Review of Taxation Aspects in an Integrated Construction Company: A Case Study of PT Z

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Abstract

The construction sector is one of the most significant contributors to national tax revenue. Integrated construction companies have complex tax obligation structures because they integrate the design, material procurement, and construction execution processes within a single entity. This study aims to identify the taxation aspects and describe the implementation of PT Z's tax obligations as an integrated construction company following the adoption of the latest tax regulations. A descriptive method was employed by examining PT Z's 2025 tax data, including recapitulations of withholding tax slips for Income Tax Articles 21, 22, 23, and 4(2), VAT periodic tax returns, and the income statement. The results show that PT Z's taxation aspects encompass Income Tax Article 21 (calculated using the Average Effective Rate/TER scheme), Income Tax Article 22 (collected by state-owned enterprises on goods sales), Income Tax Article 23 (withheld by PT Z on service fees), Income Tax Article 4(2) (on integrated construction services at a rate of 2.65%), VAT (both self-collected and collected by designated collectors), and Corporate Income Tax (calculated using the Article 31E facility). PT Z has fully implemented all tax obligations in accordance with applicable regulations and maintains separate bookkeeping for final and non-final income. The study concludes that PT Z is a corporate taxpayer that is both adaptive and compliant with the latest tax regulations.

Keywords: *Taxation Aspects; Construction Services; Integrated Construction; Average Effective Rate; Final Income Tax*

INTRODUCTION

Indonesia is a developing country currently focused on infrastructure development as the primary driver of economic growth (BPS, 2024). Such projects are inseparable from the role of the construction sector, particularly integrated construction companies that consolidate the design, procurement, and execution processes within a single entity (Prabadianto & Effendi, 2025). The construction sector has been recorded as the largest contributor to national tax revenue (Kompas.com, 2025); therefore, taxpayer compliance in this sector is of critical importance to state revenue.

All income earned by integrated construction companies carries multidimensional tax obligations (Kowaas, Warongan & Latjandu, 2022). During the execution phase, the use of labor triggers Income Tax Article 21 withholding obligations. Transactions with state-owned enterprises (SOEs) give rise to Income Tax Article 22 obligations. The use of third-party services requires the company to withhold Income Tax Article 23. The provision of construction services is subject to Final Income Tax Article 4(2) (Wekasih,

2025). Every procurement of materials and provision of construction services gives rise to Value Added Tax (Nurhasanah, Mulyani, Audina & Nuridah, 2024). All business income constitutes the tax base for Corporate Income Tax (Wicaksono & Rakhmawati, 2025).

A prior study by Hakim, Hidayahtullah & Winarsih (2023) concluded that PT Taiba Consulting Indonesia, as a construction company, had fulfilled its tax obligations in accordance with applicable regulations. However, that study was conducted before the implementation of the Average Effective Rate (TER) scheme under Government Regulation No. 58 of 2023 and therefore did not examine implementation under the most recent regulations. This research gap provides the basis for the present study of PT Z, which is an integrated construction company operating in the solar energy sector. Sirait, Suparji & Hidayat (2023) also examined the tax implications of separate contract structures in EPC projects but did not comprehensively analyze all taxation aspects. Manese, Rawun & Maase (2025) and Nurhasanah et al. (2024) were each limited to specific aspects, namely dividends and VAT, respectively. These gaps motivated this comprehensive study of all taxation aspects of an integrated construction company following the latest regulatory changes.

RESEARCH METHODOLOGY

This study adopts a descriptive approach through a case study method applied to PT Z, an Engineering, Procurement, and Construction (EPC) company operating in the renewable energy sector—specifically solar power—and has been in operation since 2009. The research subject is PT Z, while the research object is the company's taxation aspects for the 2025 fiscal year.

The data used are secondary data obtained through document review, including: (1) recapitulations of Income Tax Article 21 withholding slips along with calculation data using the TER scheme; (2) Income Tax Article 22 withholding slips collected by SOEs through the Coretax system; (3) Income Tax Article 23 withholding slips withheld by PT Z through the Coretax system; (4) Income Tax Article 4(2) withholding slips, both withheld by PT Z and by counterparties; (5) recapitulations of VAT periodic tax returns for January through December 2025; and (6) PT Z's income statement for 2025. Data were collected using documentation techniques and a literature review of applicable tax regulations.

