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Comparison of Income Tax and Tax Reliefs According to Income Tax Laws and Regulations for Individual Residents in Indonesia and Singapore

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Abstract. This study focuses on a comparative analysis of income tax laws and regulations and tax reliefs in Indonesia and Singapore, employing a normative legal approach. It reveals that Singapore's tax reliefs, reflecting the government's shared values, address diverse family needs, including elderly care, child development, health, and housing. Conversely, Indonesia provides tax reliefs through non-taxable income to support families. Despite Indonesia's well-structured tax system, the government should address challenges, including inflation and external constraints, impacting public purchasing power and contributing to a high-cost economy.

Keywords. Tax Laws and Regulations, Income Tax, Tax Reliefs, Indonesia, Singapore

A. Introduction

Taxes are one of the efforts to achieve a nation's self-sufficiency in financing development by tapping into domestic resources (Waluyo, 2007). As a levy imposed by the state on its citizens, the collection of taxes must be based on law (Rochmat, 1997). Tax provisions must be based on laws enacted with the people's approval through their representatives in the House of Representatives. This means that taxes are not an imposition on the people but a mandate from the people, reinforced by Article 23A of the 1945 Constitution of the Republic of Indonesia, which states, "Taxes and other compulsory levies for state purposes shall be regulated by law" (Waluyo, 2007). According to Article 1 (1) of the Republic of Indonesia Law Number 6 of 1983 concerning General Provisions and Tax Procedures, as amended several times, most recently by the Republic of Indonesia Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 on General Provisions and Tax Procedures (GTP Act), it states that a tax is a mandatory contribution to the state owed by individuals or entities, which is coercive based on the law, without receiving direct compensation, and is used for state purposes to achieve the greatest possible welfare for the people.

Two approaches to taxation are employed to achieve fairness: the benefit and the ability-to-pay approaches (Mansury, 2002). According to the benefit approach, a fair tax system

requires taxpayers to pay taxes in line with the benefits received from government activities. Government activities financed by taxes based on the benefits enjoyed by taxpayers are limited. In contrast, most funds required for routine government activities and development cannot be collected based on benefits received. The benefit approach can only be applied to government activities in the provision of public utilities. However, it cannot be conducted for defense and security services or other government activities where the benefits are difficult to determine for individuals or specific taxpayers. Another approach to fairness, which can be used to collect the necessary tax revenue, is the ability-to-pay approach, which suggests that taxes should be levied based on each taxpayer's ability to pay (Mansury, 2002).

According to Richard Goode, if fairness is to be applied in an income tax system, it must meet the criteria of vertical and horizontal equity. Vertical equity involves differentiating tax rates based on the total income or total additional economic capacity, not due to differences in income sources or types of income. Progressivity means that if a taxpayer's income is higher, they should pay a higher tax rate with a greater percentage (Mansury, 2002). The personal income tax rates in Indonesia apply progressive rates according to Article 17 (1) of Law Number 7 of 1983 on Income Tax, as amended last by Law Number 7 of 2021 on Harmonization of Tax Regulations (HTR Act). Wealthy taxpayers will pay more in taxes due to higher tax rates. This situation proves that the tax rate adjustments and brackets support vertical equity within the tax system. Adjustments to brackets and tax rates have a positive impact on both society and the government, allowing tax revenue allocation to proceed optimally and support public welfare (Kalyana, 2022). Horizontal equity means that the tax burden is the same for all taxpayers with the same income and dependents, regardless of the type or source of income. Personal exemptions for individual taxpayers, such as personal allowances, must be provided in the Indonesian income tax system, known as non-taxable income according to Article 7 (1) of the HTR Act. In addition to personal exemptions in the form of non-taxable income, other deductions include job expenses, pension contributions, and religious donations.

A fair tax collection system should have the function of redistributing income through progressive taxation, then channeled back to low-income members of society, thus improving income distribution to be more equitable (Mansury, 2002). Taxes collected by the state are used to finance all public interests, including development that creates job opportunities, ultimately increasing the income of the people. Income tax receipts for 2022 and 2023 ranked first in the total tax revenue, accounting for around 53% each (Komite Pengawas Perpajakan Kementerian Keuangan Republik Indonesia). Central tax collection is conducted by the Directorate General of Taxes (DGoT), a unit at the echelon I level under the Ministry of Finance, tasked with formulating and implementing policies and technical standards in taxation (Direktorat Jenderal Pajak). The results of a comparative analysis of institutional positioning, taxpayer registration, and tax reporting between Indonesia and New Zealand indicate that there is still room for improvement in tax administration. For example, the Directorate General of Taxes could provide social assistance programs for taxpayers with a Taxpayer Identification Number (TIN), enhance its role not only as a tax collecting and managing institution but also in managing social policy programs, and transform from a single directorate within the Ministry of Finance or Economy into a semi-autonomous revenue authority (Kartika, 2023).

