

Analysis Application of Average Effective Rate (TER) In Regulation No. 58 of 2023 and its Implications

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Article Info	ABSTRACT
Keywords: TER PP 58/2023 PPh 21	The Indonesian government issued Government Regulation No. 58 of 2023 as a form of updating the mechanism for deducting Income Tax (PPh) Article 21 through the application of the Average Effective Rate (TER). This study aims to analyze the advantages and implications of applying TER on simplifying tax administration and increasing taxpayer compliance. The methods used are descriptive and explanatory qualitative, with data collection techniques including literature review and simulation of PPh 21 calculations based on PTKP categories. The results of the study indicate that the TER scheme can provide certainty and stability in monthly tax withholding, as well as reduce the burden of annual reconciliation. Additionally, first-quarter 2024 data shows a significant increase in PPh 21 revenue, reflecting the positive impact of this policy on compliance. However, challenges remain, particularly in tax literacy and system adaptation in the informal sector. Therefore, broader education and technological support are needed to ensure the equitable and optimal implementation of TER.
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INTRODUCTION

Taxpayers in carrying out their tax obligations must understand the general provisions of taxation. One such provision is the Self-Assessment System, in which the entire process—from calculating and determining the amount of tax payable, depositing the tax to the state treasury, reporting the calculation and deposit, to being accountable for all obligations—is carried out independently by the taxpayer. One type of income tax that uses the withholding system is Income Tax Article 21 (PPh 21) (Sari and Saputra, 2025).

The regulation governing PPh 21 in Indonesia has undergone several amendments. Most recently, the government established new PPh 21 personal tax rates in the Tax Harmonization Law (HPP) No. 7 of 2021 (Poluan, Sondakh and Wokas, 2018) which came into effect in January 2022. The laws governing tax rates, payment procedures, and tax reporting refer to Law No. 36 of 2008, which refines the previous Law No. 17 of 2000 (Sari and Suprihandari, 2024).

In 2023, Government Regulation No. 58 of 2023 (PP 58/2023) was issued, introducing a new Average Effective Rate (TER) for PPh 21 applicable from January 1, 2024. This

regulation outlines income reductions such as work expenses, pension contributions, and Non-Taxable Income (PTKP) (Tjahjono, 2024).

The update aims to provide convenience and administrative simplicity in calculating and withholding Article 21 Income Tax, especially for state officials, civil servants, members of the military/police, and retirees (Pelawi and Wijayanti, 2025). Research by (Dudley, 2025) shows that the new TER system minimizes overpayment and simplifies monthly tax calculations. The latest mechanism applies $TER \times \text{gross income}$ for periods other than the final tax period (Dijk *et al.*, 2023), while the final period calculation uses Article 17 paragraph (1) letter a of the Income Tax Law (Harahap, 2023). The Directorate General of Taxes (DJP) has also issued a PTKP table referring to Chapter III Article 7 of Law No. 7 of 2021.

The purpose of this study is to analyze the implications of implementing PP 58/2023, especially the use of Average Effective Rate (TER), in facilitating the calculation of Article 21 Income Tax. This research aims to determine whether the new regulation achieves its objectives of simplifying tax administration, minimizing overpayments, and increasing taxpayer compliance.

METHODS

This study uses a qualitative descriptive and explanatory approach. The qualitative descriptive method is used to provide a structured and detailed description of the object of research, namely the application of the Average Effective Rate (TER) in Government Regulation No. 58 of 2023 for Income Tax Article 21 (PPH 21). According to (Sugiyono, 2023), qualitative descriptive research aims to describe data and phenomena as they are by interpreting and explaining them using qualitative narratives.

At the same time, the explanatory approach is used to analyze the causes or implications behind the application of the TER scheme, particularly in terms of its impact on the calculation of PPh 21 and taxpayer obligations. This explanatory method is intended to test existing theories or findings related to tax policy by comparing the previous and current calculation mechanisms, and observing whether the new regulation meets its intended objectives (wikipedia).

These two methods were chosen simultaneously because the research not only describes the current implementation of TER in a systematic and factual manner (descriptive), but also explores the implications and rationale behind regulatory changes (explanatory), which requires interpretation and comparison.

