

## Income Tax Policy on Fringe Benefits in Indonesia: A Systematic Literature Review

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### ABSTRACT

The income tax treatment of fringe benefits following the Harmonization of Tax Regulations (HPP) Law has changed to a taxable–deductible method. This change was triggered by unfair tax treatment, potential tax loss, and aggressive tax planning. The imposition of tax on fringe benefits aims to address these issues. This study aims to analyze the regulation, impact, and challenges of income tax policy on fringe benefits in Indonesia. A systematic literature review (SLR) was conducted using articles published between 2021 and 2025, sourced from Google Scholar and ScienceDirect. From an initial 605 articles, 23 met the selection criteria, and 7 were selected for final analysis. The analysis revealed positive impacts from the implementation of income tax on fringe benefits, namely creating tax fairness, increasing tax revenue, and closing gaps for aggressive tax avoidance. Changes in taxpayer behavior can also be observed as a result of this policy. However, this policy also presents challenges, particularly in determining the valuation of fringe benefits as the basis for tax imposition. Therefore, clearer guidelines and in-depth socialization are needed to facilitate taxpayers in determining the tax base and to enhance compliance.

**Keywords:** Corporate Income Tax; Deductible; Fringe Benefits; HPP Law; Tax Base Valuation; Tax Planning

**JEL Classification:** H21; H24; K34; M41

## INTRODUCTION

Employees require not only salaries and benefits but also non-monetary compensation, which is also evident in Indonesia. Benefits provided by employers constitute an important consideration for job seekers, while companies offer facilities that support work activities. According to [Haar and Kossack \(1990\)](#), the primary purpose of providing work facility packages is to create a competitive advantage in attracting new employees, enhancing worker motivation and morale, and retaining employees. Fringe benefits have a greater influence on job satisfaction than monetary benefits ([Juniarti et al., 2020](#)), and [Artz \(2010\)](#) also identifies fringe benefits as a significant and positive determinant of job satisfaction.

Based on Article 12 (1) of Government Regulation of the Republic of Indonesia Number 36 of 2021 concerning Wages ([PP No. 36/2021, 2021](#)), employers may provide work facilities for workers in certain positions or for all employees, as stipulated in the employment agreement. Work facilities refer to the means or equipment provided by the company for specific roles or for all workers. In line with this regulation, allowances may also be granted alongside job promotions, such as official vehicles and residences, particularly for positions requiring high mobility or frequent relocation. Additionally, fringe benefits may be provided in relation to certain positions, such as access to golf facilities.

Prior to the implementation of the Harmonization of Tax Regulations (*Harmonisasi Peraturan Perpajakan/HPP*) Law, fringe benefits were subject to different tax treatment compared to other forms of income. Article 4 (3) letter d of the Income Tax Law, as amended by Law of the Republic of Indonesia Number 36 of 2008 concerning the Fourth Amendment to Law Number 7 of 1983 concerning Income Tax ([UU No. 36/2008, 2008](#)), states that reimbursements or remuneration related to employment or services received in the form of fringe benefits from taxpayers or the government are exempt from taxation. However, this exemption does not apply to remuneration provided by non-taxpayers, taxpayers subject to final tax, or taxpayers using special calculation norms (deemed profit) as referred to in Article 15. Under this regulation, fringe benefits received were generally non-taxable, except under the specified conditions.

From the employee's perspective, this policy is advantageous, as employees receive benefits that may have substantial monetary value without being taxed. In contrast, employees receiving equivalent compensation in cash are subject to income tax. This condition contradicts the principle of equity in taxation. As noted by [Musgrave and Musgrave \(1989\)](#), a taxation system achieves horizontal equity when taxpayers in similar circumstances are treated equally.

Based on Article 9 (1) letter e of [UU No. 36/2008 \(2008\)](#), amended the provisions of the Income Tax Law, in determining taxable income for domestic taxpayers and permanent establishments, compensation in the form of fringe benefits is generally non-deductible. Exceptions apply to the provision of meals and beverages for all employees and certain fringe benefits in specific regions or related to work implementation, as regulated by the Minister of Finance Regulations. Consequently, most fringe benefits provided by employers are non-deductible from gross income, except those meeting specific criteria. This non-taxable, non-deductible treatment implies that the tax burden effectively shifts to the employer. Although fringe benefits represent additional economic capacity for employees and should theoretically be taxed at the individual level, the tax incidence is instead borne by the employer under this regime.

Following the enactment of the HPP Law, fringe benefits became subject to income tax under a deductible–taxable scheme. This reflects the application of the matching principle, whereby fringe benefits are treated as deductible expenses for employers and as taxable income for employees (Firmansyah & Wijaya, 2022).

