliminated because the company has born the deduction by providing benefits of the same value.

The provision of this tax allowance is carried out by the company on the salary of employees or workers every month. Even so, the Gross-Up PPh 21 Method has a slightly more complicated calculation than the other two methods. So, employee income will be increased first by tax deductions for later tax deductions.

### 3. Result and Discussion

#### 3.1. Results

The population in this study is the salary of permanent employees at Muria Kudus University, with the study sample using convenient sampling techniques based on convenience.

There are 382 permanent employees.

The application used for employees is the Gross-Up method, which is easier and more effective than the calculation. So, the foundation does not need to calculate in stages to find tax benefits. This gross-up method is legal or permissible. The advantages of using the Gross-Up method are that companies also do not need to find nominal and calculate mathematical equations to calculate tax benefits; by using the Gross-Up method, companies have a formula for calculating benefits; companies only need to adjust Taxable Income (PKP) with the Gross-Up method formula.

To reduce taxes in the manner permitted by law, companies can apply Tax Planning using Article 21 Income Tax following PSAK 46, where PSAK 46 regulates Income Tax (IAI, 1998). By providing appropriate salaries and benefits to employees, later employees will be even more motivated to work, so employee performance will be better (Islamy & Ervina, 2021).

In paying income tax, the company should encourage its employees to pay it. Companies can use several ways, including deducting salaries or providing specific benefits for tax payments. Companies can use three methods in their calculation, namely the Nett Method, the Gross Method, and the Gross-Up PPh 21 Method, to calculate employee income tax. Of course, the company owner or employee in charge of calculating this tax must know and master how to calculate it.

### 3.2. Discussion

In the gross method, tax is calculated based on the employee's gross income, so the tax liability will be imposed on the employee. There is a slight difference in the net method, where employees receive a net salary from the company because the company has earned their income tax. The calculation in the Gross-Up PPh 21 Method is more complicated than the other two methods. Because in the Gross-Up PPh 21 Method calculation, the company will provide tax benefits first before tax withholding is made. The actual employee salary will not be deducted because tax deductions and benefits have the same value.

In the Gross-Up PPh 21 Method, the tax deduction borne by employees can be eliminated because the company has born the deduction by providing benefits of the same value.

The provision of this tax allowance is carried out by the company on the salary of employees or workers every month. Even so, the Gross-Up PPh 21 Method has a slightly more complicated calculation than the other two methods. So, employee income will be increased first by tax deductions for later tax deductions.

## 4. Conclusion

In charging PPh 21 tax, there are three methods of calculating PPh 21: the Gross method, namely PPh 21 borne by the company; the Net method, namely PPh 21 borne by the company or employer; and the Gross-Up method, namely PPh 21, given in the form of benefits. Companies can divert providing in the form of other benefits

to reduce taxable income (PKP). So that companies can use the Gross-Up method. With the implementation of this Gross Up method, the company will provide benefits to employees later, which are the same amount as PPh 21 deducted from employees (Islamy & Ervina, 2021). This method is legal and appropriate as a joint solution between taxpayers and the XYZ Foundation that can help the foundation minimize its tax burden (Khairani & Silalahi, 2022).

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