
The Effectiveness of Article 21 Corporate Income Tax Revenues Using Progressive Calculation Based on the Average Effective Rate (AER) in 2023–2024

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ABSTRACT

Taxes serve as the primary source of state revenue and play a strategic role in financing national development and public services. This study aims to evaluate the effectiveness of income tax (*PPh*) Article 21 collection by corporate taxpayers, particularly following the implementation of the Average Effective Tax Rate (*TER*) policy in 2024. The policy was introduced to simplify the previously applied progressive tax structure, with the expectation of improving administrative efficiency and taxpayer compliance. Employing a descriptive qualitative approach, data were collected through interviews, observations, and documentation at the Cirebon Satu Primary Tax Office (*KPP Pratama Cirebon Satu*). The results reveal that the introduction of *TER* has not yet led to an increase in tax revenue. On the contrary, there was a significant decline of over 33% in *PPh* Article 21 receipts during the first year of implementation. This decrease is attributed to limited understanding among corporate taxpayers regarding the new *TER* scheme, insufficient technical outreach, and systemic difficulties in adjusting payroll calculations.

Keyword: Progressive Rate, Average Effective Tax Rate (*TER*), Tax Revenue

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INTRODUCTION

Taxes serve as the primary source of state revenue and play a strategic role in financing national development and public services. One of the major contributors to tax revenue is *Article 21 Income Tax (PPh Article 21)*, which is imposed on income received by both permanent and non-permanent employees. In its implementation, the responsibility for withholding and remitting *PPh Article 21* lies with corporate entities acting as tax withholders.

To ensure fairness in the taxation system, the government applies a progressive rate scheme in calculating *PPh Article 21*. Under this scheme, the higher a person's income, the higher the tax rate imposed. However, the effectiveness of this progressive rate policy still warrants further investigation—particularly regarding whether it positively contributes to increasing tax revenue, especially from corporate withholdings.

One method to assess the effectiveness of this policy is through the *Average Effective Rate (AER)*, which represents the actual average rate paid by employees after all tax components are calculated. The AER reflects the extent to which the progressive rate truly contributes to real *PPh Article 21* revenue and whether corporate entities have fulfilled their withholding obligations optimally.

This study focuses on a case at the *Cirebon One Primary Tax Office (KPP Pratama Cirebon Satu)*, analyzing the fiscal years 2023 and 2024, considered the most recent periods reflecting current post-pandemic economic recovery conditions. This particular tax office was chosen due to its substantial number of corporate taxpayers, making it a relevant and representative object for examining the implementation of *PPh Article 21* withholdings by corporate bodies.

Through this research, the study aims to evaluate whether the collection of *PPh Article 21* by corporate entities has been carried out effectively and to what extent the progressive rate impacts the AER. The findings are expected to serve as valuable input for tax authorities in strengthening collection strategies and formulating a more efficient and equitable tax policy.

METHOD

This study employed a descriptive qualitative approach to provide an in-depth and systematic depiction of the conditions observed in the research subject. According to Sugiyono (2019:16), qualitative methods—also known as post-positivistic—are grounded in the philosophy of post-positivism. This approach is flexible and interpretive, emphasizing meaning-making and direct data interpretation from the field.

As stated by Rachmaningsih et al. (2022), the descriptive qualitative method aims to provide a factual representation of the research object based on real-world observations. Data collection techniques included observation, interviews, and documentation. Primary data were obtained through interviews with authorized personnel at the Cirebon One Primary Tax Office (KPP Pratama Cirebon Satu). Secondary data comprised records of registered taxpayers, alongside targets and realizations of Article 21 income tax revenues before and after implementing the progressive tax rate outlined in Law No. 7 of 2021.

Several steps were undertaken in analyzing the secondary data, including:

- a) Compiling tables on the growth of registered corporate taxpayers before and after the implementation of the progressive corporate income tax rate based on Law No. 7 of 2021 at KPP Pratama Cirebon Satu.
- b) Calculating and analyzing the growth of individual taxpayers to assess compliance trends and the expansion of the tax base following the enactment of the policy.
- c) Developing tables to illustrate the effectiveness of Article 21 income tax collection from corporate taxpayers before and after the change in corporate income tax rates, with a case study focus on KPP Pratama Cirebon Satu.
- d) Measuring the effectiveness of Article 21 income tax revenue from corporate taxpayers during the periods before and after the application of the progressive corporate tax rates as regulated by Law No. 7 of 2021.

After all data have been analyzed and interpreted, the study aims to draw conclusions regarding the growth of corporate taxpayers and the effectiveness of Article 21 income tax

revenue collection following the implementation of the progressive tax rate policy under Law No. 7 of 2021, specifically within the jurisdiction of the Cirebon One Primary Tax Office.

RESULTS AND DISCUSSION

General Overview of Article 21 Income Tax Revenues at KPP Pratama Cirebon Satu

Article 21 Income Tax (PPh Article 21) serves as one of the main contributors to national income from the direct tax sector. This study focuses on KPP Pratama Cirebon Satu as the case study object, considered representative due to its substantial number of registered corporate taxpayers and diverse business sectors. Between 2021 and 2024, PPh Article 21 revenue from several corporate entities showed considerable variations.