The data collection techniques used in this study include literature review and simulation-based analysis. Literature review was carried out by collecting secondary data from relevant sources such as regulations (e.g., PP 58/2023, Law No. 7 of 2021), official publications from the Directorate General of Taxes (DJP), and previous research results related to PPh 21.

The type of data used in this study is secondary data, including:

1. Government tax regulations (e.g., PP 58/2023, Law No. 36/2008)
2. PTKP tables published by DJP
3. Simulation data of monthly income and tax payable

4. Comparative examples of PPh 21 calculations before and after the implementation of TER

The researcher conducted simulation calculations to compare the magnitude of tax liabilities under the old and new systems. This was done by creating hypothetical income data based on different PTKP statuses and applying the applicable tax formulas to assess the difference in the amount of tax payable. The analysis was conducted for both individual taxpayers and specific employee categories to evaluate the effectiveness of the TER method. This methodological framework aims to ensure a comprehensive understanding of how the new TER policy affects tax calculation accuracy, administrative simplicity, and taxpayer compliance.

RESULTS AND DISCUSSION

Implementation of Average Effective Tariff in PP No. 58 of 2023

As is known, PP Number 58 of 2023 concerning Article 21 Income Tax Withholding Rates on Income in connection with Work, Services, or Activities of Individual Taxpayers was only issued by the government on December 27, 2023 and came into effect on January 1, 2024.

In doing calculation Cutting Article 21 Income Tax at the moment This there is various scheme that makes Taxpayers confused and trying For do obligation its taxation with true (Faisol, Norsain and Imam Rofiqi, 2024). That is the background the emergence of PP 58 of 2023 in connection with with calculation Income Tax Article 21 (Utami, 2019).

Legal basis the issuance of the PP namely Article 21 paragraph 5 of the Income Tax Law which states " Withholding Rates" on income as referred to in paragraph (1) is rates tax as meant in Article 17 paragraph (1) letter a, except otherwise specified with Regulation Government ".

As for the purpose the issuance of the PP that is :

1. Give convenience for Taxpayers in simplify calculation Article 21 Income Tax in each Tax Period
2. Increase Taxpayer compliance in carry out obligation its taxation
3. Give convenience for Taxpayers in build system administration capable taxation do validation on Taxpayer calculation (Achmad and Kirana, 2024) .

Calculation scheme PPh 21 TER according to PP 58/2023 consists of from two categories rates effective , namely :

1. Effective Rate Monthly (According to PTKP)

Table 1 Details Effective Rate Category Monthly

Category	Non-Taxable Income Status (PTKP)	PTKP value (Rp)
TER Category A	a. Not married without dependents (TK/0)	54,000,000
	b. Not Married to One dependents (TK/1)	58,500,000
	c. Marry without liability (K/0)	58,500,000
TER Category B	a. Not married with two dependents (TK/2)	63,000,000
	b. Not married with three dependents (TK/3)	67,500,000
	c. Marry with One liability (K/1)	63,000,000
	d. Married with two dependents (K/2)	67,500,000

Category	Non-Taxable Income Status (PTKP)	PTKP value (Rp)
TER Category C	Marry with three liability (K/3)	72,000,000

Source : Regulation Government No. 58/2023

Following details rates effective monthly based on category For count big tax income Article 21 based on rates average effective rate (TER):

Category A Tariff

Details rates effective monthly average for TER category A , namely PTKP TK/0 (Rp. 54 million) and PTKP TK/1 & K/0 (Rp. 58.5 million):

