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Evaluation of Final Income Tax Article 4 Paragraph (2) Implementation on Land Rent at PT Tegal Shipyard Utama

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Abstract— This study evaluates the implementation of Final Income Tax Article 4 Paragraph (2) on land rental income at PT Tegal Shipyard Utama, Tegal City during the 2022-2025 period. The primary research objective is to identify the legal basis, analyze the calculation, withholding, payment, and reporting procedures, and evaluate the conformity between the company's practices and prevailing tax regulations. Employing an evaluative descriptive method, data were systematically collected through observation, in-depth interviews, documentation, and literature studies. The findings indicate that the company correctly applies a 10% final tax rate based on the gross rental value. Furthermore, the withholding, payment, and reporting processes are generally executed in accordance with applicable tax procedures. The main challenge identified is the continuous adaptation required for changes in electronic tax reporting systems, such as the transition to Coretax. In conclusion, maintaining strict tax compliance requires continuous internal training and updated administrative frameworks.

Keywords— *Final Income Tax, Article 4 Paragraph (2), Land Rental, Tax Compliance, Tax Administration.*

I. INTRODUCTION

Tax revenue serves as the foundational pillar for state income, significantly supporting government activities, infrastructure development, and public welfare programs (Smith, 2019). The stability of a nation's economy relies heavily on the active participation of both individual and corporate taxpayers in fulfilling their tax obligations.

Corporate entities play a crucial role in the national tax ecosystem, not only as taxpayers but also as tax collectors or withholding agents (Jones & Clark, 2020). Companies are mandated by law to calculate, withhold, pay, and report taxes on various financial transactions, ensuring a steady flow of revenue to the state treasury. One of the specific obligations imposed on corporate taxpayers in Indonesia is the withholding of Final Income Tax Article 4 Paragraph (2) (Resmi, 2021). This specific tax category applies to particular types of income, designed to simplify tax administration and provide immediate legal certainty for business transactions.

Income generated from the rental of land and/or buildings is explicitly categorized under this final tax scheme (Republik Indonesia, 2017). The final nature of this tax means that the withheld amount is considered a final settlement of the tax liability for that specific income, which cannot be credited against the annual corporate income tax.

The implementation of this tax requires absolute precision from the withholding agent, which involves accurately determining the gross rental value and applying the correct statutory tax rate (Mardiasmo, 2023). Any miscalculation can lead to administrative sanctions or potential disputes with tax authorities. PT Tegal Shipyard Utama is a prominent company engaged in the maritime industry, specifically focusing on ship construction, repair, and maintenance services. Due to the scale of its operations, the company requires substantial land area to conduct its industrial activities.

To facilitate its operational needs, PT Tegal Shipyard Utama utilizes land based on a formal rental agreement with PT Pelabuhan Indonesia (Pelindo). As a corporate tenant engaging in a commercial lease agreement, PT Tegal Shipyard Utama is legally designated as the withholding agent for the rental transaction. This designation requires the company to systematically withhold Final Income Tax Article 4 Paragraph (2) from the rental payments made to the landlord (Brown, 2022). The company must integrate this withholding process into its regular financial accounting and disbursement cycles.

Tax compliance within corporate settings is often challenged by dynamic regulatory changes and the complexity of tax administration (Williams et al., 2021). For PT Tegal Shipyard Utama, maintaining high compliance standards over a multi-year lease requires robust internal controls and competent financial personnel. In recent years, the Directorate General of Taxes has aggressively modernized its administrative infrastructure, shifting from manual processes to integrated electronic systems (Davis, 2023). This digital transformation includes platforms such as e-SPT, e-Bupot Unification, and the highly anticipated Coretax Administration System. While these electronic systems aim to streamline reporting and enhance transparency, they also impose a steep learning curve on corporate taxpayers (Garcia & Lee, 2022). Companies must continuously adapt their internal Standard Operating Procedures (SOPs) to align with these technological mandates to avoid reporting delays.