The imposition of tax on fringe benefits also affects corporate income tax management. Companies must adjust the fiscal treatment of fringe benefits, which directly influences the calculation of taxable income (Mahpudin et al., 2024). Furthermore, the taxation of fringe benefits introduces a distinct feature, namely the determination of a specific tax base (*Dasar Pengenaan Pajak/DPP*) that differs from other income tax objects. However, limited studies have examined this aspect in detail.

Based on these gaps, this systematic literature review (SLR) analyzes regulations on income tax on fringe benefits in Indonesia, evaluates their impact, and examines the basis for determining the tax base. The novelty of this review lies in integrating the legal, behavioral, and administrative dimensions of fringe benefit taxation in Indonesia, showing that the main policy challenge is not only whether fringe benefits should be taxed, but how valuation and documentation rules can be implemented with sufficient certainty and simplicity. This study aims to provide evidence-based insights for policymakers and decision-makers, supporting the implementation of fringe benefit taxation in accordance with taxation principles, while contributing to regulatory improvements that enhance legal certainty for taxpayers.

## **LITERATURE REVIEW**

### **Matching Principle**

The matching principle is one of the fundamental principles within the tax regulatory framework that determines deductibility. This principle works by examining the nature of a transaction and linking it to the implications arising from that transaction. The resulting causal relationship forms the basis for theoretical construction and is applied in the formulation of tax regulations (Firmansyah & Wijaya, 2022).

The implementation of the matching principle in the taxation of fringe benefits has an important and positive impact on the current economy, which faces serious challenges. Compatibility and balance in tax payment should be ensured by matching between income and expenses in the same time period (Silalahi & Kurnia, 2023).

The taxation of fringe benefits reflects the matching principle, where expenses are recognized as deductions in fiscal reporting alongside corresponding income recognition (Sinta et al., 2022).

### **Equity**

The concept of fairness in a good tax system encompasses key elements such as vertical and horizontal equity, transparency, administrative efficiency, and equitable redistribution, which aim to encourage responsible contributions, support sustainable development, and reduce inequality. A fair tax system fosters a stronger sense of community and promotes transparency in the allocation and management of funds for social and economic development (Kurniawan & Setiabudi, 2025).

The taxation of fringe benefits is further regulated under the Minister of Finance Regulation of the Republic of Indonesia Number 66 of 2023 concerning Income Tax Treatment of Compensation or Remuneration in Relation to Work or Services Received or Obtained in the Form of Benefits in Kind and/or Enjoyment (*PMK No. 66/2023, 2023*).

This regulation is analyzed using the theory of hierarchical law (Stufenbau) to assess its alignment with higher legal norms, particularly Indonesia's grundnorm, Pancasila. Pancasila aims to achieve social justice for all Indonesians, including through fair tax policies that prevent money laundering and other forms of tax fraud (Panjaitan & Yuna, 2023).

The principle of fairness in tax implementation also encourages horizontal equity by assuring that individuals in the same situations and with similar incomes bear a proportional tax burden (Silalahi & Kurnia, 2023).

### **Tax Avoidance**

Tax avoidance is the act of reducing tax liabilities by taking advantage of gaps or ambiguities in tax regulations (Ardika et al., 2025). Tax avoidance is also the process of organizing a taxpayer's business in such a way that the tax debt is at the minimum sum. This is performed as long as it does not violate the tax laws and regulations, is monetarily plausible, and the report has ample supporting evidence (Sepriana, 2021).

### **Tax Planning**

Tax planning is a step taxpayers can take to manage their company's financial situation, aiming to minimize tax expenses or burdens. Tax planning is an effort made to minimize the tax burden by exploiting loopholes in tax regulations. The planning carried out must also be legal in accordance with the tax law (Isnaniati, 2021).

Tax planning is the process of reducing or minimizing the tax liability owed to the government, ensuring that the amount paid does not exceed the actual amount due while remaining in compliance with applicable tax laws, thereby ensuring legality (Baitanu et al., 2025).

Tax planning is an effort made by taxpayers to reduce their tax burden by exploiting weaknesses in the law. Throughout the process, taxpayers must remain compliant and comply with calculations within the applicable tax regulations. In general, the goal of tax planning is to minimize the tax burden owed, optimize after-tax profit, minimize the risk of tax surprises in the event of a tax audit by the tax authorities, and fulfill tax obligations correctly, efficiently, and effectively in accordance with applicable tax regulations (Sinambela & Anggraeni, 2024).