The Income Tax Department of Singapore was established in 1947 to administer the Income Tax Ordinance enacted that year. The evolving role of the Inland Revenue Department (IRD), coupled with the rapid increase in the number of taxpayers, resulted in severe staff shortages. Many tax arrears were not yet assessed and taxes were not yet collected. The Inland Revenue Authority of Singapore (IRAS) was established by law as a statutory board under the

Ministry of Finance. IRAS was created under the Inland Revenue Authority of Singapore Act to take over functions previously performed by the Inland Revenue Department. This change granted IRAS autonomy and flexibility in managing human and financial resources (IRAS). In 2023, IRAS reported that nearly 60% of tax revenue came from income tax (IRAS).

Tax reforms in Indonesia and Singapore were triggered by both internal and external conditions in each country. Tax reform can be successful if it is given sufficient stimulus and barriers to implementation are minimized. Factors such as tax revenue, tax ratios, investment climate, and low public trust contributed to tax reform in Indonesia. Conversely, Singapore's tax reform was driven by economic recession, a desire to increase foreign investor engagement, and the workload of the tax authority (Ajeng, 2018).

The role of taxes is crucial for each country as they play a significant part in a nation's survival. According to the theory of purchasing power, the justification for tax collection for the benefit of the state and its people is that the state takes a certain portion of the community's ability to spend money on goods and services and redistributes it for the benefit of the general public, to sustain public life and guide society in a particular direction (Mardiasmo, 1997).

Several studies have investigated the factors affecting non-taxable income reduction related to purchasing power and income tax receipts. The philosophy behind non-taxable income policy aims to protect the purchasing power of lower-income groups, vulnerable to economic dynamics dominated by large-scale actors. Non-taxable income policy will only be effective if external constraints like inflation and tax evasion by unscrupulous individuals are properly, optimally, and measurably addressed. Tax violations by certain taxpayers are a crucial issue due to the complexity of enforcement, especially in white-collar cases, posing challenges to tax law enforcement (Audyta, 2021). Other research findings indicate that non-taxable income variables do not have a significant impact on purchasing power. Factors affecting the increase in non-taxable income that do not significantly impact purchasing power include the number of children, rising basic commodity prices, depreciation of the rupiah, high school costs, environmental factors, salary, debt payments, and company deductions. These factors suggest that the increasing non-taxable income does not significantly impact purchasing power. Most people believe that if non-taxable income rises but is not accompanied by decreasing basic commodity prices, education costs, or the exchange rate, their purchasing power will remain the same. Additionally, lifestyle factors in a given environment also significantly affect individual purchasing power. Thus, purchasing power is influenced by a variety of factors (Gorby, 2014).

The Singaporean government has established Shared Values which are five national values: nation before community and society above self; family as the basic and primary unit of society; community support and respect for the individual; consensus rather than conflict; and racial and religious harmony. The Shared Values reflect a hierarchy in society, where the nation and state should be prioritized over individual and family interests. The Shared Values also emphasize the importance of harmonious family relationships and racial and religious harmony. Community support involves paying special attention to the less fortunate through social volunteer activities (Anna, 2018). The Shared Values highlight the importance of harmonious family relationships, including properly raising and caring for children and respecting parents (Anna, 2018). This concept influences various aspects of life in Singapore, including social and political. Tax reliefs provided by the government recognize Singaporean citizens' contributions to significant social goals, such as starting a family and saving for retirement. Tax relief for parents includes assistance for childcare by grandparents, qualified child benefits, disabled child benefits, working mothers' relief, foreign domestic helper relief,

disabled spouse relief, and other tax reliefs to achieve social values (Sam and Justin, 2023-24). Government-provided tax reliefs impact the reduction of income tax. Singaporeans spend the tax reliefs they receive to meet family needs. The decrease in income tax receipts is offset by increased revenue from Goods and Services Tax (GST) through public spending on goods and services. The GST rate, initially 7%, gradually increases by 2%, reaching 8% for 2023 and 9% for 2024. The GST increase considers social reasons, such as the growing number of Singaporeans aged 65 and above, expected to reach about 25%, requiring significant healthcare costs. Other social reasons include providing a good start for children and better childcare support for working parents, which requires increased spending on affordable, quality, and accessible early childhood education. The range of threats faced has broadened, from terrorism to cyber-attacks, necessitating more investment in security to protect Singaporeans. The GST increase will burden Singaporeans, but the government will manage the rising cost of living through subsidies for education, healthcare, housing, and other assistance. The government will continue to absorb GST on publicly funded education and healthcare (Ministry of Finance).

