



**ANALYSIS OF WAGE ADMINISTRATION AND ARTICLE 21 INCOME
TAX FOR EMPLOYEES WITH INCOME BELOW THE NON-TAXABLE
INCOME THRESHOLD****Meliana Anggraini¹****Universitas Indonesia Mandiri, Lampung, Indonesia**
melianaanggraini6@gmail.com**Deviana Sari²****Universitas Indonesia Mandiri, Lampung, Indonesia**
devianasari@uimandiri.ac.id**Chairian Tomy³****Universitas Indonesia Mandiri, Lampung, Indonesia**
chairiantomy@uimandiri.ac.id

Abstract

This study aims to analyze the implementation of wage administration and the fulfillment of Income Tax (PPh) Article 21 obligations for production employees whose income is below the Non-Taxable Income threshold. The research method used is descriptive qualitative, with data collection techniques including participatory observation and documentation study. Data analysis was conducted using a simulation of average income index, rather than actual employee income data, in order to maintain data confidentiality while still providing a representative overview of wage conditions. The results show that the company's wage system applies an index-based method that integrates physical attendance (fingerprint) with fluctuating wage components such as meal allowances, transportation, and incentives. Based on the simulation using the annual net income calculation formula, the average income of production employees is below the Non-Taxable Income threshold for the TK/0 category (Rp54,000,000), resulting in a "Nil" tax status. Nevertheless, the company demonstrates a high level of administrative compliance through transparent payslip management and systematic tax reporting. This indicates that orderly administration is crucial for maintaining the accuracy of labor cost data and ensuring the company's fiscal compliance readiness in the future.

Keywords: Wage Administration, PPh Article 21, Non-Taxable Income, Nil Tax, Index System



INTRODUCTION

Human resources (HR) are part of the foundation for a company in achieving its objectives. One form of the company's reciprocal action for employee contributions is the provision of wages. An effective payroll and wage system is not merely an administrative process, but an internal control instrument to ensure the accuracy of labour costs. Government Regulation Number 36 of 2021 defines wages as a right for workers/labourers and is provided in the form of money by the employer or business owner to the workers/labourers bound by an employment agreement, agreement, or legislation (Kementerian Keuangan Republik Indonesia, 2021).

A good wage system is also related to aspects of fairness and employee work motivation. A structured pay system can increase productivity and create a harmonious working relationship between the company and its workers. (Astutik & Utomo, 2024). In addition, an orderly payroll administration system is part of the accounting information system that functions to support the company's internal control (Azharul et al., 2023).

Along with the payment of wages, the company as the employer has a legal obligation to manage Income Tax Article 21 (PPh 21), which is a type of tax imposed on income received by domestic individuals. This income can take the form of salaries, wages, honoraria, various allowances, or other forms of compensation, whether mentioned directly or not, obtained in connection with work, position, service, or activities performed (Direktorat Jenderal Pajak, 2025). This tax management becomes complex because it must comply with the latest regulation, namely Law Number 7 of 2021 on the Harmonisation of Tax Regulations (UU HPP), which regulates the limits of Non-Taxable Income (PTKP) (Direktorat Jenderal Pajak, 2021).

Management of Income Tax Article 21 is an important part of a company's taxation obligations as a tax withholder. The accuracy of calculation, recording, and reporting of Income Tax Article 21 serves as an indicator of the company's tax compliance with the applicable tax regulations (Dwijantara et al., 2021). In addition, a good tax administration system will help companies minimise the risk of tax reporting errors (Merina & Herfazalesa, 2022).

Non-Taxable Income (PTKP) is defined as the income threshold exempted from tax obligations for individuals with the status of Personal Taxpayer (Badan Pemeriksa Keuangan, 2021). Based on PMK No. 101/PMK.010/2016, the current Non-Taxable Income amount is IDR 54,000,000 per year for taxpayers with a Single status without dependents (TK/0). In practice, many companies in the



manufacturing sector, particularly garments, have a large production workforce with fluctuating income levels.

A common issue is the assumption that employees with earnings below the income threshold do not require in-depth tax administration because their tax status is nil. However, administrative compliance remains crucial. Companies are still obliged to maintain orderly income records, from gross income calculations to the separation of allowance components, to ensure financial report transparency and document readiness in case of audits or changes in fiscal policy (Nova & Majid, 2021).

The focus of this research is on the implementation of payroll administration and the application of Article 21 Income Tax in garment manufacturing companies. At the research site, the payroll system is applied using an index method that heavily depends on employee attendance and daily productivity. The aim of the research is to analyse how the company manages payroll administration and validates the tax status of employees with income below the non-taxable threshold to ensure compliance with the provisions set out in the tax regulations used as a reference in Indonesia. Through the discussion of this research, it is expected to provide an illustration that administrative order is very important even in zero-tax conditions. (Kementerian Keuangan Republik Indonesia, 2024).