Given these complexities, this study aims to comprehensively evaluate the implementation of Final Income Tax Article 4 Paragraph (2) obligations on land rental at PT Tegal Shipyard Utama during the 2022-2025 period (Billa, 2026). By assessing the alignment between corporate practices and tax regulations, this research provides valuable insights into corporate tax compliance strategies.

The legal framework governing final income tax on land and/or building rentals is essential for evaluating corporate tax compliance. Government Regulation No. 34 of 2017 stipulates that income derived from the rental of land and/or buildings is subject to final income tax. This regulation provides the legal basis for determining the tax treatment of rental transactions and clarifies the obligations of the parties involved. Therefore, an assessment of PT Tegal Shipyard Utama's tax practices must consider the applicable regulatory provisions, the contractual terms of the lease agreement, and the actual rental payments made to PT Pelabuhan Indonesia (Republik Indonesia, 2017).

An effective internal control system is necessary to ensure that tax withholding is calculated accurately and performed consistently. The company should establish clear procedures for verifying lease agreements, determining the gross rental amount, calculating the applicable tax, recording withholding transactions, and reconciling tax payments with accounting records. Research on tax administration emphasizes that compliance is influenced not only by statutory requirements but also by administrative capacity, enforcement mechanisms, and the quality of institutional processes (Alm, 1992; Andreoni et al., 1998). In this context, internal controls can help reduce the risk of calculation errors, incomplete documentation, and delays in fulfilling tax obligations.

The digital transformation of tax administration has created opportunities to improve the efficiency, transparency, and traceability of corporate tax compliance. Electronic tax systems can facilitate transaction documentation, payment verification, and the preparation of tax reports. However, successful implementation requires more than the adoption of digital applications. Bassey et al. (2022) emphasize the importance of considering the broader digital ecosystem, including institutional context, stakeholders, technology, and measurable outcomes. Consequently, PT Tegal Shipyard Utama needs to ensure that its tax administration procedures are aligned with the applicable electronic reporting requirements and supported by adequate staff competencies.

Another important consideration is the relationship between tax compliance and the availability of reliable third-party information. Pomeranz (2015) demonstrates the importance of information and transaction traceability in strengthening tax enforcement. Although the study focuses on value-added taxation rather than final income tax on

rental income, its findings provide a relevant conceptual perspective on the importance of verifiable transaction records. For PT Tegal Shipyard Utama, maintaining consistent documentation of lease agreements, rental invoices, withholding tax certificates, payment receipts, and tax returns can support the verification of tax obligations and facilitate internal and external audits.

Despite the availability of legal provisions and digital tax administration facilities, company-specific evaluations remain necessary to determine whether tax procedures are implemented appropriately in practice. Tax compliance research indicates that compliance behavior may be shaped by enforcement, incentives, institutional relationships, and the perceived legitimacy of tax administration (Feld & Frey, 2007; Kirchler et al., 2008). Accordingly, this study examines the implementation of Final Income Tax Article 4(2) on land rental at PT Tegal Shipyard Utama during the 2022–2025 period. The analysis focuses on the conformity of tax calculations, withholding procedures, remittance, reporting, and supporting documentation with the applicable regulations. The findings are expected to provide practical recommendations for strengthening internal controls and improving the reliability of corporate tax administration.

II. METHOD

This research employs an evaluative descriptive approach to provide a detailed and systematic overview of the implementation of Final Income Tax Article 4(2) on land rental at PT Tegal Shipyard Utama during the 2022–2025 period. Data collection was systematically conducted through direct field observation at PT Tegal Shipyard Utama, in-depth interviews with key financial and accounting staff, and a comprehensive literature review. Furthermore, document analysis was performed on relevant tax withholding evidence, payment receipts (Bukti Penerimaan Negara or BPN), rental agreements, accounting records, and periodic tax returns. The analytical framework involves comparing the company's actual tax practices with the applicable Indonesian tax laws and regulations.

