

IN-KIND AND/OR ENJOYMENT TAXES PROVIDE FAIR INCOME TAX TREATMENT FOR EMPLOYEES

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Abstract

Regulations regarding income tax on in-kind and/or enjoyment are now explained in detail in PMK No. 66 of 2023. These regulations are closely related to employees who are the most valuable asset in helping the company to be productive so that it can generate profits. The implementation of this policy caused controversy among the community. Some parties consider this policy as an excessive step by the government in optimizing tax revenue, while the government emphasizes that the regulation aims to clarify legal aspects and bring justice in the treatment of income tax for employees. This study aims to find out the community's response to in-kind and/or enjoyment tax policies that are considered to be aimed at creating tax justice for workers. The quantitative approach is used by the survey method to employees working in the city of Bandung. This research shows that in-kind and/or enjoyment taxes are not considered fair by most employees.

Keywords: In-Kind and/or Enjoyment Tax, Tax Justice, Employee Income Tax

1. Introduction

The economic crisis due to the COVID-19 pandemic is felt by many countries, including Indonesia. To maintain economic stability in this critical time, the government seeks to maximize tax revenue, support the resilience of industry players, and maintain people's purchasing power. However, the pandemic has also forced changes in global economic policies and patterns, so a regulatory model is needed that is able to answer these challenges. Unfortunately, these efforts have not yielded optimal results. The pandemic has shown that the applicable tax rules have not been able to overcome the complexity and uncertainty of the future. Problems such as the acceleration of the digital economy, increased cross-border transactions, and economic inequality during the pandemic highlight the unpreparedness of existing regulations.

In response, the government launched tax reform through the Law on Harmonization of Tax Regulations which brought a number of changes, ranging from an increase in VAT rates, the implementation of tax amnesty, to the use of NIK as an NPWP. Among them, provisions are also regulated regarding fiscal treatment of in-kind and/or enjoyment provided by employers (Firmansyah & Wijaya, 2022).

This regulation is further clarified in PMK No. 66 of 2023. Public reactions were mixed, with some considering it as a way for the government to aggressively expand the tax base (Panjaitan & Yuna, 2023), while the government considered that this policy aimed to provide legal certainty and justice for compensation or rewards received in the form of in-kind and/or enjoyment.

Raharjo & Hasnawati (2023) said that statements of disagreement with the principle of fairness in the income tax regulations on in-kind and/or enjoyment come from taxpayers who already have a general understanding of the object of in-kind and/or enjoyment. The taxpayers consider that the principle of justice has not been reflected in

the income tax regulations on in-kind and/or enjoyment. However, in terms of the principle of benefits, taxpayers agree that the regulation can help the source of state income for national development that can be felt by all Indonesian people.

Throughout 2023, total tax revenue managed to reach IDR 1,869.2 trillion, which means exceeding the state budget target by 108.8% and exceeding the provisions in Presidential Regulation No. 75 of 2023 by 102.8%. This achievement reflects a growth of 8.9%, driven by the stability of the national economy and the effectiveness of supervision carried out by the Directorate General of Taxes (DGT) under the Ministry of Finance. The DGT also stated that the in-kind taxation policy contributed positively to the total tax revenue during the year. According to Dwi Astuti, Director of Counseling, Services, and Public Relations of the DGT, in-kind tax is one of the strategies to expand the tax base that supports increasing Income Tax (PPh) Article 21 revenue. The double-digit growth achieved by Income Tax Article 21 in 2023 is not only due to the stable number of workers and income levels, but also due to the implementation of in-kind taxation (Kontan, 2024).

Taxes on in-kind and/or enjoyment have a close relationship with workers, considering that employees are the main assets that play an important role in increasing company productivity and supporting the achievement of profits. Therefore, it is important for companies to pay attention to the welfare of their employees, including through regular salary adjustments, providing incentives for those who achieve targets, and providing various performance support facilities. This creates a balanced relationship, where the company is a place where potential employees develop. PMK No. 66 of 2023 is not only aimed at top-level management such as CEOs, directors, or commissioners, but also has an impact on ordinary employees. This can be seen from the list of exceptions (negative list) in the regulation which has a fairly low value limit, so it can be considered less profitable for non-managerial workers.