Research on employee payroll and taxation systems has also been extensively conducted previously and shows that orderly payroll administration affects the transparency of financial reports as well as corporate tax compliance (Nurhuidiani et al., 2025).

Theoretically, this study is based on several main conceptual frameworks, namely Equity Theory, which explains that the wage system must reflect fairness based on work contributions, and Tax Compliance Theory, which emphasises the importance of administrative compliance as a form of fiscal responsibility. In addition, this study also refers to the concept of Payroll Accounting Information Systems, which considers payroll administration as part of the company's internal control mechanism.

Based on this framework, a conceptual flow can be established that index-based wage systems influence the accuracy of gross and net income, which in turn determines the status of Article 21 income tax and the level of corporate administrative compliance.



LITERATURE REVIEW

Payroll administration is an important part of human resource management that involves managing compensation in a systematic, transparent manner and in accordance with applicable regulations. According to (Dessler, 2019) A good remuneration system must be able to reflect internal and external equity, and be supported by accurate administrative records to aid managerial decision-making. Payroll administration not only covers the determination of basic salaries, but also variable components such as allowances, incentives, and deductions, all of which must be properly documented.

Income Tax Article 21 is imposed on various forms of income, including salaries, wages, honoraria, allowances, or other payments received by employees. According to the provisions of the Directorate General of Taxes, by considering gross income, deductions, and Non-Taxable Income as the minimum income limit not subject to taxation, the imposition of Income Tax Article 21 can be carried out. Thus, employees with income below the Non-Taxable Income are not subject to payable tax, but administrative calculations are still required to determine their tax status.

The Non-Taxable Income concept itself functions as a protective instrument for low-income individual taxpayers. According to the Ministry of Finance of the Republic of Indonesia, determining the amount of Non-Taxable Income aims to maintain the purchasing power of the public and create fairness in the tax system. Therefore, even if there is no tax to be paid (nil status), the administrative process must still be carried out correctly and documented.

Previous research shows that many companies still face challenges in the implementation of payroll administration and Article 21 income tax, particularly concerning data accuracy and consistency in record-keeping. A study by (Resmi, 2022) It is stated that errors in calculating net income and the omission of certain income components can lead to discrepancies in tax reporting. Furthermore, a lack of understanding of tax regulations also contributes to the level of corporate compliance.

On the other hand, the development of information technology has driven transformation in payroll administration, such as the use of digital-based payroll systems and integration with attendance data (fingerprint). A study by (Noe et al., 2020) which states that the digitalisation of human resource systems is capable of improving efficiency, accuracy, and transparency in the management of compensation and other administrative obligations.

Based on the study, it can be concluded that the implementation of wage administration and Article 21 Income Tax for employees earning below the Non-



Taxable Income threshold still plays an important role in ensuring the company's administrative and fiscal compliance. Although it does not generate taxable income, a systematic calculation and reporting process is still necessary as a form of accountability and readiness for the company in facing future changes in tax regulations.

RESEARCH METHOD

This study applies an approach using qualitative descriptive techniques. The research was conducted at PT Tri Eka Kreasi Moda. Data collection was carried out through direct observation of the production process, specific interviews with the finance staff, and documentation of all secondary data, including attendance records and employee income indices. The numerical data used was compiled in the form of simulations based on the average index of the components of the wages of production staff. This approach was chosen to maintain the confidentiality of company payroll data while still illustrating the applicable income structure, including basic salary, meal and transportation allowances, benefits, and overtime pay. The method used provides a general overview of the suitability of income levels against the Non-Taxable Income (PTKP) threshold. The simulation is conducted using the salary index category as the basis for calculating gross and net income as follows:

1. Monthly Gross Income:

$$\text{Monthly Gross Income} = \text{GP} + \text{UMT} + \text{T} + \text{L}$$

Description:

BS = Basic Salary;

MTA = Meal & Transport Allowance;

A = Allowance/Incentive;

O = Overtime Pay.

2. Annual Net Income :

$$\text{Annual Net Income} = (\text{Gross Income} - \text{Job Expenses}) \times 12$$

Description:

Position Allowance = 5% of gross income, maximum Rp500,000/month

3. Tax Payable Status:

Non-Taxable Income (PKP) = Annual Net Income – Non-Taxable Income (PTKP)

If the PKP result ≤ 0 , then PKP is considered 0.

PPH 21 = PKP \times Progressive Rate of Article 17 of the Income Tax Law Therefore, if the Annual Net Income \leq PTKP, the payable Article 21 Income Tax is 0 (Nil).