## **RESEARCH METHOD**

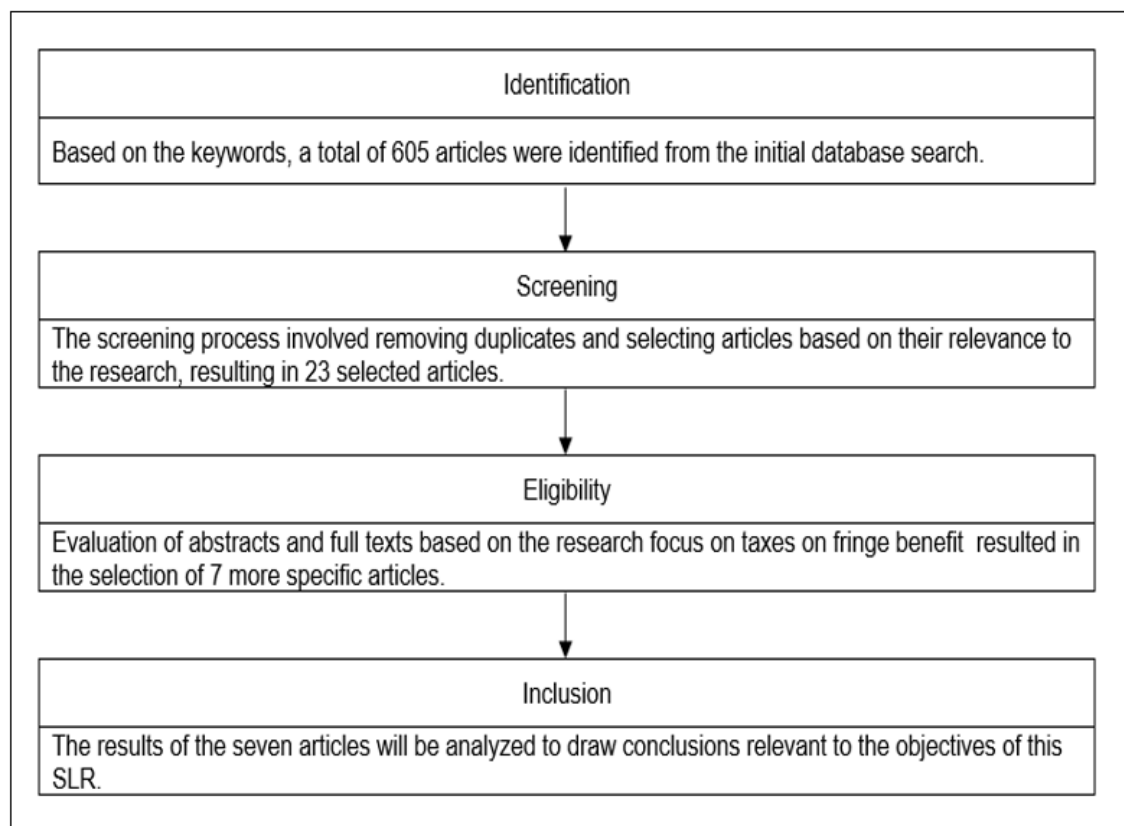
This study employs an SLR to examine the regulation, implications, and challenges of implementing income tax on fringe benefits. Following established good practices, the review process was designed to ensure comprehensive coverage and methodological rigor. Ng and Cheah (2025) explained that an SLR methodology ensures transparency, replicability, and rigor in the identification, selection, and synthesis of prior research. An SLR is a method for collecting, identifying, and critically analyzing existing literature (e.g., journal articles, conference proceedings, books, and dissertations) through structured procedures. It aims to synthesize current knowledge on a topic and identify areas for further research (Carrera-Rivera et al., 2022). Prior to the search, appropriate databases were selected to maximize the likelihood of identifying highly relevant studies. The selection process is carried out in accordance with systematically established criteria to ensure the inclusion of studies that are of high quality and have sufficient relevance (Prasasti et al., 2025).

The databases used were Google Scholar and ScienceDirect, in line with [Yaman et al. \(2019\)](#), who emphasize the importance of widely used databases for their extensive coverage and diverse perspectives. The search process involved selecting databases, defining keywords, executing and refining search terms, and compiling an initial list of relevant studies. The keywords “*pajak natura kenikmatan*” and “fringe benefit tax” were used to specifically target literature on fringe benefit taxation. The review focused on articles published between 2021 and 2025 to ensure alignment with recent tax regulations and current conditions in Indonesia.

The identified studies then underwent a two-stage selection process. In the first stage, inclusion and exclusion criteria were applied to filter studies based on relevance and quality. Inclusion criteria prioritized peer-reviewed journal articles, particularly those indexed by SCOPUS (Q1–Q4) for international publications and accredited by SINTA for national publications, ensuring a high standard of evidence. Exclusion criteria included studies lacking validation and those without full-text availability.