Panjaitan & Yuna (2023) argue that the implementation of PMK No. 66 of 2023 has a positive impact, especially in terms of preventing tax manipulation practices and money laundering through layering schemes. This policy is considered to be able to minimize the potential for abuse of legal loopholes for these illegal activities. Therefore, it is important to re-evaluate the negative perceptions that may arise towards this regulation, taking into account the legal bases behind its existence. This approach will provide a more comprehensive and objective view of the influence of PMK No. 66 of 2023 on the national tax system and investment climate. Based on this description, this research was motivated by the desire to know the extent to which taxes on in-kind and/or enjoyment reflect the principle of fairness in the application of income tax to employees.

2. Theoretical Framework

2.1 Employee Income Tax

Based on Law Number 7 of 2021 concerning the Harmonization of Tax Regulations, taxable income includes all improvements in economic ability received or obtained by taxpayers, both from domestic and foreign sources, which can be used for personal consumption or to increase wealth, regardless of its form or designation, as long as it meets certain criteria.

In this case, employees are included in the group subject to Income Tax (PPh) Article 21 withholding as described in PMK No. 168 of 2023. The provisions include individuals who receive income from certain jobs, services, or activities, which include: permanent employees, retirees, members of the board of commissioners or supervisors who receive

non-routine remuneration, non-permanent employees, non-employee individuals, participants in an activity, active employees who are also participants in the pension program, and former employees.

2.2 Tax on In-Kind and/or Enjoyment

Natura refers to the gift of goods or facilities that are not in the form of money. This gift can serve as an additional motivation for employees to be more enthusiastic at work. In addition, in-kind can also be used as a deduction for the company's gross profit because it is considered a form of compensation that is directly related to operations and business continuity. In the Regulation of the Minister of Finance Number 66 of 2023, five types of in-kind and/or enjoyment are stipulated that are not included in income tax objects, namely:

- 1) food or beverages (including their raw materials) provided to all employees;
- 2) in-kind provided in certain regions;
- 3) facilities or goods that the company must provide to support work;
- 4) in-kind financed from the state, regional, or village budget;
- 5) in-kind or other facilities with certain types and limits in accordance with applicable regulations.

The regulation also sets value limits for certain types of in-kind, including:

- 1) Food and beverages at work have no value limits; however, meal coupons for employees who work outside the office (including meal reimbursement) are limited to IDR 2,000,000 per month or the value of food provided in the office—whichever is higher.
- 2) Parcels for religious holidays (such as Eid al-Fitr, Christmas, Vesak, Nyepi, and Chinese New Year) are not limited in value, while gifts for other celebrations are limited to IDR 3,000,000 per year.
- 3) Sports facilities—other than golf, horse racing, power boating, flying, and automotive—are limited to IDR 1,500,000 per month.
- 4) Non-communal housing (e.g., house/apartment rental) is limited to IDR 2,000,000 per month.
- 5) Communal residences such as dormitories have no value limits.
- 6) Work tools such as laptops, computers, mobile phones, data plans, and the internet are exempt from value limitations.
- 7) Medical services in the case of work accidents, occupational diseases, emergencies, and follow-up care are also not limited in value.
- 8) Occupational safety and security facilities such as uniforms, shuttle transportation, personal protective equipment, and medicines or vaccines during the pandemic are not subject to a value limit.
- 9) Facilities for employees and their families working in remote areas (housing, transportation, health, education, and sports) are also exempt from value restrictions.
- 10) Official vehicles are not subject to tax if the recipient is not a shareholder and the monthly gross income is below IDR 100,000,000.
- 11) Places of worship such as mosques, prayer rooms, chapels, or temples are only intended for religious activities and are exempt from taxes.
- 12) Pension contributions paid by employers to employees are also excluded from income tax objects.