Although this study uses a descriptive qualitative approach, it also integrates quantitative elements through the simulation of gross income, net



income, and Article 21 Income Tax calculations. Thus, this study can be classified as a simple mixed-methods approach, where qualitative data is used to understand the administrative system, while quantitative data is used to test the accuracy of tax calculations.

The use of index-based simulations is employed as a methodological strategy to maintain the confidentiality of company data, while still preserving the validity of the analysis through a representative numerical approach.

RESULTS AND DISCUSSION

Wage Administration Mechanism Based on Index

A wage system linked to employee attendance and productivity is an approach commonly used in manufacturing companies to create labour cost efficiency (Siburian, 2023). This approach also allows the company to control operational costs while maintaining employee productivity.

The wage administration in the production department at PT Tri Eka Kreasi Moda implements a system that heavily relies on physical attendance recorded through a fingerprint machine. To determine a fair wage for each production employee, the company applies a daily index calculation.

The implementation of an index-based wage system aligns with the concept of a payroll accounting system that emphasises the importance of structured and documented procedures in determining employee entitlements. According to (Srihastuti et al., 2023), a good payroll system should be able to record attendance, calculate income components, and ensure the accuracy of payments to employees. Furthermore, (Sulistiyowati et al., 2025) states that a wage system based on operational data such as attendance and productivity can enhance the effectiveness of a company's internal controls.

Based on operational data, this index serves as the basis for determining the variable wage components. For example, if an employee has a total allocated wage of Rp4,200,000 with a total of 21 effective working days, then:

$$\text{Index} = 4.200.000 \div 21 = 200.000 \text{ / day.}$$

This index value ensures that wage administration is carried out transparently and in accordance with each individual's attendance contribution.

1. Implementation of Gross Income Calculation

According to (Sumali & Lim, 2024), Income components in a payroll system usually consist of basic salary, allowances, and additional incentives adjusted to employee performance. The combination of these components aims



to create a fair wage system while motivating employees to increase work productivity.

The income received by employees each month is an accumulation of several components as formulated in Equation (1). The GP (Basic Salary) component is fixed, while UMT (Meal and Transport Allowance), T (Allowances/Incentives), and L (Overtime) are variable.

Table 1. Sample Components of Gross Earnings for Production Employees

Wage Component	Value (Assumption/Sample)	Nature
Basic Salary (BS)	Rp3.500.000	Fixed
Meal and Transport Allowance (MTA)	Rp400.000	Variable (Based on Attendance)
Allowances/Incentives (A/I)	Rp150.000	Variable (Based on Target)
Overtime Pay (O)	Rp150.000	Variable (Based on Working Hours)
Total Gross Income	Rp4.200.000	-

Calculations using the formula $\text{Gross Income} = \text{BS} + \text{MTA} + \text{A} + \text{O}$ show that the average gross income of production department employees ranges from Rp4,000,000 to Rp4,500,000 per month.

Analysis of Net Income and Compliance with Article 21 Income Tax

The calculation of Article 21 Income Tax must take into account the components of gross income, job-related expenses, and the taxpayer's non-taxable income status as the basis for taxation (Merina & Herfazalesa, 2022). These provisions serve as the basis for the company to determine whether an employee's income is subject to tax or not.

A crucial step in corporate tax administration is determining the Annual Net Income to compare with the Non-Taxable Income threshold. Referring to Equation (2), the company deducts a Position Expense of 5% of the gross income. Using the sample data in Table 1, the calculation is:

$$\begin{aligned} \text{Gross Income per month} &= \text{Rp}4,200,000 \\ \text{Position Expense (5\%} \times \text{Rp}4,200,000) &= \text{Rp}210,000 \\ \text{Net Income per month} &= \text{Rp}3,990,000 \\ \text{Annual Net Income (3,990,000} \times \text{12)} &= \text{Rp}47,880,000 \end{aligned}$$

According to Srihastuti et al. (2023), the calculation of Article 21 Income Tax must consider components of gross income, deductions such as job-related



expenses, and the amount of Non-Taxable Income (PTKP). Based on the sample data used in this study, the annual net income obtained is IDR 47,880,000.

After the Annual Net Income value is obtained, the tax administration enters the final stage by referring to Equation (3) to determine Taxable Income (PKP) and the payable tax status. Assuming the employee has a Non-Taxable Income (PTKP) status of TK/0 which is Rp54,000,000, the calculation is as follows:

$$\text{PKP} = \text{Annual Net Income} - \text{PTKP}$$

$$\text{PKP} = \text{Rp}47,880,000 - \text{Rp}54,000,000$$

$$\text{PKP} = (-\text{Rp}6,120,000)$$

Since the result is below zero, according to tax regulations, the PKP value is considered Rp0.

$$\text{Article 21 Income Tax} = \text{PKP} \times 5\%$$

$$\text{Article 21 Income Tax} = \text{Rp}0 \times 5\%$$

$$\text{Article 21 Income Tax} = \text{Rp}0 \text{ (Nil)}$$

These results indicate that the annual net income of the production staff remains below the PTKP threshold for the TK/0 category, so there is no obligation to withhold income tax under Article 21.