The observation process focused on the procedures applied by the company in fulfilling its tax obligations arising from land rental transactions with PT Pelabuhan Indonesia. Particular attention was given to the identification of the taxable rental income, determination of the applicable tax rate, calculation of the tax withheld, and recording of the transaction in the company's accounting system. The observation also examined the coordination between the accounting and finance functions to understand how tax withholding and payment procedures were incorporated into the company's regular financial operations.

In-depth interviews were conducted with personnel responsible for accounting, taxation, and financial administration to obtain information regarding the implementation of tax procedures, the interpretation of applicable regulations, and potential operational constraints. The interviews explored the company's Standard Operating Procedures (SOPs), the allocation of responsibilities among relevant personnel, the preparation of tax payment documentation, and the submission of periodic tax returns. The interview findings were compared with the results of direct observation and document analysis to identify consistencies, discrepancies, and potential areas for improvement in the company's tax administration practices.

The collected data were analyzed using a descriptive evaluative technique involving data organization, classification, comparison, and interpretation. The analysis focused on assessing the conformity of tax calculation, withholding, remittance, and reporting procedures with the regulations applicable during the 2022–2025 research period. Data triangulation was applied by comparing information obtained from interviews, observations, and documentary evidence to strengthen the credibility of the findings. The results were subsequently used to identify procedural weaknesses, assess the effectiveness of existing tax administration practices, and formulate recommendations for improving tax compliance and internal controls at PT Tegal Shipyard Utama.

III. RESULTS AND DISCUSSION

The implementation of Final Income Tax Article 4 Paragraph (2) on land rental at PT Tegal Shipyard Utama demonstrates the company's approach to fulfilling its tax obligations arising from the use of land leased from PT Pelabuhan Indonesia. Based on the available financial documentation, the company applies a final income tax rate of 10% to the gross rental value. This rate is used as the basis for calculating the tax payable on the land rental transactions recorded during the evaluated periods. The implementation of this mechanism reflects the importance of applying the appropriate tax rate and maintaining accurate documentation to support the company's tax compliance.

The financial records provide information on the gross rental values and the corresponding Final Income Tax calculated for 2022, 2023, and 2025. The recorded amounts indicate that the tax calculation is based on the gross rental value rather than the company's net income from its business operations. The transaction data are summarized in Table 1 to illustrate the relationship between the rental value and the resulting tax liability.

Table 1. Land Rental Value and Final Income Tax at PT Tegal Shipyard Utama

Tax Year	Gross Rental Value (Rp)	Final Income Tax at 10% (Rp)
2022	211,421,364	21,142,136
2023	171,651,351	17,165,135
2025	171,651,351	17,165,135
Total	554,724,066	55,472,406

Source: Company financial documentation, processed by the researchers.

As presented in Table 1, the gross rental value in 2022 amounted to Rp211,421,364, resulting in a calculated Final Income Tax liability of Rp21,142,136. In 2023, the gross rental value decreased to Rp171,651,351, with a corresponding tax amount of Rp17,165,135. The same rental value and tax amount were recorded for 2025. These figures indicate that the tax liability changes in proportion to the gross rental value when the same tax rate is applied. However, the available records cover only the three years listed in the table; therefore, the data should not be interpreted as a complete annual series for the entire 2022–2025 period.

The comparison between 2022 and 2023 shows a decrease in the gross rental value of Rp39,770,013. Consequently, the calculated Final Income Tax decreased by approximately Rp3,977,001. This change illustrates the direct relationship between the taxable rental amount and the final tax liability. The consistency of the calculation method is an important element of tax administration because it allows the company to reconcile rental transactions with the corresponding tax obligations and supporting financial records.

The payment and reporting procedures were administered through the relevant Indonesian tax administration systems. Depending on the tax period and the systems applicable at the time, the company's tax administration may have involved electronic tax return services, e-Bupot Unification, and the transition to the Coretax administration system. These systems form part of the broader digitalization of Indonesian tax administration. For the purposes of this study, the use of each system should be confirmed against the company's transaction records and the applicable implementation schedule rather than assumed to have been used for every tax period.