The process of searching is divided into several steps, such as identification, screening, eligibility, and inclusion. These steps are in accordance with the guidelines in PRISMA (Preferred Reporting Items for Systematic reviews and Meta-Analyses). PRISMA is a series of evidence-based minimum requirements that aim to help authors report various systematic reviews and meta-analyses that assess benefits. PRISMA focuses on ways in which authors can ensure transparent and complete reporting of research types ([Simamora et al., 2024](#)). Therefore, this review focuses on transparency and replicability by clearly documenting each step of the process, from search strategy to study selection and data synthesis. [Figure 1](#) summarizes the PRISMA steps in this study.

**Figure 1.** PRISMA Workflow in Research Studies



Utilizing curated keywords in the Google Scholar and ScienceDirect search engines, the researchers identified an initial total of 605 articles published between 2021 and 2025. The second phase of the detailed screening process began by selecting articles published in accredited journals, removing duplicate entries, and then sorting the articles based on their titles. The second-stage screening process yielded 23 articles for further evaluation through abstracts and full-text reviews. After assessing the relevance of these articles to the research focus, 7 articles were selected as primary references supporting the study. The selected studies were analyzed using a narrative thematic synthesis by comparing their findings across three recurring themes: policy impact, taxpayer behavior, and valuation determination challenges. This stage reflects a critical evaluation process to ensure validity and minimize bias. Seven articles were selected for the final review, providing focused and relevant insights into the taxation of fringe benefits.

## **RESULTS**

According to the articles that are eligible for analysis, there are results that cover three things, namely tax policy impact, taxpayer behavior, and valuation determination challenges.

### **Tax Policy Impact**

Based on the systematic review conducted, it shows that there are several impacts of income tax policy on fringe benefits, namely tax fairness, increased tax revenue productivity, and closing gaps for aggressive tax avoidance. This literature review examines regulations and the income tax implications of fringe benefits in Indonesia as a fiscal policy contributing to state revenue. Changes in tax treatment before and after the HPP Law are governed by derivative regulations, namely the Government Regulation of the Republic of Indonesia Number 55 of 2022 concerning the Adjustment of Regulations in the Field of Income Tax ([PP No. 55/2022, 2022](#)) and [PMK No. 66/2023 \(2023\)](#). Article 23 of [PP No. 55/2022 \(2022\)](#) stipulates that fringe benefits related to employment or service relationships are subject to income tax. Reimbursement costs in the form of fringe benefits may be deducted from the employer's gross income, provided they are incurred to obtain, collect, and maintain income. However, certain fringe benefits remain exempt from income tax, which has generated controversy among taxpayers ([Simbolon et al., 2024](#)).

The imposition of income tax on fringe benefits has an impact on creating fairness for taxpayers. Before the HPP Law, fringe benefits were not included in the object of income tax. But after the HPP Law, fringe benefits became the object of income tax like cash compensation. Fringe benefits are considered to have fulfilled the definition of income as stated in Article 4, paragraph (1) of the Income Tax Law, namely, additional economic capacity received or obtained by taxpayers, whether originating from Indonesia or from outside Indonesia, which can be used for consumption or to increase the wealth of the taxpayer concerned, under any name and in any form. Fringe benefit compensation has the same substance as cash compensation, seen from the perspective of both workers and employers. From the perspective of workers, compensation in fringe benefits can be used for consumption activities and has economic value. The similarity of fringe benefits to cash rewards from the perspective of the income recipient closes the gap for substantial differences that lead to different tax treatments. Therefore, the determination of fringe as taxable income is in accordance with the implementation of tax regulations that are consistent theoretically and practically ([Firmansyah & Wijaya, 2022](#)). Furthermore, the principle of appropriateness in tax application also supports horizontal equality by ensuring that individuals with similar circumstances and incomes are subject to comparable tax burdens ([Silalahi & Kurnia, 2023](#)). The income tax policy on fringe

benefits is considered a step towards creating equality between cash and non-cash income, as well as a form of state control over income distribution in society (Mahpudin et al., 2024).

Corporate income tax without tax incentives uses a flat rate of 22%. Personal income tax uses a progressive rate of up to 30% before the HPP Law and 35% after the HPP Law. This disparity in income tax rates has fueled tax avoidance practices. Tax avoidance is carried out by exploiting loopholes in regulations, specifically the exemption of fringe benefits from income tax imposition and the principle that such benefits are non-taxable and non-deductible. Mahpudin et al. (2024) argue that income tax policies regarding fringe benefits bridge this rate disparity. Progressive income tax rates for individual taxpayers promote a sense of fairness, as taxes are imposed according to the ability to pay, with rates reaching up to 35%. The HPP Law serves as a solution to the issue of tax avoidance regarding the taxation of fringe benefits. By classifying fringe benefits as taxable and deductible, it is hoped that tax avoidance loopholes can be prevented, and efforts toward equity and fairness can be achieved (Firmansyah & Wijaya, 2022).