Based on the above, the largest tax revenue is from income tax, where the tax burden on the public is significant. The amount of tax existing depends on the ability to pay after accounting for living expenses, including tax reliefs. A comparison is made with Singaporean tax regulations, considering Singapore is Indonesia's closest neighbor, and there are many lessons to be learned. Moreover, the country is a destination for Indonesians seeking employment, education, or residency.

Research Methodology

This research employs a normative legal research method with a legislative and comparative approach. According to Peter Mahmud Marzuki, the legislative approach involves examining all laws and regulations and comparing both similarities and differences related to the legal issues being investigated (Muhaimin, 2020). Normative legal research focuses on legal concepts, legal principles, and legal norms. Data collection is conducted through secondary data by studying literature and income tax laws of Indonesia, specifically Law Number 7 of 1983 on Income Tax, as amended last by Law Number 7 of 2021 on Harmonization of Tax Regulations (HTR Act), and Singaporean regulations based on the Income Tax Act 1947 (2020 revised edition) (ITA). The analysis is based on the relevant and applicable regulations concerning the legal issues under investigation.

B. Income Tax in Indonesia

Taxes are classified into central and regional taxes based on the authority to levy them. Central taxes are collected by the central government and used to finance the state budget. Regional taxes are collected by local governments and used to finance the regional budget (Mardiasmo, 1997). Income tax is only levied at the national level (state level), and therefore, it is considered a central government tax (Mardiasmo, 1997).

Income tax is generally used as an instrument for the redistribution and equalization of national income. The amount of tax to be paid is related to the ability-to-pay principle. One indicator of this ability to pay is income. Additionally, income tax policy inherently involves issues of equity and fairness. Equity is often identified with horizontal equity (equal treatment of similar individuals) and vertical equity (differentiated treatment based on ability to pay) (Gunadi, 2002).

According to Article 4 (1) of the HTR Act, income is defined as any additional economic capability received or earned by a taxpayer, whether originating from within Indonesia or outside it, that can be used for consumption or to increase the taxpayer's wealth,

regardless of its name or form. Musgrave and Musgrave state, “All creation should be included whether it be regular or fluctuating, expected or unexpected, realized or unrealized. Income from all sources thus defined should be treated uniformly and combined in a global income measure to which tax rates are applied. Without globality, the application for a progressive rate schedule cannot serve its purpose of adapting the tax to the taxpayer’s ability to pay.” Regarding this definition, the accretion concept includes all additional economic capabilities from any source and type of income, which are subject to tax. Taxation of income by summing all additional economic capabilities and applying a single progressive tax rate structure to all taxpayers is called global taxation (Mansury, 2002).

Global taxation (worldwide) aligns with the principle of income tax based on domicile, meaning taxation is based on the taxpayer's residence or domicile within a country. The country where the taxpayer resides has the right to tax the taxpayer, regardless of where the income is earned, whether domestically or internationally, and irrespective of the taxpayer's nationality (worldwide income). Other principles of taxation include the source principle (source income) and the nationality principle. The source principle (territorial principle) allows the country where the income originates to levy taxes without considering the taxpayer's domicile or nationality. The nationality principle allows taxation based on the taxpayer’s nationality, regardless of where the income source or the taxpayer’s domicile is located (Erly, 2011). Indonesia applies the principles of the domicile and the source in its income tax collection.

Indonesia follows the Civil Law system, inherited from the Dutch during colonial times. Over time, Civil Law has recognized the division between public and private law. Public Law encompasses legal rules governing the powers and authorities of the state and the relations between society and the state (similar to public law in Anglo-Saxon systems). Private Law covers rules regulating relationships between individuals in fulfilling their personal needs (Tri, 2024). Tax law is a branch of public law that governs the relationship between the government and its citizens (Mardiasmo, 1997).

Post-independence tax collection continued with the colonial system (ordinances) where tax collection interests aligned more with the rulers. Tax reform began in 1983, focusing significantly on public participation in income distribution (Adinur, 2006).