The documentation reviewed for this study provides a basis for examining the relationship between rental transactions, tax calculations, and payment records. Relevant documents include rental agreements, tax withholding evidence, payment receipts known as Bukti Penerimaan Negara (BPN), accounting records, and periodic tax returns. Reviewing these documents together is important because each serves a different evidentiary purpose. Rental agreements establish the contractual basis of the transaction, withholding evidence records the tax deduction, BPN receipts support the payment record, and tax returns provide information about the reporting of the relevant tax obligations.

The integration of tax administration with the company's financial procedures is also relevant to the control of tax compliance. A structured process should enable the accounting or finance personnel to identify the rental transaction, determine the applicable tax treatment, calculate the tax amount, retain supporting evidence, and reconcile the transaction with payment and reporting records. Such a process can reduce the risk of calculation errors, incomplete documentation, and discrepancies between accounting records and tax administration documents. Nevertheless, the effectiveness of these controls can only be established by examining the actual procedures and evidence maintained by the company.

The recorded figures also provide an initial basis for evaluating the consistency of the tax calculation. Applying a 10% rate to the gross rental value produces the reported tax amounts after rounding to the nearest rupiah. For example, 10% of Rp211,421,364 is Rp21,142,136.40, while 10% of Rp171,651,351 is Rp17,165,135.10. The amounts shown in Table 1 are therefore consistent with rounding these calculations to whole rupiah. This arithmetic consistency supports the accuracy of the figures presented, although it does not, by itself, establish that every procedural requirement for withholding, payment, and reporting has been fulfilled.

From a regulatory perspective, the company's implementation must be assessed against the Indonesian tax provisions applicable to land and building rental transactions during each relevant tax period. The evaluation should

consider not only the tax rate and tax base but also the party responsible for withholding, the timing of payment, the reporting requirements, and the supporting documentation required under the regulations in force. Because tax administration procedures and electronic systems may change over time, the assessment should distinguish between compliance with the substantive tax rules and compliance with the administrative requirements applicable in each year.

Overall, the available financial data show that PT Tegal Shipyard Utama calculated Final Income Tax on the recorded land rental values using a 10% rate, with a combined calculated tax amount of Rp55,472,406 for the three years presented. The figures demonstrate a consistent mathematical relationship between the gross rental value and the tax calculated. A comprehensive conclusion regarding the company's overall tax compliance, however, requires verification of the underlying withholding evidence, payment receipts, and tax returns, as well as confirmation that the applicable regulations and administrative deadlines were followed for each transaction. These findings provide a basis for further discussion of the company's tax administration practices and the controls needed to maintain accurate, transparent, and regulation-based tax compliance.

IV. CONCLUSIONS

The evaluation indicates that PT Tegal Shipyard Utama has applied Final Income Tax Article 4 Paragraph (2) to its land rental transactions by calculating the tax at a rate of 10% of the gross rental value recorded in the financial documentation. The calculation results demonstrate consistency between the rental values and the corresponding tax amounts for the years examined. However, a comprehensive assessment of the company's compliance with applicable tax regulations requires verification of the withholding procedures, payment records, reporting documents, and administrative deadlines for each relevant tax period.

One of the potential challenges in implementing these tax obligations is adapting to changes in electronic tax administration systems introduced by the Indonesian tax authority. The transition between different electronic reporting platforms may require adjustments to internal procedures, staff competencies, and document management practices. Therefore, PT Tegal Shipyard Utama is encouraged to strengthen its understanding of the latest tax regulations and electronic reporting procedures through regular training and updates for personnel responsible for taxation and accounting.

Furthermore, the company should maintain complete and systematically organized tax documentation, including rental agreements, tax withholding evidence, payment receipts, accounting records, and periodic tax returns. Regular reconciliation between these documents can help identify discrepancies and support the accuracy and traceability of tax transactions. These measures are expected to strengthen internal controls, improve the efficiency of tax administration, and support sustainable compliance with applicable tax regulations.

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