The income tax policy on fringe benefits also has an impact on increasing state revenue. Prior to the HPP Law, fringe benefits were potentially more profitable for taxpayers than cash benefits. When fringe benefits are excluded from income tax, they can lead to potential tax losses. Silalahi and Kurnia's (2023) study validates that the implementation of the matching principle in the taxation of non-cash benefits and additional allowances has the potential to increase the government's revenue and improve the efficiency of fiscal management. According to Firmansyah & Wijaya (2022) and Silalahi & Kurnia (2023), taxing fringe benefits, in addition to increasing state revenue, will also create income redistribution. This policy shift is also driven by efforts to address tax avoidance, optimize tax revenue, and reduce inequality. Furthermore, it seeks to shift the income tax burden from entities to individuals by taxing recipients of fringe benefits while allowing such expenses to be treated as deductible costs (Firmansyah & Wijaya, 2022).

### **Taxpayer Behavior**

Taxpayers will essentially try to minimize their tax burden by identifying gaps in policy. Based on the results of Mahpudin et al.'s (2024) study, tax regulations can change the behavior of the public, especially taxpayers, in complying with taxation, because taxpayers will try to fulfill their obligations efficiently and avoid overpaying. Thus, this can also have an impact on how taxpayers manage their taxes in accordance with applicable regulations. Mahpudin et al. (2024) also explained that from a legal sociology perspective, the imposition of tax reflects the government's efforts to regulate socio-economic relations between employers and employees through legal instruments, while simultaneously creating more compliant public behavior regarding tax obligations. However, the implementation of this policy is not without challenges, particularly in terms of public acceptance, perceptions of fairness, and the level of taxpayer compliance.

In the income tax policy on fringe benefits before the HPP Law, the disparity in corporate and individual income tax rates triggered taxpayers to minimize their tax burden. The principle of non-taxability and non-deductibility of fringe benefits became a loophole used by taxpayers to minimize their tax burden. Regulations before the HPP Law provided incentives for top-level employees to continue maximizing the use of fringe benefits for their personal interests. This was because the application of non-taxability to income in fringe benefits could reduce their personal tax burden. Under such conditions, large amounts of fringe benefits could only be enjoyed by top-level employees, as the power holders of the company. This situation would create an imbalance in compensation for all elements of the company's employees (Firmansyah & Wijaya, 2022).

Following the HPP Law, there was a shift in the taxation of fringe benefits, making them subject to personal income tax. Research by [Yani and Arsjah \(2025\)](#) analyzes the calculation of Income Tax Article 21 on fringe benefits and finds that it increases the amount of tax payable by employees and company directors, thereby reducing their take-home pay. The inclusion of fringe benefits in the calculation raises gross income, which in turn increases Income Tax Article 21 liabilities for both employees and directors. Therefore, management, as the principal, must ensure transparency and accountability in communicating the components of Income Tax Article 21 calculations to agents, namely, employees and directors. This policy change requires taxpayers to alter their tax management strategies to minimize their tax burden.

Research by [Hantono et al. \(2025\)](#) and [Purba & Rosid \(2025\)](#) suggests that tax planning strategies through the provision of fringe benefits can still be implemented. The research results show that this strategy can optimize tax efficiency but still requires compliance with applicable regulations to avoid future taxation risks. The results of research by [Hantono et al. \(2025\)](#) show that companies provide fringe benefits in the form of transportation facilities, lunch, and field accommodation, which meet the tax exemption requirements in accordance with [PP No. 55/2022 \(2022\)](#). The company's income tax burden was reduced after implementing this strategy for one fiscal year, and the management of fringe benefits was carried out through an internal system that was documented and integrated with tax reports. Research by [Purba and Rosid \(2025\)](#) shows that taxation strategies can be carried out properly and correctly with the Tax Control Framework. The Tax Control Framework is a principle of transparent and efficient tax management, which covers all documents related to fringe benefits, from data collection, calculation, payment, to reporting.

### **Valuation Determination Challenges**

Valuation in the implementation of income tax imposition is a major challenge because it is related to the tax base. Based on Article 22 paragraph (1) of the [PMK No. 66/2023 \(2023\)](#), income in the form of compensation or remuneration in fringe benefit received or obtained in connection with work or services is assessed based on the market value of the compensation or remuneration in fringe benefit and/or the amount of expenses incurred or that should have been incurred by the employer for such compensation or remuneration. In contrast, Article 22 paragraph (2) stipulates that when the compensation is in the form of goods originally intended to be sold by the employer, other than land and/or buildings, the market value is based on the cost of goods sold.