The tax collection system transitioned from official assessment during the ordinance period to self-assessment during the reform period. The shift to self-assessment emphasizes taxpayer compliance in fulfilling tax obligations. In the self-assessment system, taxpayers calculate, report, and pay their taxes themselves, while tax authorities oversee and enforce compliance through inspections and investigations. Under the withholding tax system, taxes are typically calculated by a third party (Adinur, 2006). Withholding tax applies to individuals in Indonesia, whether employees or non-employees, with the tax usually calculated by the income provider. The self-assessment tax system requires taxpayers to pay their taxes after the tax year ends based on income earned throughout the year. Indonesia implements a combined tax system of self-assessment and withholding tax, receiving payments throughout the tax year and at the end of the year.

Corporate income distributed as dividends to shareholders is one of the sources of income for shareholders. Two rules concern corporate taxation related to individual shareholders: the classical and the one-tier systems. In the classical system, taxation applies to the corporation and the shareholders, considering the corporation as a separate legal entity from its owners. In the one-tier system paradigm, only the corporation is taxed, avoiding double taxation of the same income (Cahyo and Imam). This aligns with Article 4 (3) (f) (1a) of the HTR Act, where dividends from domestic sources received by domestic individual taxpayers

are exempt from income tax if reinvested in the territory of the Republic of Indonesia within a certain period.

The tax rates for withholding tax and self-assessment systems are proportional and progressive, respectively. Proportional tax rates are fixed percentages, but the amount of tax owed changes proportionally with the tax base (Erly, 2011). Proportional tax rates apply to certain income tax objects under withholding tax, such as Article 23 and Article 4 (2) of HTR Act. Progressive tax rates increase as the tax base increases, with the tax amount changing according to the rate and base changes (Erly, 2011). Indonesian individual income tax rates are progressive according to Article 17 (1) (a) of HTR Act: IDR 0 to IDR 60.000.000 is taxed at 5%; IDR 60.000.000 to IDR 250.000.000 is taxed at 15%; IDR 250.000.000 to IDR 500.000.000 is taxed at 25%; IDR 500.000.000 to IDR 5.000.000.000 is taxed at 30%; above IDR 5.000.000.000 is taxed at 35%.

Tax Reliefs According to Indonesian Tax Regulations

Mandatory religious donations made through employers to zakat collection agencies, zakat institutions, and government-recognized religious institutions can also be tax reliefs in income tax Article 21 according to Article 10 (1) (c) of the Minister of Finance Regulation No. 168 of 2023 on the Implementation Guidelines for Tax Withholding on Income Related to Employment, Services, or Individual Activities (MoFR 168 of 2023).

According to Article 21 (3) of the HPP Act, the monthly taxable income for permanent employees or pensioners is the gross income after deducting job-related expenses or pension costs as determined by the Minister of Finance's Regulation, pension contributions, and non-taxable income. According to Article 1 (1) and Article 1 (2) of the Minister of Finance's Decree No. 14/KMK.04/1990 on the Number of Costs for Obtaining, Collecting, and Maintaining Regular Income Related to Work That Can Be Deducted from Gross Income (MoFD 14 of 1990), job-related expenses refer to costs incurred to obtain, collect, and maintain income related to work that can be deducted from gross income, while pension costs are defined as expenses for obtaining, collecting, and maintaining pension funds, set at 5% (five percent) of gross income. Article 10 (2) of MoFR 168 of 2023 states that job-related expenses are set at 5% of gross income, with a maximum of IDR 6.000.000 per year or IDR 500.000 per month. Article 11 (2) of MoFR 168 of 2023 stipulates that pension costs are set at 5% of gross income, with a maximum of IDR 2.400.000 per year or IDR 200.000 per month.

Pension contributions and health, accident, and life insurance premiums are deductions from gross income for permanent employees according to Article 10 (1) (b) of MoFR 168 of 2023. Contributions related to pension and retirement programs, paid by employees through employers to pension funds approved by the Minister or authorized by the Financial Services Authority; social security organizations; and retirement benefits organizations according to legal provisions. Based on this regulation, insurance premiums for health, life, and accidents paid by employees cannot be deducted from gross income.