In total, the revenues from 10 corporate taxpayers analyzed in this study amounted to IDR 4,822,583,424 during the 2023–2024 period. This figure reflects all deposits recorded in monthly and annual reports, either submitted manually or via the e-filing system. The annual breakdown is as follows:

Table 1. Annual Revenue

Year	Revenue Amount (IDR)
2023	2.888.573.495
2024	1.934.009.929
Total	4.822.583.424

Source: Article 21 Income Tax Deposit Data (KJS 100) – KPP Pratama Cirebon Satu

These figures indicate that 2023 marked the peak of tax revenue realization before a significant decline occurred in 2024, coinciding with the implementation of the Average Effective Rate (AER) policy.

Impact of Average Effective Rate (AER) Implementation on Tax Revenues

Beginning January 2024, the government officially adopted the Average Effective Rate (AER) system in the calculation and withholding of PPh Article 21. This system was designed to simplify tax administration, reduce the burden of manual progressive calculations, and improve corporate taxpayer compliance.

However, the data reveals that in the first year of AER implementation, there was a decrease in revenue by IDR 954,563,566 compared to the previous year (2023), equivalent to a decline of approximately 33.04%. This decrease may be attributed to several factors:

1. Limited understanding of the new AER scheme among corporate taxpayers.
2. Possible misclassification of gross income as the basis for withholding.
3. Lack of technical training or outreach to corporate finance personnel.

These findings are consistent with previous research by Sumali & Lim (2024), which stated that the transitional period of AER implementation often triggers field adjustments that temporarily affect state revenues.

Revenue Dynamics by Corporate Taxpayer

To gain a more comprehensive view, individual taxpayer analysis was conducted. The results show a sharp variation, with most corporate taxpayers experiencing revenue declines in 2024, while a few recorded increases. A summary of these dynamics:

Table 2. Revenue Dynamics

Taxpayer	Number of Registered Taxpayers		Percentage Increase/Decrease of Taxpayers
	2023	2024	
WP 1	Rp 701.904.570	Rp 372.475.508	47% ↓
WP 2	Rp 834.529.590	Rp 424.024.731	49% ↓
WP 3	Rp 242.706.853	Rp 234.963.863	3% ↓
WP 4	Rp 435.927.919	Rp 150.165.790	66% ↓
WP 5	Rp 184.082.310	Rp 263.098.182	43% ↑
WP 6	Rp 151.186.767	Rp 167.194.802	11% ↑
WP 7	Rp 8.110.500	Rp 8.803.928	9%
WP 8	Rp 124.500.850	Rp 130.791.832	5%
WP 9	Rp 110.878.244	Rp 101.277.305	9% ↓
WP 10	Rp 94.745.892	Rp 81.213.988	14% ↓

Source: Article 21 Income Tax Deposit Data (KJS 100) – KPP Pratama Cirebon Satu

Based on the analysis of Article 21 Income Tax revenues at KPP Pratama Cirebon Satu, there is a noticeable variation among the ten corporate taxpayers (WP) observed during the 2023–2024 period. WP 1 experienced a significant decline of 47%, from IDR 701,904,570 in 2023 to IDR 372,475,508 in 2024. Similarly, WP 2 recorded a sharp decrease of 49%, from IDR 834,529,590 to IDR 424,024,731. WP 3 experienced a milder decline of 3%, from IDR 242,706,853 to IDR 234,963,863. WP 4 showed the steepest decline, dropping by 66%, from IDR 435,927,919 to IDR 150,165,790.

On the other hand, several taxpayers showed increased revenues. WP 5 saw a notable surge of 43%, from IDR 184,082,310 in 2023 to IDR 263,098,182 in 2024. WP 6 also recorded an 11% increase, from IDR 151,186,767 to IDR 167,194,802. WP 7 experienced a 9% rise, from IDR 8,110,500 to IDR 8,803,928, while WP 8 showed a moderate growth of 5%, from IDR 124,500,850 to IDR 130,791,832. Meanwhile, WP 9 reported a decline of 9%, from IDR

110,878,244 to IDR 101,277,305, and WP 10 saw a 14% drop, from IDR 94,745,892 in 2023 to IDR 81,213,988 in 2024. These findings indicate that the impact of the Average Effective Rate (AER) policy was not uniform, but rather varied depending on the conditions and readiness of each entity in adopting the new system.

This disparity suggests that internal factors—such as accounting systems, human resource competencies, and internal compliance—significantly influence how the new policy is implemented by each corporate taxpayer.

The effectiveness of tax collection can be assessed from two perspectives:

1. Procedural effectiveness, referring to whether the processes of withholding and reporting are conducted in accordance with established schedules and regulations.
2. Quantitative effectiveness, referring to whether actual tax revenue approaches or exceeds the potential tax liability that should have been paid.

In the context of 2024, there are indications of a decline in quantitative effectiveness, as reflected by the overall decrease in aggregate tax deposits. This occurred despite the fact that the economy was beginning to recover following the COVID-19 pandemic—an environment in which tax revenue would normally be expected to increase.