Table 2. Effective Rates Monthly Category A

TER Type	Gross Income		TER
TER A	-	sd 5,400,000	0%
TER A	5,400,000	sd 5,650,000	0.25%
TER A	5,650,000	sd 5,950,000	0.50%
TER A	5,950,000	sd 6,300,000	0.75%
TER A	6,300,000	sd 6,750,000	1%
TER A	6,750,000	sd 7,500,000	1.25%
TER A	7,500,000	sd 8,550,000	1.50%
TER A	8,550,000	sd 9,650,000	1.75%
TER A	9,650,000	sd 10,050,000	2%
TER A	10,050,000	sd 10,350,000	2.25%
TER A	10,350,000	sd 10,700,000	2.50%
TER A	10,700,000	sd 11,050,000	3%
TER A	11,050,000	sd 11,600,000	3.50%
TER A	11,600,000	sd 12,500,000	4%
TER A	12,500,000	sd 13,750,000	5%
TER A	13,750,000	sd 15,100,000	6%
TER A	15,100,000	sd 16,950,000	7%
TER A	16,950,000	sd 19,750,000	8%
TER A	19,750,000	sd 24,150,000	9%
TER A	24,150,000	sd 26,450,000	10%
TER A	26,450,000	sd 28,000,000	11%
TER A	28,000,000	sd 30,050,000	12%
TER A	30,050,000	sd 32,400,000	13%
TER A	32,400,000	sd 35,400,000	14%
TER A	35,400,000	sd 39,100,000	15%
TER A	39,100,000	sd 43,850,000	16%
TER A	43,850,000	sd 47,800,000	17%
TER A	47,800,000	sd 51,400,000	18%
TER A	51,400,000	sd 56,300,000	19%
TER A	56,300,000	sd 62,200,000	20%
TER A	62,200,000	sd 68,600,000	21%

TER Type	Gross Income		TER
TER A	68,600,000	sd 77,500,000	22%
TER A	77,500,000	sd 89,000,000	23%
TER A	89,000,000	sd 103,000,000	24%
TER A	103,000,000	sd 125,000,000	25%
TER A	125,000,000	sd 157,000,000	26%
TER A	157,000,000	sd 206,000,000	27%
TER A	206,000,000	sd 337,000,000	28%
TER A	337,000,000	sd 454,000,000	29%
TER A	454,000,000	sd 550,000,000	30%
TER A	550,000,000	sd 695,000,000	31%
TER A	695,000,000	sd 910,000,000	32%
TER A	910,000,000	sd 1,400,000,000	33%
TER A	1,400,000,000	sd	34%

Source : Regulation Government No. 58/2023

In PP No. 58 of 2023, TER Category A is intended for taxpayers with unmarried status without dependents (TK/0), unmarried with one dependent (TK/1), and married without dependents (K/0) who have a Non-Taxable Income (PTKP) value of Rp54, 000,000 to Rp58,500,000. In the TER Category A table, the applicable tax rate ranges from 0% to 34% depending on the monthly gross income amount.

For example, gross income up to IDR 5,400,000 per month is subject to a 0% rate, while income above IDR 1.4 billion is subject to the highest rate of 34%. This progressive rate structure allows tax deductions to be made more proportionally based on the taxpayer's ability to pay. In other words, the higher a person's income, the higher the tax rate, but this calculation is done gradually and automatically through the TER system.

The interpretation of this tax rate structure indicates that TER simplifies the estimation of monthly tax deductions. Unlike the old method, which required annual reconciliation, TER allows taxes to be deducted consistently each month based on actual income, thereby reducing the risk of overpayment or underpayment at the end of the year.

However, even though this scheme is simpler, challenges remain. One of the main obstacles is taxpayers' lack of understanding of the appropriate PTKP classification and the calculation of rates based on gross income. Taxpayers with limited educational backgrounds or access to information, such as informal workers or MSME players, may have difficulty classifying their tax status or understanding the deductions imposed.

Additionally, adapting the administrative system within companies is also a challenge. Payroll systems that are not yet integrated with the TER table require updates or additional training for HRD staff or treasurers. To address this issue, the government needs to increase awareness and education, particularly among employers in the private sector, MSMEs, and local government employees. One concrete step that can be taken is to provide an automatic TER-based tax calculator on the DJP Online platform, as well as a technical guidebook on PPh 21 deductions based on TER scenarios.

As an empirical example, (Fitria, Afifah and Shalihah, 2024) in a case study at PG Meritjan found that the use of TER significantly simplified the withholding process and improved company treasurers' compliance. Similarly, (Pelawi and Wijayanti, 2025) found that the implementation of TER at PT X reduced instances of overpayment at the end of the fiscal year.