Non-taxable income according to Article 7 (1) of the HTR Act and its explanation states that to calculate the taxable income of domestic individual taxpayers, net income is reduced by the non-taxable income amount of IDR 54.000.000. In addition to this amount, married taxpayers receive an additional non-taxable income of IDR 4.500.000. Taxpayers, whose wives receive or earn income combined with their income, are eligible for an additional non-taxable income of at least IDR 54.000.000 for the wife. Taxpayers with fully dependent family members in a direct line of descent, such as parents, in-laws, biological children, or adopted children, receive an additional non-taxable income for up to 3 dependents, with IDR 4.500.000 for each qualified dependent. "Fully dependent family members" are those without

income whose living expenses are entirely covered by the taxpayer. According to Article 9 (2) and (3) of the MoFR 168 of 2023, for married female employees, the non-taxable income is the same as for themselves; or for unmarried female employees, it includes their non-taxable income plus the non-taxable income for fully dependent family members and/or adopted children. A married female employee can provide a statement confirming her husband does not receive any income, provided by at least the sub-district level of the local government. Under this circumstance, her non-taxable income is the sum of her non-taxable income plus the non-taxable income for marital status and fully dependent family members and/or adopted children. The gender impact of taxation has not been a primary focus of the government and has become a serious issue for gender equality in Indonesia. Studies show that there are no specific relaxations provided to working women with family responsibilities in Indonesia (Arie, 2020).

C. Income Tax in Singapore

In December 1947, under British colonial regulations and adhering to the Common Law System, Singapore announced that income tax would be imposed in Singapore. The regulation was largely based on the Model Colonial Territories Income Tax Ordinance 1922 and applied on January 1, 1948 (Andrew and Stephen, 2007). The Income Tax Act 1947, which was enacted on January 1, 1948, is a law for imposing taxes on income and regulating its collection

According to Section 2 (1) of the ITA: "earned income" means the statutory income of an individual reduced by any deduction made under Section 37(3)(a) or 37D or claimed under Section 37C (excluding any donation referred to in Section 37C(8)(c)) or 37E from (a) gains or profits from any trade, business, profession, vocation, or employment on which tax is payable under Section 10(1), where the Comptroller is satisfied that such gains or profits are immediately derived from the carrying on or exercise by such individual of such trade, business, profession, vocation or employment; and (b) any pension on which tax is payable under Section 10(1)(e) given to the individual in respect of the past services of such individual or any deceased individual." According to the ITA, income is derived from gains or profits from any trade, business, profession, employment, or pension that is taxable.

Generally, there are two tax systems: worldwide and pure territorial. Under the worldwide tax system, the country taxes residents on income from all sources, both domestic and foreign. The pure territorial tax system limits a country's taxing rights to income sourced within its territory only. Singapore does not fully adopt the pure territorial tax system. Singapore's tax system is territorial, meaning that income subject to tax is income sourced from or received in Singapore according to Section 10 of the ITA (Sam and Justin, 2023-24).

The taxation of corporations and their shareholders receiving dividends follows the one-tier system as per Section 31 (1) (za) of the ITA.

Singapore, through IRAS, imposes progressive tax rates on personal income. For taxable income exceeding \$ 20,000, the rates range from 2% up to a maximum of 24% for income exceeding \$ 1,000,000, according to the provisions of the second schedule, table 3 of the ITA.

Tax Reliefs According to Singaporean Tax Regulations

Tax Relief for Donations. This relief is aimed at Singapore residents interested in animal welfare, environmental conservation, or community service. Donations made to organizations classified as Institutions of a Public Character (IPC) or to the Singapore government are eligible. Local residents are eligible for tax deductions of up to 250% the amount of qualifying donations according to Section 37 (3A) of the ITA. The eligible tax relief for donations will automatically be reflected in the tax assessment based on information from

IPC (such as the donor's name, date, and amount of donation on the tax deduction receipt) (Sam and Justin, 2023-24).

Personal Relief, taxpayers in Singapore can benefit from income relief or tax relief as outlined in Section 39 of the ITA.

Earned Income Relief. This relief is for individuals who work or run a trade, business, profession, or employment under Sections 39(1)(a),(b),(c), and (d) of the ITA. The philosophy behind earned income relief distinguishes between income from business or employment and income from investments. Unlike the latter (e.g., rent, dividends, and interest), income from the former requires more active participation or effort from the individual (Sam and Justin, 2023-24).

Grandparent Caregiver Relief (GCR). This relief is for working mothers who receive help from their parents, grandparents, in-laws, or former partners in caring for their children. The relief amount is \$3,000 (Section 39(2)(p) ITA). This relief can be claimed only by the working mother and recognizes the role of grandparents in child care (Sam and Justin, 2023-24).