The analytical technique employed is descriptive analysis, which involves examining PT Z's tax data and comparing it against the provisions of applicable tax laws and regulations, including Government Regulation No. 58 of 2023 on the TER for Income Tax Article 21, Government Regulation No. 9 of 2022 on Income Tax for Construction Services, Minister of Finance Regulation No. 168 of 2023, and Law No. 7 of 2021 on the Harmonization of Tax Regulations.

RESULTS AND DISCUSSION

Taxation Aspects of PT Z

PT Z is an EPC (Engineering, Procurement, and Construction) company specializing in

the renewable energy sector, particularly solar power. Its core business activities include integrated construction services and the sale of solar power plant (PLTS) products, Nynas Oil, and SF6 Gas. The complexity of these operational activities gives rise to various tax obligations that must be fulfilled, namely Income Tax Articles 21, 22, 23, 4(2), VAT, and Corporate Income Tax. PT Z fulfills its tax obligations through the Withholding Tax System, in which third parties or PT Z itself acts as the tax withholder or collector.

Implementation of Income Tax Article 21

Income Tax Article 21 arises because PT Z pays salaries to its permanent employees. The implementation of Income Tax Article 21 in 2025 follows Minister of Finance Regulation No. 168 of 2023, using the Average Effective Rate (TER) scheme. TER classification is based on the level of Non-Taxable Income (PTKP): TER A applies to PTKP TK/0 and TK/1 or K/0; TER B to TK/2 or K/1 and TK/3 or K/2; and TER C to K/3. The TER rate is determined based on the TER bracket and monthly gross income as stipulated in Government Regulation No. 58 of 2023. The adoption of the TER scheme represents a significant regulatory change compared to the study by Hakim et al. (2023), which did not yet apply this scheme.

PT Z's total employee gross income for 2025 amounted to IDR 1,051,140,224, with total Income Tax Article 21 withheld and remitted of IDR 59,077,942. Calculations for January through November applied the TER rate, while December applied the Article 17(1) rate as stipulated by regulations. This demonstrates that PT Z has implemented Income Tax Article 21 in accordance with the latest regulations.

Implementation of Income Tax Article 22

Income Tax Article 22 arises because PT Z sells goods to SOEs. PT Z is in the position of the party from which the tax is collected, while SOEs act as the collectors pursuant to Government Regulation No. 51 of 2025. Income Tax Article 22 is levied on sales of PLTS products, Nynas Oil, and SF6 Gas.

The total Income Tax Article 22 collected by SOEs from PT Z during 2025 amounted to IDR 55,379,955, with a total tax base of IDR 3,691,996,994 at a rate of 1.5%. The applicable tax object code is 22-900-100 (payments for goods purchases by SOEs or designated entities). All Income Tax Article 22 collections have been recorded in the Coretax system and may be credited by PT Z against its Corporate Income Tax liability.

Implementation of Income Tax Article 23

Income Tax Article 23 arises when PT Z engages third-party services. PT Z is positioned as the withholder of Income Tax Article 23 on service fees paid. Director General of Taxation Regulation No. PER-1/PJ/2023 stipulates that the Income Tax Article 23 rate for services is 2% of the tax base.

The tax base of IDR 1,033,030,246 and a total of IDR 20,660,605 withheld by PT Z. The predominant tax object code is 24-104-56 (transportation/freight forwarding services), reflecting PT Z's logistical requirements for the distribution of solar power materials. This finding is consistent with the study by Pratiwi & Dewi (2025), which emphasizes the importance of

accurate Income Tax Article 23 withholding in the operations of companies that intensively utilize third-party services.

Implementation of Income Tax Article 4(2)

Income Tax Article 4(2) is the most distinctive tax aspect for integrated construction companies. Income from construction services is subject to Final Income Tax Article 4(2) in accordance with Government Regulation No. 9 of 2022. For integrated construction work performed by service providers holding a business entity certificate, the applicable rate is 2.65%. In this context, PT Z is positioned both as the party from whom tax is withheld when receiving income from construction services, and as the withholder when paying construction services to subcontractors.

PT Z's total income from integrated construction services during 2025 reached IDR 25,210,473,577 from 19 contracts, with Income Tax Article 4(2) withheld by counterparties amounting to IDR 668,077,550 at a rate of 2.65%. This rate applies because PT Z holds a business entity certificate as governed by Government Regulation No. 9 of 2022, Articles (c) and (d), for integrated construction work. This finding is consistent with the studies of Wekasih (2025) and Zakaria, Santoso & Christanti (2024), which demonstrate that the Article 4(2) tax rate is highly dependent on the certification status of the construction service provider.