Determining fringe benefits as taxable income and deductible expenses naturally raises issues regarding how to calculate the value of these benefits. Unlike cash, which has a clear value, benefits in kind do not state a definite value when they are given. The valuation benchmarks used tend to be relative and subject to subjectivity, for example, valuations based on market value, the value paid by the employee, or even the employer's zero marginal working cost ([Firmansyah & Wijaya, 2022](#)).

[Gunawan's \(2024\)](#) research reveals challenges in determining the valuation of fringe benefits. Difficulties arise in determining whether they are taxable or not. This is because some fringe benefits are exempted from income tax. Furthermore, distortion costs arise if the valuation of benefits in kind and/or benefits is inaccurate. Furthermore, running costs, particularly the relatively high compliance costs, must be borne by employers in valuing and taxing fringe benefits provided to their employees. The principle of simplicity is not met in determining the valuation of fringe benefits.

The above studies have similarities, namely that the imposition of income tax on fringe benefits has an impact on fairness, increasing tax revenue, and anticipating tax avoidance loopholes. In analyzing the impact of income tax policy on fringe benefits, several researchers used the matching principle. The matching principle is used to explain the taxable and deductible, and non-taxable and non-deductible mechanisms in the provision of fringe benefits. Before the HPP Law, the mechanism was non-taxable and non-deductible, and after the HPP Law, it became taxable and deductible. Researchers agree that there is an inconsistency in the application of the matching principle both before and after the HPP Law. The inconsistency prior to the HPP Law is found in Article 4(3)(d) of [UU No. 36/2008 \(2008\)](#), which states that fringe benefit are exempted from taxation (non-taxable), yet such benefits could still qualify as tax-deductible expenses under Article 9 (1) (e) of [UU No. 36/2008 \(2008\)](#), specifically when they consist of the provision of food and beverages for all employees, or compensation in the form of benefits in kind in certain regions, and when such benefits are related to the performance of work as regulated by or pursuant to a Minister of Finance Regulation. Following the HPP Law, an inconsistency in the matching principle emerged when some fringe benefits were non-taxable, but their costs were still deductible from the employer's gross income. This inconsistency arose when the matching principle was not fully implemented due to the consideration of various factors.

Several studies have shown that providing fringe benefits can increase tax efficiency. The income tax policy on fringe benefits provides exemptions from income tax on certain benefits. This is exploited by employers who provide fringe benefits that are exempted from income tax, such as benefits for work facilities and benefits within certain limits. Employers can still treat these benefits as fiscal expenses. Employees receiving these benefits are also exempt from income tax.

Tax efficiency for fringe benefits does not apply equally to every company. For companies that provide fringe benefits and bear the tax burden for top-level employees, such as managers and directors, imposing income tax on these benefits will increase the tax burden. Although these fringe benefits can be a fiscal cost, the higher individual income tax rate borne by the company can still increase the company's tax burden.

The challenge in the income tax policy for fringe benefits is determining the valuation of these benefits. Difficulties in determining this valuation will impact the tax base and the income tax payable by employers. To date, there has been no in-depth study of the valuation of fringe benefits as the basis for income tax. Mistakes in determining the taxable object of fringe benefits, as well as their tax base, can lead to tax disputes that can be detrimental to taxpayers.

## **DISCUSSION**

### **The Complexity of Valuation**

Determining the valuation of fringe benefits (in-kind benefits and enjoyments) presents a challenge in implementing the income tax policy on in-kind benefits and enjoyments. This policy impacts fairness for taxpayers because income received by taxpayers, whether in cash or in-kind, and enjoyments remain subject to income tax. This contradicts the principle of fairness when it comes to determining the valuation of in-kind benefits and enjoyments. Based on survey-based research on individual taxpayers' perceptions, taxpayers generally understand fringe benefits and acknowledge that related tax regulations contribute to state revenue. However, they express concerns regarding fairness, as the imposition of income tax on fringe benefits is perceived as not fully reflecting equitable treatment ([Raharjo & Hasnawati, 2023](#)). The benchmark for in-

kind valuation is market value, but market value can be subjective, with market values being either too high or too low. The valuation of enjoyments is based on the costs incurred to acquire the benefit, such as depreciation. Depreciation costs can vary depending on the acquisition price and economic life of the asset. Therefore, this principle of fairness is not fully achieved in determining the valuation of in-kind benefits and enjoyments.

To determine the basis for imposing income tax on fringe benefits, taxpayers need to understand the criteria for fringe benefits that are subject to tax. Article 4 of Regulation of the Minister of Finance No. 66 of 2023 in [Table 1](#) regulates fringe benefits that are exempted from income tax. However, fringe benefits that can be exempted from income tax must meet certain requirements. These requirements vary and are not the same for all fringe benefits, such as location requirements, value limits, purpose of provision, and the status and income of the recipient of the fringe benefit. The complexity of implementing income tax on fringe benefits requires in-depth dissemination of information from the Directorate General of Taxes (DGT) regarding this matter.