Category B Tariff

Details rates effective monthly average for TER category B , namely PTKP TK/2 & K/1 (Rp. 63 million) and PTKP TK/3 & K/2 (Rp. 67.5 million) (Fitria, Afifah and Shalihah, 2024):

Table 3. Effective Rates Monthly Category B

TER Type	Gross Income		TER
TER B	-	sd 6,200,000	0%
TER B	6,200,000	sd 6,500,000	0.25%
TER B	6,500,000	sd 6,850,000	0.50%
TER B	6,850,000	sd 7,300,000	0.75%
TER B	7,300,000	sd 9,200,000	1%
TER B	9,200,000	sd 10,750,000	1.50%
TER B	10,750,000	sd 11,250,000	2%
TER B	11,250,000	sd 11,600,000	2.50%
TER B	11,600,000	sd 12,600,000	3%
TER B	12,600,000	sd 13,600,000	4%
TER B	13,600,000	sd 14,950,000	5%
TER B	14,950,000	sd 16,400,000	6%
TER B	16,400,000	sd 18,450,000	7%
TER B	18,450,000	sd 21,850,000	8%
TER B	21,850,000	sd 26,000,000	9%
TER B	26,000,000	sd 27,700,000	10%
TER B	27,700,000	sd 29,350,000	11%
TER B	29,350,000	sd 31,450,000	12%
TER B	31,450,000	sd 33,950,000	13%
TER B	33,950,000	sd 37,100,000	14%
TER B	37,100,000	sd 41,100,000	15%
TER B	41,100,000	sd 45,800,000	16%
TER B	45,800,000	sd 49,500,000	17%
TER B	49,500,000	sd 53,800,000	18%
TER B	53,800,000	sd 58,500,000	19%
TER B	58,500,000	sd 64,000,000	20%
TER B	64,000,000	sd 71,000,000	21%
TER B	71,000,000	sd 80,000,000	22%
TER B	80,000,000	sd 93,000,000	23%
TER B	93,000,000	sd 109,000,000	24%
TER B	109,999,999	sd 129,000,000	25%

TER Type	Gross Income			TER
TER B	129,000,000	sd	163,000,000	26%
TER B	163,000,000	sd	211,000,000	27%
TER B	211,000,000	sd	374,000,000	28%
TER B	374,000,000	sd	459,000,000	29%
TER B	459,000,000	sd	555,000,000	30%
TER B	555,000,000	sd	704,000,000	31%
TER B	704,000,000	sd	957,000,000	32%
TER B	957,000,000	sd	1,405,000,000	33%
TER B	1,405,000,000	sd		34%

Source : Regulation Government No. 58/2023

Category B in the Average Effective Tax Rate (TER) scheme covers taxpayers who are unmarried with two or three dependents (TK/2, TK/3) and married with one or two dependents (K/1, K/2), with a PTKP limit of between IDR 63,000,000 and IDR 67,500,000. Based on Government Regulation No. 58 of 2023, the progressive TER rate in this category starts at 0% for gross income below IDR 6,200,000 per month and increases gradually to 34% for gross income above IDR 1.4 billion per month.

This tax rate structure is designed to be more proportional and accurate in reflecting tax obligations based on actual monthly income. For example, an employee with an income of around IDR 10,000,000 per month will be subject to a tax rate of approximately 1.5%–2%, which is much easier to calculate automatically compared to the previous method that required adjustments and reconciliations at the end of the year.

The interpretation of this table shows that the TER system provides clarity in PPh 21 withholding. Taxpayers can consistently estimate the monthly withholding amount, which aids in personal financial planning and avoids significant fluctuations during annual reporting. This also simplifies the process for company treasurers in fulfilling their withholding obligations without having to recalculate the cumulative income of all employees.

The implementation of TER in middle-class workers faces challenges such as lack of tax literacy, complexity in managing dependents, and limitations in digital systems in small companies. Middle-class workers may not understand the status of PTKP and its tariff categories, and changes in family status may not be immediately reflected in the tax system, leading to TER misclassification.

The government can promote the implementation of TER Category B by educating employees about updating PTKP data regularly, providing digital tools like a TER calculator, and developing automation features in the DJP Online application. Research by (Fitria, Afifah and Shalihah, 2024) at PG Meritjan found that implementing TER helps employees with TK/2 and K/1 status reduce administrative burden and provide clarity over their tax deductions, thereby building taxpayer trust in the national taxation system.