In addition to being the party from whom tax is withheld, PT Z also withholds Income Tax Article 4(2) from subcontractors at varying rates: 1.75% for subcontractors holding a small-qualification business entity certificate and 4% for those without a certificate. PT Z also withholds Income Tax Article 4(2) at a rate of 10% on land and building lease transactions and dividend distributions to directors.

Implementation of Value Added Tax (VAT)

PT Z has been registered as a Taxable Entrepreneur (PKP) and is therefore required to collect VAT on every delivery of taxable goods and services. The applicable VAT rate uses an alternative basis of (11/12 × selling price) × 12% in accordance with Law No. 7 of 2021. There are two output VAT collection mechanisms at PT Z: (1) self-collected on the provision of construction services, totaling IDR 25,210,473,577; and (2) collected by VAT collectors (SOEs) on goods sales, totaling IDR 3,691,996,994. On the input side, PT Z credits VAT on imported goods (totaling IDR 2,368,485,442) and on domestic goods and services acquisitions (totaling IDR 2,874,290,222). PT Z consistently collects output VAT, files VAT periodic tax returns on time, and remits any VAT underpayment before the monthly due date. This is consistent with the findings of Nurhasanah et al. (2024) regarding compliance with VAT calculation, remittance, and reporting procedures in construction service companies.

Implementation of Corporate Income Tax

PT Z is a corporate taxpayer; therefore, all income from its business activities constitutes the tax base for Corporate Income Tax. Because PT Z has two sources of income (final and non-final), the company maintains separate bookkeeping

in accordance with Government Regulation No. 94 of 2010, Article 27. The cost allocation proportion is set on a proportional basis: 88% for final income (construction services) and 12% for non-final income (goods sales), based on the revenue ratio.

PT Z's total gross revenue amounted to IDR 28,797,267,673. Taxable income from non-final income was IDR 969,030,571. With gross revenue above IDR 4.8 billion but below IDR 50 billion, PT Z is eligible to apply the Article 31E facility, meaning that Corporate Income Tax is calculated using two rates: 50% × 22% for the facilitated taxable income (IDR 161,520,419) and 22% for the non-facilitated taxable income (IDR 807,510,152). PT Z's Corporate Income Tax payable is calculated as follows: (50% × 22% × IDR 161,520,419) + (22% × IDR 807,510,152) = IDR 17,767,246 + IDR 177,652,233 = IDR 195,419,480. This finding is supported by the study of Muslimah & Annas (2025), which highlights the importance of using the correct Corporate Income Tax calculation method by distinguishing between final and non-final income components. The separate bookkeeping maintained by PT Z represents a best practice that ensures the accuracy of Corporate Income Tax payable calculations.

Overall, PT Z has implemented all tax obligations in accordance with applicable regulations. This study also found that the unavailability of Income Tax Article 22 documentation related to goods imports constitutes a limitation of this research, given that PT Z is recorded as having imported goods in several months during 2025 based on the VAT periodic tax return recapitulations.

CONCLUSION

Based on the results of the analysis and discussion, it can be concluded that PT Z, as an integrated construction company in the solar energy sector, has tax aspects that arise from the complexity of its operational activities, encompassing Income Tax Articles 21, 22, 23, 4(2), VAT, and Corporate Income Tax. The implementation of all PT Z's tax aspects has been carried out in compliance with applicable laws and regulations. PT Z has demonstrated adaptability to regulatory changes, particularly the adoption of the TER scheme in the calculation of Income Tax Article 21 pursuant to Government Regulation No. 58 of 2023 and Minister of Finance Regulation No. 168 of 2023. PT Z also properly maintains separate bookkeeping to determine the Corporate Income Tax payable on final and non-final income. It can therefore be concluded that PT Z is a corporate taxpayer that is both adaptive and compliant with the latest tax regulations.

RECOMMENDATIONS

PT Z is advised to maintain consistent tax compliance and to enhance the quality of its human resources in the field of taxation in order to minimize the risk of administrative errors (human error) during the transition period of Coretax system implementation. Recommended actions include actively participating in Coretax socialization programs organized by the Directorate General of Taxes, as well as completing the Income Tax Article 22 documentation for import transactions that has not yet been available.

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