**Table 1.** Fringe Benefits Excluded from Income Tax Objects

No.	Fringe Benefits Excluded from Income Tax Objects
1.	Food, foodstuffs, beverage ingredients, and/or beverages for all employees;
2.	Fringe benefits provided in certain areas;
3.	Fringe benefits that must be provided by the employer in carrying out work;
4.	Fringe benefits sourced or financed by the state revenue and expenditure budget, regional revenue and expenditure budget, and/or village revenue and expenditure budget; or
5.	Fringe benefits of certain types and/or limitations.

Source: [PMK No. 66/2023 \(2023\)](#)

The value of fringe benefits determines the tax base, the income tax owed, and the recording of expenses. Fringe benefits with specific limits and types are complex because they involve several steps in their valuation and subsequent tax calculation. The first step is for the employer to determine who the recipients of fringe benefits are, as well as the limits of fringe benefits that are exempted from income tax. The second step is for the employer to determine the valuation of fringe benefits using market value or the costs incurred related to them. The third step involves calculating the tax base. The tax base also depends on the number of recipients. If benefits are provided to more than one recipient, the tax base is calculated proportionally. The final step is calculating the income tax due. The calculation of income tax on benefits provided to employees differs from that for non-employees. The calculation of article 21 on fringe benefits received by employees is combined with the calculation of article 21 on salaries and other cash allowances. An increase in income affects the applicable Article 21 rate because the Article 21 rate is progressive. After calculating the income tax due, the employer must also record the expenses incurred for compensation in the form of a fringe benefit. The recording of these expenses differs from the recording of expenses for salaries and allowances in the form of cash.

[Marsono \(2023\)](#) argues that fringe benefits are taxable with certain exceptions listed in a negative list; therefore, taxpayers must carefully understand and apply these provisions. The valuation of fringe benefits must reflect fair value and be properly documented to avoid fiscal corrections. In addition, coordination across HR, finance, and tax divisions is necessary to ensure proper understanding and implementation.

With the change in tax policy on fringe benefits under the HPP Law, there is a risk of administrative complexity for companies, especially in terms of valuation and reporting of fringe benefits provided to employees. Companies will need to adjust their payroll and accounting systems to include benefit income as taxable income, which could potentially raise the cost of administration and risk of reporting mistakes (Shiga & Rosdiana, 2025).

The government should design a tax system that is easier for the public to understand, as clarity can encourage greater public engagement with tax policies (Kurniawan & Setiabudi, 2025). The implementation of fringe benefit taxation also requires careful preparation in terms of regulation, information technology infrastructure, and human resources. Government institutions, particularly the DGT, must establish clear systems and procedures (Marshanda et al., 2025). Current income tax provisions generally classify fringe benefits as taxable objects, with certain exceptions listed in a negative list. Taxpayers must understand and apply these criteria accurately. From the employer's perspective, expenses related to fringe benefits can be treated as deductible if they meet the 3M criteria. However, differing interpretations may arise, requiring taxpayers to maintain proper documentation and well-founded arguments (Marsono, 2023).

### **Tax Planning Opportunity**

Aggressive tax planning can lead to tax avoidance or evasion. The application of income tax on fringe benefits closes the tax avoidance loophole by treating income, both cash and in-kind, as taxable. However, taxpayers still strive to minimize their tax burden. Changes in the tax treatment of fringe benefits continue to allow tax planning opportunities. The study by Baitanu et al. (2025) evaluates the impact of the new regulation on corporate tax burdens and identifies strategic adjustments, finding that tax planning after the implementation of *PMK No. 66/2023 (2023)* becomes more efficient. Similarly, Edryanto and Yanti (2025) show that providing fringe benefits can enhance tax efficiency, although it requires careful adaptation to avoid negative effects on employee motivation and to support broader sustainability objectives.

Research by Syapari and Rahman (2025) explores taxpayers' understanding of additional benefit cost treatment under the HPP Law and the application of tax planning strategies. Certain benefits included in the negative list are not taxable for recipients but may still be treated as deductible expenses, thereby reducing the tax burden for both employers and employees. Prastika and Rusdianto (2024) also examine fringe benefits such as uniforms and occupational safety facilities, noting that regulatory changes introduce challenges in determining their valuation. The value of such benefits can be significant and varies depending on the method used, such as market value, employee-paid value, or the employer's marginal cost. These differing valuation approaches are often relative and subjective, potentially leading to perceptions of unfairness. Consequently, tax disputes frequently arise between taxpayers and the DGT due to differing interpretations of fringe benefit valuation (Hastica et al., 2025).