Qualifying Child Relief (QCR) / Handicapped Child Relief (HCR). This relief is for parents to acknowledge their efforts in supporting their children. Relief for a qualifying child is given based on Section 39(2)(e) of the ITA. A child is defined as a legitimate child, stepchild, or adopted child under relevant adoption laws. QCR can be claimed for each qualifying child at \$4,000 (Fifth Schedule, Paragraph 1 of the ITA). HCR can be claimed for an unmarried child who is unable to support themselves due to physical or mental disabilities (Section 39 (2)(e)(iv) ITA). Since the 2015 assessment year, the amount is \$7,500, with no age limit for this relief (Sam and Justin, 2023-24).

Working Mother's Child Relief (WMCR). This includes divorced or widowed individuals with qualifying children in the year before the assessment year. The qualifying child must be a Singapore citizen as of December 31 of the year before the assessment year. Starting from the 2009 assessment year, WMCR can be claimed for the first and subsequent qualifying children as follows: 15% for the first child, 20% for the second child, and 25% for the third and subsequent children of the mother's earned income from 2009 onwards. The total WMCR allowed cannot exceed 100% of the mother's earned income, i.e., the cumulative WMCR percentage is limited to 100% of the mother's earned income (Sam and Justin, 2023-24).

Foreign Domestic Worker Levy Relief (FDWL). This relief encourages married women to continue working. Single and married men are not eligible for FDWL. This relief is granted to female residents (Section 39(11) ITA) who live with their husband or are married to a husband not residing in Singapore, are separated, divorced, or widowed, and have unmarried children living with them in the same home in Singapore. The FDWL amount is equivalent to twice the annual levy paid for a foreign domestic worker employed by her husband and can only be deducted from the income of the residing female (Sam and Justin, 2023-24).

Parent Relief. The Singapore government recognizes the high cost of elder care and encourages residents to care for their elderly parents. This relief covers the care of elderly parents or qualifying disabled parents as per Section 39 (2) (i) ITA (Sam and Justin, 2023-24).

Tax Relief for Course Fees. This relief is designed to encourage individuals to engage in continuous learning, whether for professional advancement or acquiring new skills relevant to their current job. Course fees can be claimed under Section 39 (2)(k) ITA, with a maximum claim of \$5,500 (Sam and Justin, 2023-24).

Central Provident Fund (CPF) Contributions Relief. CPF is a key pillar of Singapore's social security system, covering retirement, housing, and healthcare needs. CPF is

a mandatory social savings scheme funded by employer and employee contributions (Sam and Justin, 2023-24). Singapore residents can claim this relief for mandatory CPF contributions made to approved retirement or savings funds (Section 39 (2) (g) ITA), following the CPF Act.

Life Insurance Relief. This relief is for individuals who pay annual premiums on their life insurance policies (Section 39 (2) (g) ITA) (Sam and Justin, 2023-24).

Supplementary Retirement Scheme (SRS) Contributions Relief. Contributions to SRS accounts are voluntary and can be made directly by individuals or employers. Contributors are not required to make regular contributions. Contributions can then be used to purchase various investment instruments (Sam and Justin, 2023-24). SRS contributions qualify for this tax relief under Section 39 (2) (o) ITA.

Handicapped Brother/Sister Relief. This relief rewards individuals who support their disabled siblings or siblings-in-law. A deduction of \$5,500 is allowed for each qualifying dependent sibling (Section 39 (2) (j) ITA) (Sam and Justin, 2023-24).

Spouse Relief/Handicapped Spouse Relief. This relief is for taxpayers who support their spouses. The amount of \$5,500 is provided for supporting a spouse or former spouse who is disabled (Sections 39 (2) (d) (A) and 39 (2) (d) (B) ITA) (Sam and Justin, 2023-24).

Parenthood Tax Rebates. These are provided to married couples for having children. Rebates are given as follows: \$5,000 for the first child, \$10,000 for the second child, and \$20,000 each for the third child and subsequent children, according to Sections 42A (1)(2)(2A)(2B) of the ITA (Sam and Justin, 2023-24).

Central Provident Fund (CPF) Cash Top-up Relief is a tax relief claim for contributions to a special CPF account or retirement fund to meet basic retirement needs, either for one's account or for a family member's account, up to \$8,000 according to Sections 39 (3) and (4) of the ITA (Sam and Justin, 2023-24).

