

# The Calculation Process of Personal Income Tax for Permanent Employees in the Implementation of the Average Effective Rate (TER) with the Gross up Method Approach



## Case Study at PT Pengusahaan Daerah Industri Pulau Batam Persero

### Introduction

PT Daerah Industri Pulau Batam (Persero) is located at Jl. Yos Sudarso No.1, Sungai Jodoh, Kec. Batu Ampar, Batam City, Riau Islands 29444. As an BUMN, Persero Batam has undergone a significant role evolution, moving from an initial focus on industrial development to transforming into an integrated Container Port and Logistics Service Provider on Batam Island.

Persero Batam also has employees in running the company's operations. Changes in regulations make the company also have to readjust the calculation as a form of company compliance. The calculation used previously was the **gross** method, and this method was deemed inappropriate for the company's conditions because the tax payable by employees was supported by the company and not deducted from income. The company plans to **switch** to the **gross up** method which is considered to be accommodating and in accordance with the conditions of the company. This method will be adjusted along with the application of TER in the calculation process.

### Literature

#### Personal Income Tax

Tax on income in the form of **salaries, wages honoraria, allowances, and other payments** by name and in any form in connection with **work or position, services, and activities** carried out by individual domestic tax subjects, as referred to in Article 21 of the Income Tax Law.

PER-16/PJ/2016 Article 1 paragraph 2

#### Permanent Employee

Employees who **receive** or earn a certain amount of **income regularly**, including members of the board of commissioners and members of the supervisory board, as well as employees who work under contract for a certain period of time **who receive or earn a certain amount of income regularly**.

PER-16/PJ/2016 Article 1 paragraph 10

#### Average Effective Rate Based (TER)

TER consists of **monthly effective rate and daily effective rate**. The monthly effective rate can be divided into 3 categories. **Categories A, B, and C based on the amount of Non-Taxable Income** at the beginning of the tax year and is imposed on the gross income of the income recipient.

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#### Gross Up Method

Method in tax withholding by making a formulation so that the results of the calculation are equal to the results of the **tax that will be deducted from permanent employees** where the company will provide tax allowances.

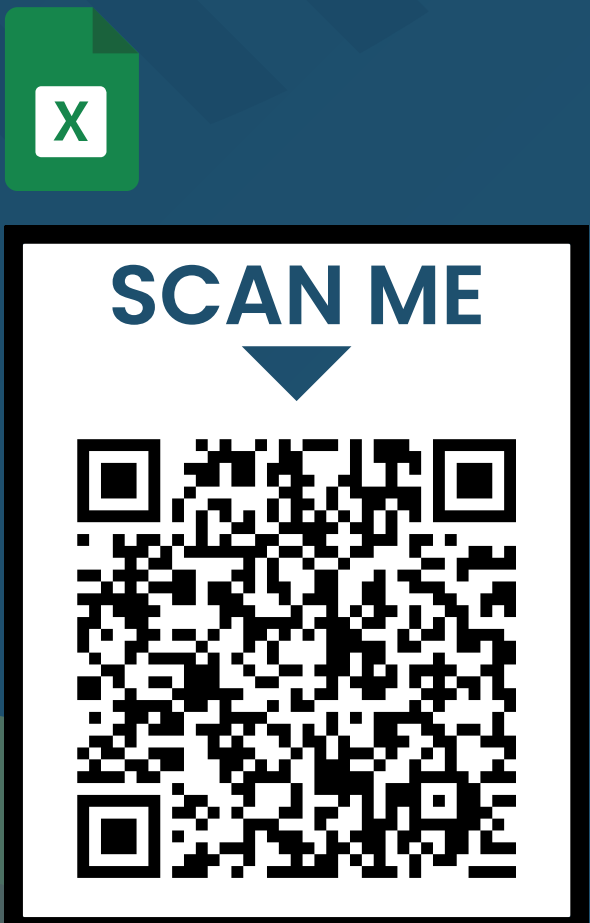
Mahardika, 2019

#### Iterative Calculation

Feature used to perform iterative calculations, where **the results of the calculation become the source** of the calculation.

Support.microsoft.com, 2023

### Discussion



In calculating Personal Income Tax for employees, the company is constrained in **changing** the calculation used to the **gross up** method. But this method has not been applied because there is **no appropriate calculation formula to use**. Adjusting to the latest regulations as a form of compliance PMK no 168 of 2023 and PP NO 58 of 2023. So, provide a solution **to make calculations** through **Microsoft excel software**.

This accurate excel calculation formula has been prepared and can be accessed through the following link :

[https://drive.google.com/drive/folders/1-iM-kbvnQFU\\_Az7SDhenv9bJ6qDyGpaK?usp=sharing](https://drive.google.com/drive/folders/1-iM-kbvnQFU_Az7SDhenv9bJ6qDyGpaK?usp=sharing)

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