Category C Tariff

Details rates effective monthly average for TER category C , namely PTKP TK/3 (Rp. 70 million):

Table 4. Effective Rates Monthly Category C

TER Type	Gross Income			TER
TER C	-	sd	6,600,000	0%
TER C	6,600,000	sd	6,950,000	0.25%
TER C	6,950,000	sd	7,350,000	0.50%
TER C	7,350,000	sd	7,800,000	0.75%
TER C	7,800,000	sd	8,850,000	1%
TER C	8,850,000	sd	9,800,000	1.25%
TER C	9,800,000	sd	10,950,000	1.50%
TER C	10,950,000	sd	11,200,000	1.75%
TER C	11,200,000	sd	12,050,000	2%
TER C	12,050,000	sd	12,950,000	3%
TER C	12,950,000	sd	14,150,000	4%
TER C	14,150,000	sd	15,550,000	5%
TER C	15,550,000	sd	17,050,000	6%
TER C	17,050,000	sd	19,500,000	7%
TER C	19,500,000	sd	22,700,000	8%
TER C	22,700,000	sd	26,600,000	9%
TER C	26,600,000	sd	28,100,000	10%
TER C	28,100,000	sd	30,100,000	11%
TER C	30,100,000	sd	32,600,000	12%
TER C	32,600,000	sd	35,400,000	13%
TER C	35,400,000	sd	38,900,000	14%
TER C	38,900,000	sd	43,000,000	15%
TER C	43,000,000	sd	47,400,000	16%
TER C	47,400,000	sd	51,200,000	17%
TER C	51,200,000	sd	55,800,000	18%
TER C	55,800,000	sd	60,400,000	19%
TER C	60,400,000	sd	66,700,000	20%
TER C	66,700,000	sd	74,500,000	21%
TER C	74,500,000	sd	83,200,000	22%
TER C	83,200,000	sd	95,600,000	23%
TER C	95,600,000	sd	110,000,000	24%
TER C	110,000,000	sd	134,000,000	25%
TER C	134,000,000	sd	169,000,000	26%
TER C	169,000,000	sd	221,000,000	27%
TER C	221,000,000	sd	390,000,000	28%
TER C	390,000,000	sd	463,000,000	29%
TER C	463,000,000	sd	561,000,000	30%

TER Type	Gross Income		TER
TER C	561,000,000	sd 709,000,000	31%
TER C	709,000,000	sd 965,000,000	32%
TER C	965,000,000	sd 1,419,000,000	33%
TER C	1,419,000,000	sd	34%

Source : Regulation Government No. 58/2023

Category C in the Average Effective Tax Rate (TER) scheme is intended for taxpayers with TK/3 status, i.e., unmarried with three dependents, who have a PTKP of IDR 70,000,000. Pursuant to Government Regulation No. 58 of 2023, the tax rate applicable in this category ranges from 0% to 34%, with monthly gross income serving as the basis for determining the tax rate.

As an illustration, taxpayers with monthly gross income up to IDR 6,600,000 will be subject to a 0% tax rate, while income above IDR 1.419 billion will be subject to the highest tax rate of 34%. This tiered and progressive tax rate system ensures fiscal fairness in line with taxpayers' ability to pay taxes. TER calculations are made on a monthly basis, making tax deductions more stable and avoiding sudden burdens on taxpayers at the end of the year, as was the case with the old cumulative system.

The interpretation of this table indicates that the TER system greatly assists large families such as TK/3, who may have previously faced administrative burdens in preparing annual reconciliations. Since deductions are automatically calculated based on monthly income and PTKP classification, the psychological and technical burdens on taxpayers are significantly reduced.

The implementation of TER Category C faces challenges such as ensuring accurate dependent data, administrative compliance, and addressing the low tax literacy of taxpayers from lower-middle economic backgrounds. Tax deductions are typically carried out by employers, and if the company has not adopted a deduction system based on TER accurately, the risk of tax errors remains. These challenges highlight the need for improved tax literacy and compliance in the tax system.

The government should provide fast and simple online dependent data update facilities, direct education to taxpayer groups with TK/3 status through social media, counseling programs, or population system integration, and encourage companies to use a digital payroll system integrated with TER rates based on PTKP. A study by (Kurniyawati *et al.*, 2024) found that taxpayer groups with more than two dependents often struggle with understanding tax rates and report inaccurately. However, the implementation of PP 58/2023 increased administrative compliance by directly deducting rates based on monthly gross nominal.

With the TER Category C tariff structure, Indonesia's taxation system has become more adaptive to the complex conditions of taxpayer families. This is in line with the main objectives of PP No. 58 of 2023, namely to simplify tax administration, improve compliance, and significantly reduce the burden of year-end reporting.