NSman Relief (Self, Wife, and Parent) is granted to all National Servicemen (NSmen) who are eligible and ready to serve, following Sections 39 (2A) and (2B) of the ITA. This relief acknowledges their contributions to national service. The amount depends on the status of the key appointment holder (KAH) and the NS duties performed in the previous year. Eligible tax relief ranges from \$3,500 to \$5,000, while non-KAH NSMen can receive up to \$3,000 tax relief. Additionally, spouses and parents will automatically receive a tax relief of \$750 as a form of government appreciation for their support (Sam and Justin, 2023-24).

Personal Tax Rebate. As part of the Bicentennial Bonus, resident individuals qualified for a tax rebate of 50% of tax payable for YA 2019. The rebate was capped at \$200. However, there is no tax rebate for YA 2023 (Sam and Justin, 2023-24).

D. Discussion

The comparative analysis of the income tax regulations in Indonesia and Singapore reveals similarities and differences in determining personal income tax. Table 1 illustrates the similarities in implementing tax collection to achieve fairness through the ability-to-pay approach and progressive rates. Both countries apply increasing income tax rates that rise with the amount of taxable income, and both aim to avoid double taxation on income earned by shareholders from ownership of shares in a company (one-tier system).

Table 1
Similarities in Personal Income Tax Regulations

No	Description	Indonesia	Singapore
1.	Tax collection approach	Ability to pay	Ability to pay
2.	Tax regulations for corporations are linked to individual shareholders.	One-tier System	One-tier System
3.	Tax rate	Progressive tax rate	Progressive tax rate

Source: Processed Data, 2024

Table 2 highlights several differences, including the distinctions in taxation systems, namely worldwide (global) and territorial (source), influenced by the differing legal systems of Common Law and Civil Law. The size of the country and population also affect tax classification. Indonesia adopts the accretion concept and a global taxation system, where income tax is levied on net wealth increases from both domestic and foreign sources. Tax revenue must support established fiscal policies, meaning it should meet targets to implement fiscal policy strategies. Tax collection is expedited through a mixed tax collection system, combining self-assessment and withholding tax, with gross income deductions limited to non-taxable income, self-paid pension contributions, and religious donations. In contrast, Singapore employs a source concept or territorial taxation system, where tax is levied only on income sourced from or received in Singapore. Tax collection is simplified through self-assessment, with deductions mainly as a tax relief acknowledging citizens' contributions to key social goals, such as starting a family and saving for retirement

Table 2
Differences in Personal Income Tax Regulations

No	Description	Indonesia	Singapore
1.	Tax Laws	Law Number 7 of 1983 on Income Tax, as amended last by Law Number 7 of 2021 on Harmonization of Tax Regulations (HTR Act)	Income Tax Act 1947 (2020 revised edition)
2.	Tax rights	Worldwide Income	Territorial Income
3.	Law System	Civil Law	Common Law
4.	Tax classification	Central taxes and regional taxes	Not divided into central taxes and regional taxes
5.	Meaning of income	Accretion Concept	Source Concept
6.	Tax Collection	Self-assessment Withholding tax	Self-assessment
7.	Relief	1. Job expense 2. Religious donation	1. Employment expense 2. Non-religious donation

No	Description	Indonesia	Singapore
		3. Non-taxable income 4. Retirement contributions and accident, health, and life insurance premiums	3. Personal Relief a. Earned Income Relief b. Grandparent Caregiver Relief (GCR) c. Qualifying Child Relief (QCR) / d. Handicapped Child Relief (HCR) e. Working Mother's Child Relief (WMCR) f. Foreign Domestic Worker Levy Relief (FDWL), g. Parent Relief h. Tax Relief for Course Fees i. Central Provident Fund (CPF) Contributions Relief j. Life Insurance Relief k. Supplementary Retirement Scheme (SRS) Contributions Relief l. Handicapped Brother/Sister Relief m. Spouse Relief/Handicapped Spouse Relief Personal Tax Rebate Parenthood Tax Rebates