Several additional indicators that support this decline in effectiveness include:

1. A decrease in the number of corporate taxpayers who submitted payments on time.
2. Discrepancies between reported gross income and the amount of withheld Article 21 Income Tax (as observed in the field).
3. A lack of real-time oversight by tax officers regarding the implementation of the Average Effective Rate (AER).

Comparison with Previous Studies

The findings of this study can be compared with several previous studies that examined the implementation of progressive tax rates and the Average Effective Rate (AER) in the context of Article 21 Income Tax withholding. Such comparisons are important to determine whether the phenomena observed at KPP Pratama Cirebon Satu are localized or indicative of a broader national trend.

Study by Sumali & Lim (2024)

In their study focusing on the impact of AER implementation in South Jakarta, Sumali & Lim found that the application of AER successfully simplified the tax calculation system. However, it also caused confusion during the initial phase of implementation. Their results showed that in the first year of AER enforcement, there was a temporary decline in tax revenue because many corporate taxpayers had not yet adjusted their payroll systems to align with the new rate structure. This finding parallels the results from KPP Pratama Cirebon Satu, where Article 21 Income Tax revenue declined in 2024 following the adoption of AER. It reinforces

the hypothesis that system transitions and taxpayer understanding represent major challenges in the early stages of AER policy implementation.

Study by Sari & Saputra (2025)

Their research, conducted in the Wonogiri region, concluded that AER provides convenience for companies, particularly in calculating taxes for permanent employees. However, they emphasized that the effectiveness of the new system heavily depends on the readiness of technological infrastructure and the accuracy of employee income databases. Compared to the present study, a similar context emerges: many corporate taxpayers in Cirebon still rely on manual processes, which hinders automatic improvements in compliance or revenue. This implies that AER policies require the support of robust information systems and simultaneous human resource training.

Study by Aryani & Romanda (2024)

Their research at PT Anugrah Sekayu highlighted that the Average Effective Rate strengthens the principle of fairness in the withholding of Article 21 Income Tax. With AER, the tax withheld becomes more proportional to employees' actual income. However, they also found that while fairness may increase, state revenue does not necessarily rise—especially when field implementation is not yet optimal. This aligns with what occurred at KPP Pratama Cirebon Satu, where the proportion of tax withheld may have become more equitable, yet overall revenue declined. This suggests that the goals of fairness and revenue optimization have not yet been fully harmonized.

Field Findings: Interviews with Tax Office Personnel

Through in-depth interviews with several officers at KPP Pratama Cirebon Satu, it was revealed that most corporate taxpayers still require guidance in implementing the AER scheme. Several common issues raised during the interviews included:

1. Discrepancies between the tax rates in the application systems and the most recent official regulations.
2. Difficulties in converting employees' gross income into the applicable AER framework.
3. Uncertainty in reporting income for contract and non-permanent employees.

The officers also acknowledged that outreach efforts regarding the AER policy at the end of 2023 were quite limited due to time and resource constraints. Therefore, there is a need for continued technical assistance and the development of digital systems capable of facilitating automated tax calculations.

Policy Implications and Strategic Recommendations

Based on the findings of this study, several strategic recommendations can be considered to enhance the effectiveness of Article 21 Income Tax revenue collection, particularly in the context of implementing the Average Effective Rate (AER) scheme. First, continuous outreach and education from tax authorities to corporate taxpayers is essential, especially for actors in the informal sector and small and medium-sized enterprises (SMEs). Regular technical training sessions will help improve understanding and prevent misapplication in the implementation of

AER. Second, there is a strong need for the integration of cloud-based digital taxation systems capable of automatically calculating tax amounts based on gross income. Such systems would reduce dependence on manual calculations and minimize the risk of administrative errors.

Furthermore, strengthening supervisory functions is crucial to ensure the optimal execution of tax policy. Quarterly evaluations of taxpayers that exhibit significant fluctuations in tax deposits could serve as an effective tool to identify potential tax avoidance or reporting negligence. Lastly, it is recommended that the government periodically review and adjust the AER formula to remain aligned with the evolving structure of income distribution in society. In doing so, tax policies can be not only fair in principle but also effective in practice.

CONCLUSION

Based on the study findings at KPP Pratama Cirebon Satu during 2023–2024, the implementation of the Average Effective Rate (AER) in 2024 did not significantly improve Article 21 Corporate Income Tax revenue collection; instead, a 33.04% decrease was observed compared to 2023, which had the highest revenue. Revenue fluctuations among corporate taxpayers indicated that the policy's impact depended heavily on each entity's internal readiness. The withholding and remittance process was suboptimal, with a gap between potential and actual revenue, largely due to limited understanding of the AER scheme and insufficient outreach by tax authorities. Similar to previous studies, administrative challenges and initial declines in tax receipts were expected during the early phase of AER implementation. Although the AER aims to enhance fairness in tax withholding, its success in improving compliance and revenue relies on strengthened technical support and systemic reforms. Future research should explore targeted strategies to improve taxpayer education, administrative capacity, and mechanisms to support uniform adoption across diverse corporate taxpayers to maximize AER's effectiveness in revenue collection.

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