Synthesis of Main Topics

The calculation results show that, in practice, the majority of production employees are not obliged to deduct income tax because their annual net income is below the Non-Taxable Income (PTKP) threshold. The provisions regarding the Non-Taxable Income limit are regulated in the Ministry of Finance Regulation No. 101/PMK.010/2016, which sets the Non-Taxable Income amount for individual taxpayers. Therefore, even though employees receive income every month, if the total net income within a year does not exceed this limit, the income tax under Article 21 becomes zero. This condition is also in line with the taxation provisions which state that the imposition of income tax under Article 21 must take into account the net income and the taxpayer's Non-Taxable Income status as the basis for calculating the tax owed (Ussaadah, 2024).

Although the calculation results showed a zero tax value, PT Tri Eka Kreasi Moda still carried out payroll administration and tax recording formally. The company continued to record income components such as basic salary, allowances, meal and transport money, and overtime in employee payslips. This demonstrates that the company continues to follow systematic payroll administration procedures as part of internal control and financial report transparency. According to (Ustadi et al., 2022), A good payroll administration system must be able to document each income component in detail so that the processes of tax calculation and reporting can be carried out accurately. In



addition, (Wildan et al., 2024) It also stated that complete payroll documentation would make it easier for the company to conduct internal audits as well as tax inspections.

In addition to serving as a form of administrative compliance, recording and archiving payslips is also an important part of the integration between the payroll system and the company's tax system. This integration enables the company to ensure that every component of employee earnings has been calculated correctly and in accordance with tax regulations. Well-documented payroll administration also forms part of the company's internal control system to ensure the accuracy of labour cost data as well as compliance with employment and tax regulations (Ussaadah, 2024).

According to (Astutik & Utomo, 2024) It explains that good administration of Article 21 Income Tax not only focuses on tax withholding but also on the accuracy of recording and documenting employee income. Thus, the administrative practices implemented by PT Tri Eka Kreasi Moda show that even though the final tax calculation results indicate a nil status, the company's payroll and tax administration system still operates in a structured manner and in accordance with the principles of accountability.

Compared to other companies in the service sector or companies with a fixed payroll system, the index-based wage system applied in the manufacturing sector shows more flexible characteristics but is also more complex in administration. In service companies, employee income tends to be stable, making the calculation of Article 21 income tax simpler and consistent every month. Conversely, in the manufacturing sector, fluctuations in income components cause variations in gross income, which directly affect tax calculations.

Previous studies have shown that companies with fixed payroll systems have lower levels of administrative errors, but are less adaptable to employee productivity (Astutik & Utomo, 2024). Meanwhile, index-based systems like in this study are better able to reflect work contributions, but require a stronger administrative system to maintain accuracy and compliance.

The findings of this study indicate that a nil tax status cannot be interpreted as the absence of administrative obligations. On the contrary, this condition requires a higher level of diligence in recording income to avoid potential tax classification errors if there is a change in earnings.

Furthermore, the use of data simulation, while advantageous in maintaining confidentiality, also has limitations in representing the real variation



in employee income. Therefore, there is potential bias in net income estimations that should be considered when interpreting the results. From a managerial perspective, an index-based wage system can improve labour cost efficiency, but on the other hand, it may lead to income instability for employees. This could impact aspects of worker welfare that were not explored in depth in this study.

CONCLUSION

Referring to the results of analysis and discussion, it can be concluded that the implementation of wage administration for production staff has been carried out systematically and orderly. The determination of gross income is done by combining the fixed basic salary component and variable components based on attendance indices and daily productivity levels. The applied index system reflects the principle of fairness as the amount of income is adjusted according to employees' attendance contributions during the work process. Verification results through annual net income calculations show that the accumulated income of production employees is still below the Non-Taxable Income (PTKP) limit according to PMK No. 101/PMK.010/2016, so the Article 21 Income Tax payable is zero. Nevertheless, payroll administration management remains important as it is related to the accuracy of labour cost recording and supports the company's readiness to meet fiscal obligations in the following period.

This study presents a novelty in examining the implementation of index-based payroll administration integrated with the analysis of Article 21 Income Tax compliance for employees earning below the non-taxable income threshold, which has seldom been specifically discussed in previous literature. Academically, this research contributes to enriching studies on the integration between payroll systems and tax compliance in the context of low-income earners. Practically, it provides implications for companies that orderly payroll administration remains necessary even when no tax is owed, as a form of preparedness for audits and future changes in tax regulations.

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