Table 1 lists fringe benefits that are exempted from income tax but can constitute a fiscal cost or reduce a company's gross income. For example, providing lunch to all employees is not subject to Income Tax Article 21 (non-taxable), but can constitute a fiscal cost for the company (deductible). There are special treatments that do not comply with the matching principle (taxable-deductible). However, there are types of fringe benefits that require a high level of tax understanding and administrative costs, namely fringe benefits of certain types and/or limitations. For example, gifts from an employer given outside of a designated religious holiday, with a total value of no more than IDR 3,000,000, are not subject to income tax. However, if the value is greater than the value given, the difference will be subject to income tax. This increases the workload of the employees involved and

requires coordination between various divisions, such as tax, human resources, and the accounting division.

Limited taxpayer understanding, due to insufficient time for socialization and education regarding the taxation of fringe benefits, may affect the valuation and reporting of such benefits (Shiga & Rosdiana, 2025). Differences in determining the valuation of fringe benefits, as well as misinterpreting loopholes in tax regulations, can lead to tax disputes. In their research, Hastica et al. (2025) found that income tax disputes in Indonesian companies are a complex problem influenced by several causal factors, such as differences in interpretation of changes in tax policy related to immature concepts, and aggressive corporate tax management practices are often the main triggers. Furthermore, administrative errors, frequently changing tax policy dynamics, and company operational factors also contribute. Income tax on fringe benefit policy can be disputed. Taxpayers have the opportunity to plan their taxes on fringe benefits. However, there are challenges that can give rise to tax disputes, both in determining the taxable object, the tax base, and the supporting documentation required.

Based on these findings, the study recommends that the DGT address potential ambiguities in tax assessment that could lead to disputes between taxpayers and tax authorities. The diverse nature of fringe benefits and the varying treatment of such expenses in financial statements will introduce complexity in the calculation of taxes on fringe benefits. Taxpayers require a deeper understanding accompanied by examples that align with real-world scenarios. Therefore, internal outreach is needed for tax officials and external outreach for taxpayers to provide in-depth knowledge regarding tax imposition. Taxpayers require in-depth knowledge and coordination among relevant divisions to manage the increased tax administration resulting from the taxation of fringe benefits.

Overall, these studies underscore the need for clearer and more certain regulations, simple tax administration, better training, and adequate resources to address the ongoing challenges in tax collection in Indonesia. Strengthening these aspects will make a significant contribution to enhancing the state's ability to combat tax evasion and ensure a fairer and more transparent tax system.

## **CONCLUSION**

Changes to tax regulations on fringe benefits have had positive impacts, creating fairness for taxpayers, increasing tax revenue, and closing loopholes for tax avoidance. Taxpayer behavior has also changed along with these regulatory changes, as tax planning for fringe benefits prior to the HPP Law is no longer applicable. Taxpayers require new strategies to reduce their tax burden. Taxation of fringe benefits also presents challenges in determining the valuation of fringe benefits as the tax base. Regulations on the valuation of fringe benefits are complex because taxpayers must determine whether they are taxable. The types of fringe benefits vary from company to company, and there are limits to the value of fringe benefits subject to tax. This valuation complexity creates tax costs for taxpayers. Differences in interpretation between taxpayers and the tax authorities can lead to disputes.

Addressing these differences in interpretation regarding the tax treatment of fringe benefits requires an appropriate strategy. Taxpayers can still engage in tax planning without violating applicable regulations. The strategy of providing fringe benefits as tax planning is an effective and legitimate approach to managing income tax liabilities. By understanding regulations and utilizing fringe benefits, which fall under the tax exemption

category, companies can optimize fiscal efficiency while improving employee welfare. The success of this strategy depends heavily on compliance with tax regulations, as well as the company's ability to manage supporting documentation as evidence and coordination between relevant divisions.

This study highlights the need for a tax policy that provides legal certainty and administrative simplicity. Determining the valuation of fringe benefits remains a challenge for taxpayers implementing income tax policies on fringe benefits. Complex administration will increase the workload for employees involved in the provision of fringe benefits. This study not only makes a contribution to the academic literature but also gives practical suggestions for tax authorities to enhance the principle of ease of administration in the Indonesian tax system.

#### **LIMITATION**

This study is limited because it relies on secondary data. Future research should include stakeholder interviews, broader case studies, and long-term assessments of the impact of taxes on fringe benefits. Overall, changes in the tax treatment of fringe benefits are essential to create fairness, increase tax revenue, and prevent potential tax losses. Tax policies on fringe benefits need to pay more attention to the principle of ease of administration, so that the implementation of tax policies on fringe benefits will increase tax compliance and minimize the administrative costs that must be borne by taxpayers.

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#### **DECLARATION OF CONFLICTING INTERESTS**

The authors have stated no potential conflicts of interest concerning the study, authorship, and/or publication of this article.

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