2.3 Justice in Taxation

One of the crucial elements in designing a tax system is the application of the principle of justice. In the context of taxation, *tax equity* means that every individual who is a taxpayer must make a proportionate contribution in supporting state financing. This principle of justice is divided into two main aspects, namely vertical justice and horizontal justice. Vertical fairness refers to a situation in which individuals with higher incomes are taxed in larger amounts. Meanwhile, horizontal fairness occurs when two individuals with the same income level pay an equal amount of taxes. Vertical justice focuses more on the party who pays taxes (tax subjects), while horizontal justice is related to things that are taxed (tax objects) (Suasa et al., 2021).

According to Raharjo and Hasnawati (2023), most individual taxpayers do not agree with policies that include in-kind and/or enjoyment as an object of Income Tax. They consider that this policy does not fully reflect the principle of fairness in the tax collection process. This disagreement has the potential to affect the level of compliance of taxpayers, considering that a sense of justice is one of the factors that affect compliance with tax regulations. If people feel that the tax system is unfair, then the tendency to avoid tax liability will increase. In other words, when in-kind or enjoyment is taxed, there can be an attitude to avoid paying taxes from parties who feel disadvantaged by the rule.

Panajaitan and Yuna (2023) argue that the imposition of taxes on in-kind and/or enjoyment can realize social justice for workers in Indonesia. Various problems that previously arose can be solved through this policy. The justice referred to here does not mean that all people pay the same amount of taxes, but that each individual contributes according to his or her economic capacity. Referring to the provisions in the law, any form of added economic value received by a person is categorized as income and should be taxed. With this approach, each individual is treated fairly because all elements that add to his welfare are counted as tax objects. Therefore, the existence of in-kind taxes is expected to be an instrument in creating social justice as the government's main vision in establishing these regulations.

H: In-kind and/or enjoyment taxes reflect fairness in the collection of income tax for employees.

3. Method

This research was conducted with a quantitative approach using a survey method. In accordance with the opinion of Jogiyanto (2014), surveys are a way of collecting primary data by submitting a number of questions to individuals as respondents. In its implementation, survey instruments are prepared in the form of several statements. The research target includes employees who work in the Bandung City area. The sampling technique was carried out randomly using a probability approach, precisely the simple random sampling method. Still referring to Jogiyanto (2014), this method means that every member of the population has an equal chance of being randomly selected. The number of respondents in this study was 100 people.

The type of data used in this study is primary data obtained through the distribution of questionnaires in the form of written statements. To collect data, the researcher asked participants to fill out a questionnaire that had been prepared. The measuring tool used is a questionnaire using the Likert Scale. According to Jogiyanto (2014), the Likert Scale is a tool to assess respondents' responses in five levels of assessment with an equally large distance between choices.

3.1 Variable Operational Definition (DOV)

The independent variables in this study are In-kind and/or Enjoyment Taxes, while the dependent variables used are perceptions of the fairness of employee income tax treatment. The following is a table of Variable Operational Definitions (DOV).

Table 1. Variable Operational Definition (DOV)

Variable	Definition	Indicators	Scale
In-Kind and/or Enjoyment Tax (X)	Taxes imposed on the form of facilities or non-cash benefits (in-kind) received by employees from the company, such as official vehicles, residences, insurance, or free consumption at work.	1. The level of taxpayer's understanding of the concept of in-kind and/or enjoyment tax.	Likert
Fairness of employee income tax treatment (Y)	Taxpayers' contribution to state financing (<i>cost of government</i>) in a fair and proportionate manner (<i>fair share</i>).	1. Taxpayers' understanding of the principle of justice in the tax system. 2. The assessment of the purpose of enacting the in-kind tax reflects the principle of justice. 3. The level of objection felt by taxpayers to the application of in-kind and/or enjoyment tax. 4. The perception that increasing tax revenues from in-kind encourages economic growth through new regulations.	Likert