Daily Effective Rate

Table 5. Details Daily Effective Rate Category

No.	Amount Daily Income	Rates
1	$\leq$ Rp. 450,000	0% x Income gross daily
2	> Rp. 450,000 - 2,500,000	0.5% x Income gross daily

Source : Regulation Government No. 58/2023

In addition to monthly rates, PP No. 58 of 2023 also regulates the Daily Effective Rate, which is used to calculate Income Tax Article 21 for daily or non-permanent workers. Based on Table 5, the rates are divided into two daily income groups:

1. Income $\leq$ IDR 450,000 per day is subject to a 0% rate, meaning no tax deduction.
2. Income > IDR 450,000 to IDR 2,500,000 per day is subject to a 0.5% rate of the daily gross income.

This scheme is intended to provide fair treatment for non-permanent workers, especially in the informal sector, daily laborers, and freelance workers. With simple and fixed rates, tax calculations become easier to understand and less burdensome, thereby increasing tax compliance among this segment of workers.

As an illustration, the following is an example of annual income tax calculation based on Government Regulation No. 58 of 2023;

Calculation PPh 21 in Year

Wages a year	170,160,000	
THR	2,193,750	
Gross Income per year		172,353,750
Cost Position		6,000,000
(172,353,750 x 5%)	(limit ma'am . which is allowed)	
Net Income per year		166,353,750
Non-taxable income		67,500,000
Annual Taxable Income		98,853,750
Article 17 Income Tax Rates		
(5% x 60,000,000)	3,000,000	
Article 17 Income Tax Rates		
(15% x 38,853,750)	5,828,063	
PPh 21 payable	8,828,063	

This example shows that even though the TER tariff system has simplified monthly deductions, adjustments still need to be made at the end of the year to calculate the total tax liability based on the progressive rates in the Income Tax Law. However, the amount of these adjustments is smaller and more measurable, thereby reducing the risk of large overpayments or underpayments.

Through simpler daily tariff provisions and monthly calculations, PP 58/2023 aims to create an effective, efficient, and accountable tax deduction process. This not only facilitates permanent workers in the formal sector but also provides legal certainty and administrative

ease for the informal sector and non-permanent workers, who previously often faced confusion in tax reporting.

This initiative aligns with the government's objectives to expand the tax base, enhance voluntary compliance, and ensure fiscal justice across all segments of society.

Table. 6 Calculation of PPh 21 based on PP 58 of 2023

Time	Monthly Income	TER Rates According to Table	Monthly PPh 21
January	14,180,000	5%	709,000
February	14,180,000	5%	709,000
March + Thr	12,958,750	4%	518,350
April	14,180,000	5%	709,000
May	14,180,000	5%	709,000
June	14,180,000	5%	709,000
July	14,180,000	5%	709,000
August	14,180,000	5%	709,000
September	14,180,000	5%	709,000
October	14,180,000	5%	709,000
November	14,180,000	5%	709,000
Total			7,608,350
Average Effective Rate			
Taxes Due	-	Accumulation PPh	= PPh 21
A year		21 Period Jan - Nov	December Period
8,828,063		7,608,350	1,219,713

Table 6 shows a simulation of income tax withholding under Article 21 using the Average Effective Rate (AER) based on Government Regulation No. 58 of 2023, assuming a fixed monthly income of IDR 14,180,000 and the receipt of a Festival Allowance (THR) in March.

Based on the simulation, the applicable AET for that income is 5%, resulting in a consistent monthly PPh 21 deduction of Rp709,000. In March, due to the THR reducing regular income, the AET decreases to 4%, and the tax deduction amount becomes Rp518,350. From April to November, the monthly tax deduction remains consistent at Rp709,000.

The total PPh 21 deducted from January to November amounts to Rp7,608,350. However, based on the annual calculation using the rate under Article 17 of the Income Tax Law, the actual PPh 21 owed is Rp8,828,063. Therefore, in December, an adjustment of Rp1,219,713 was made to align the withholding amount with the annual tax obligation.

From this simulation, it can be concluded that the implementation of TER provides stability in monthly tax deductions, reduces large fluctuations, and facilitates financial planning for taxpayers. Although there are still adjustments in December, the amount is not too large so that it does not significantly burden taxpayers.