3.2 Data Analysis Techniques

This study uses data analysis with an inferential statistical approach. Based on the opinion of Sugiyono (2013), inferential statistics are used to process data from the sample to draw conclusions that apply to the population as a whole. The analysis procedure includes data quality testing, classical assumption testing, and hypothesis testing. Data processing is carried out with the help of *SPSS Statistics software version 25*. In the initial stage, validity and reliability tests are carried out to evaluate the quality of the data. After that, a test was carried out on classical assumptions which included the normality test and the heteroscedasticity test. To test the hypothesis, the T statistical test (*t-test*) and the determination coefficient (R^2) test were used.

4. Results And Discussion

4.1 Validity Test

Jogiyanto (2014) stated that the validity test aims to assess the extent to which a questionnaire can be considered correct or valid as a measuring tool. The validity assessment is carried out by comparing the value of r calculated against the r table, with the following conditions:

- 1) If r is calculated beyond r table, then the statement in the questionnaire is considered valid.
- 2) Conversely, if r counts lower than r table, then the item is declared invalid.

Table 2. Results of Independent Variable Validity Test

		X1	X2	X3	X4	Total X
Total_X	Pearson Correlation	,265	,969**	,980**	,986**	1
	Sig. (2-tailed)	,100	,000	,000	,000	
	N	100	100	100	100	100

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Table 3. Results of the Dependent Variable Validity Test

		Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Total Y
Total_Y	Pearson Correlation	,250*	,357**	,228*	,510**	,488**	,303**	,219	,558**	,621**	,668**	,775**	,730**	1
	Sig. (2-tailed)	,012	,000	,023	,000	,000	,002	,854	,000	,000	,000	,000	,000	
	N	100	100	100	100	100	100	100	100	100	100	100	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Df = N – 2 with a significance level of 0.05, then r table = 0.1654 is obtained. The results in table 2 and table 3 show that the entire *value of the Pearson Correlation* is above 0.1654 so that all items of the In-Kind Tax and/or Tax Enjoyment and Fairness statements are said to be valid.

4.2 Reality Test

Jogiyanto (2014) explained that the reliability test aims to find out the extent to which a measurement instrument is able to provide consistent and reliable results. The reliability assessment is based on Cronbach's Alpha value with the following conditions:

- 1) If Cronbach's Alpha value exceeds 0.60, then the instrument is considered reliable or has a good level of consistency.
- 2) However, if the value is below 0.60, then the instrument is considered unreliable or inconsistent.

Table 4. Independent Reliability Test Results

Cronbach's Alpha	N of Items
,840	4

Table 5. Dependent Reliability Test Result

Cronbach's Alpha	N of Items
,684	12

The results in table 4 and table 5 show that:

- 1) Independent Variables: Cronbach's Alpha value = 0.840, Cronbach's Alpha value > 0.60 then the questionnaire is declared reliable or consistent.
- 2) Dependent Variable: Cronbach's Alpha value = 0.684, Cronbach's Alpha value > 0.60 then the questionnaire is declared reliable or consistent.

4.3 Normality Test

According to Ghozali (2016), the normality test is used to determine whether the data distribution is normal or not. The test was carried out using the One Sample Kolmogorov-Smirnov (K-S) method with the following conditions:

- 1) If the value of Asymp. Sig is greater than the significance level (α), so the data is considered to be normally distributed.
- 2) Conversely, if the value of Asymp. Sig is smaller than α , the data is declared not to be normally distributed.

Table 6. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		100
Normal Parameters, b	Mean	,0000000
	Std. Deviation	4,04558777
Most Extreme Differences	Absolute	,061
	Positive	,061
	Negative	-,057
Test Statistic		,061
Asymp. Sig. (2-tailed)		,200c,d

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Table 6 shows that the value of Asymp. Sig = 0.2 which means the value of Asymp. Sig > 0.05, then the data is distributed normally.

4.4 Heteroscedasticity Test

According to Ghozali (2016), heteroscedasticity detection can be done through the Scatterplot test and the Glejser test. In the Scatterplot test, if the dots are randomly spread and do not form a specific pattern, as well as are evenly distributed above and below the Y-axis at around zero, then it can be concluded that the data does not experience heteroscedasticity.

However, since graphical analysis such as scatterplots tends to be subjective, then to ensure the accuracy of the results, it is recommended to use statistical tests. The Glejser test, as described by Gujarati (2004), is performed by regressing the residual absolute value to an independent variable. The data is declared free of heteroscedasticity symptoms if the value is Asymp. Sig is greater than the significance level (α).

Table 7. Heteroscedasticity Test Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,604	,780		5,901	,000
	Pajak_Natura_Kenikmatan	-,097	,057	-,168	-1,684	,095

a. Dependent Variable: Abs_RES

Table 7 shows that the value of Sig. = 0.095 which means that the value of Sig. > 0.05 then the data is free from heteroscedasticity.

4.5 t Test

According to Ghazali (2016), the t-statistical test is used to find out the extent of the influence of each partially independent variable in explaining the variation of the dependent variable. The decision-making criteria in the t-test are as follows:

- 1) If the Significance value (Sig) is greater than 0.05 or the calculated t-value is smaller than the t table, then the alternative hypothesis (HA) is rejected and the null hypothesis (H0) is accepted.
- 2) If the value of Sig is less than 0.05 or the calculated t is greater than the t table, then HA is accepted and H0 is rejected.

Table 7. t Test Results

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41,174	1,422		28,952	,000
	Pajak_Natura_Kenikmatan	,140	,105	,134	1,340	,183

a. Dependent Variable: Keadilan_Pajak

Df = N – 2 with a significance level of 0.05, then t table = 1.66055 is obtained. The results in table 7 show the value of Sig. = 0.183 and the value of t calculated = 1.340 which means that Sig > 0.05 and t count < t table, so there is no significant influence of independent variables on dependent variables or the hypothesis is rejected.

4.6 Coefficient of Determination Test (R²)

The value of the determination coefficient (R²) ranges from zero to one. The closer the R² value is one, the greater the contribution of independent variables in explaining the variation of dependent variables, meaning that independent variables contribute almost all the information needed to predict changes in dependent variables.

Table 8. Determination Coefficient Test Results (R²)

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	,134a	,018	,008	4,066	,018	1,796	1	98	,183

a. Predictors: (Constant), Pajak_Natura_Kenikmatan

Table 8 shows that the value of R² = 0.018, meaning that the independent variable exerts an influence of 1.8% on the dependent variable. While the remaining 98.2% was influenced by other variables that were not used in this study.

In-kind and/or enjoyment taxes have not had a significant positive effect on the perception of tax fairness for employees. Based on the results of the study, only 1.8% was found to have an effect on the fairness of tax treatment for employees. Although the majority of respondents admitted that they understood the regulations regarding in-kind taxes and/or enjoyment regulated in PMK Number 66 of 2023, they still rejected the regulation because they felt that the imposition of this tax would increase the burden on taxpayers. The government's goal of optimizing tax revenue through in-kind and/or enjoyment taxes has not been successful, because taxpayers feel that this policy does not reflect the principle of justice. This view is in line with the opinion of Raharjo & Hasnawati (2023), who stated that individual taxpayers do not agree with the aspect of fairness in the regulation of in-kind and/or enjoyment taxes, because the regulation is considered not to reflect the principle of justice for taxpayers.

5. Conclusion

Based on the results of the analysis and discussion, it can be concluded that in-kind and/or enjoyment taxes do not have a significant influence on the perception of fairness in tax treatment for employees. The implementation of in-kind and/or enjoyment taxes has not reflected the principle of justice, because taxpayers feel that the regulation has not provided fair treatment.

For future research that wants to examine similar topics, it is recommended to expand the sample and introduce more diverse variables so that the results can be more accurate and representative.

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