This system also simplifies the work of company treasurers or HR departments, as there is no need for cumulative calculations and complex reconciliations at the end of the year. Tax calculations become more structured and automated, promoting tax administration efficiency.

Unlike the old system, where tax calculations were based on annual accruals and only adjusted at the end of the year, TER allows deductions to be made on a monthly basis using rates that take into account the progressive structure and PTKP status from the outset. This reduces the risk of overpayment or underpayment, which was quite common in the previous system.

As a result, the TER policy in PP 58/2023 does not increase the tax burden but simplifies the process and enhances certainty for taxpayers. This aligns with the government's primary objective of creating a more taxpayer-friendly, efficient, and accountable tax system.

4.2 Implications Implementation of PP 58/2023 on Taxpayer Compliance

Tax compliance rates are influenced by various factors, such as understanding of the self-assessment system, income levels or ability to pay taxes, tax officer services, effectiveness of sanctions, as well as education and tax literacy levels (Kurniyawati, Rosdiyati and Satiti, 2024). The main objective of issuing PP No. 58 of 2023 is to simplify the tax administration process, thereby reducing the cost of compliance and ultimately increasing voluntary tax compliance.

One innovation in this regulation is the tax deduction system based on actual monthly income, rather than the annual cumulative method used previously. With this approach, taxpayers no longer need to recalculate at the end of the year, which was previously a significant administrative burden. This greatly assists taxpayers in managing their finances and promotes sustained tax awareness.

However, as stated by (Kurniyawati *et al.*, 2024), even though the administrative system has been simplified, its effectiveness still depends on taxpayers' ability to actually pay the tax. If taxpayers experience economic difficulties or do not have sufficient income, then administrative simplification is not enough to guarantee compliance. In other words, economic capacity remains the primary determinant of tax compliance (Kurniyawati, Rosdiyati and Nurjana, 2023).

The Ministry of Finance (MoF) noted that PPh Article 21 revenue realization in the first quarter of 2024 reached Rp59.91 trillion, contributing 17.47% to total tax revenue, indicating strong growth. Compared to the same period last year (21.7%), PPh 21 performance increased to 24.3%, reflecting a positive trend in tax compliance and income tax payments by individuals (Kurniyawati, Rosdiyati and Satiti, 2024).

The following table illustrates the contribution of the three largest types of taxes in the first quarter of 2024:

Table 7. Quarterly Tax Revenue Data First Year 2024

No.	Data Name	realization (Rp trillion)	Contribution (%)
1	VAT DN	65.03	18.97
2	Income Tax Article 21	59.91	17.47
3	Corporate Income Tax	55.91	16.31

Source : databoks.katadata.co.id

This data reflects that the implementation of PP 58/2023 and TER has had a positive impact on state revenue from the PPh 21 sector, while also indicating economic stability and maintained labor absorption. The performance of PPh 21 also shows that the TER policy has succeeded in reducing errors in reporting and increasing clarity of the tax burden for employers and employees.

Based on the above description, it can be concluded that PP 58/2023 has a positive impact on compliance and realization of PPh 21 revenue, particularly due to its simplifying nature. However, to improve the effectiveness of this policy evenly, the government needs to:

1. Improve tax literacy among low- to middle-income groups,
2. Provide digital-based automatic calculation tools for taxpayers,
3. And offer compliance incentives for groups that previously struggled to file reports independently.

CONCLUSION

Based on the results of analysis and simulation in this study, it can be concluded that the implementation of PP No. 58 of 2023 concerning the use of the Average Effective Rate (AER) in Article 21 income tax deductions has succeeded in simplifying the monthly tax calculation process and reducing the administrative burden for both taxpayers and employers. The AET scheme has proven to stabilize monthly tax deductions and minimize the risk of overpayment at the end of the year. This implementation also sends a positive signal toward increased voluntary tax compliance, as reflected in the rising realization of PPh 21 revenue in the first quarter of 2024. However, the effectiveness of this policy remains highly dependent on taxpayers' ability to pay, as well as the still-low tax literacy levels in certain groups. Therefore, further research is recommended to explore in greater depth the impact of TER implementation on SMEs or the informal sector, as well as to assess the effectiveness of the government's education and outreach systems in enhancing tax understanding and compliance.

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