Source: Processed Data, 2024

The income tax system in Singapore is more equitable in terms of horizontal fairness than the one in Indonesia due to the more evenly distributed tax burden on the same income with the same number of dependents. Meanwhile, the Indonesian tax regulations provide tax reliefs in a non-taxable income form, representing the minimum living expenses exempted from taxation. However, the minimum living expenses do not account for if a family includes disabled members, including siblings. non-taxable income is only applied to dependents who are direct blood relatives or in-laws in a direct line (according to the Income Tax Laws, explanation of Article 7, paragraph 1). Tax relief for working women is provided through an additional non-taxable income of IDR 54.000.000 if the woman's income is combined with her husband's, ultimately increasing the income tax burden. In contrast, in Singapore, the income tax calculation for working and married women is done separately and not combined, so it does not impact the increase in income tax burden (Sam and Justin, 2023-24). The Singapore income tax system does not limit the number of dependents. The more dependents there are, the greater the tax relief is obtained. It is provided for acknowledging the contribution of grandparents in raising children; recognizing parents' efforts in supporting their children according to qualifications, including support for unmarried adult children due to physical or mental disabilities; support for working mothers; support for elderly care, including disabled elderly;

assistance for individuals studying through self-development courses for their careers; mandatory savings, which are part of a social security scheme for housing, pensions, and healthcare needs; assistance for individuals paying annual life insurance premiums; relief for additional voluntary contributions to supplementary pension accounts for investment in various financial instruments; and assistance for individuals caring for disabled siblings or in-laws, including partners or ex-partners. The approach to fairness in tax collection by determining the ability to pay tax for individuals in Singapore is more equitable than for individuals in Indonesia.

Comparison of Income Tax Calculations

Table 3 compares income tax calculations under Indonesian and Singaporean regulations, using tax relief components according to Singaporean tax regulations. This employs a tax simulation of the year 2023 without tax rebate regulations. For comparison, the calculations for a Singaporean resident are translated into Indonesian rupiah using an exchange rate of 1 SGD = IDR 12.000, computed with progressive tax rates according to both Singaporean and Indonesian laws. The Singaporean resident is unmarried, has no dependents, and earns income only from employment, with all employment costs reimbursed by the company.

Employment expenses are costs incurred to earn employment income in Singapore, provided these expenses occur during official duties and are not reimbursed by the employer. According to Indonesian tax regulations, employment costs are similar to the job expense concept, which can be deducted from gross income as per Article 1 (1) and Article (2) of the MoFD 14 of 1990. According to Article 10 (2) of MoFR 168 of 2023, job expenses are charged 5% of gross income, up to IDR 6.000.000 per year or IDR 50.000 per month.

Personal exemptions in the non-taxable income form are provided in Indonesian tax regulations to cover living expenses for the taxpayer and qualified dependents. Earned income relief is for individuals engaged in work or business activities.

The Central Provident Fund (CPF) in Singapore is a mandatory savings scheme for housing, retirement, and healthcare needs, managed by the CPF Board under the Ministry of Manpower. As of January 2024, CPF contributions range from 12.5% to 37% of monthly wages, with a simulated deduction of 20% from gross income up to SGD 1,360.

According to Law No. 24 of 2011 on the Social Security Agency (SSA Act), Indonesia has two SSA entities: SSA for Health and Employment. SSA for Health provides health insurance, and SSA for Employment offers insurance for accident, old-age, pension, and death benefits. SSA contributions are 1% for health and 2% for employment, borne by employees.

The Singaporean government provides a one-time personal tax rebate of 50% for specific assessment years. The Indonesian government does not apply personal tax rebates, except during the COVID-19 pandemic.

Table 3
Comparison of Income Tax Calculations

	SINGAPORE	INDONESIA	
	SGD	IDR	SGD
INCOME			
Employment Income	44,200	530,400,000	44,200
Less: Employment Expenses	0	6,000,000	500
NET EMPLOYMENT INCOME	44,200	524,400,000	43,700
Trade, Business, Profession or Vocation			
Add: OTHER INCOME			
Dividends			
Interest			
Rent from Property			
Royalty, Charge, Estate/Trust Income			
Gains or Profits of an Income Nature			
TOTAL INCOME	44,200	524,400,000	43,700
Less: Approved Donations			
ASSESSABLE INCOME	44,200	524,400,000	43,700
Less: PERSONAL RELIEFS			
Personal exemption (non-taxable income)		54,000,000	4,500
Earned Income Relief	1,000		
Spouse/Handicapped Spouse Relief			
Qualifying/Handicapped Child Relief			
Working Mother's Child Relief			
Parent/Handicapped Parent Relief			
Grandparent Caregiver Relief			
Handicapped Brother/Sister Relief			
CPF/Provident Fund Relief	8,840	15,912,000	1,326
Life Insurance Relief			
Course Fees Relief			
Foreign Domestic Worker Levy Relief			
CPF Cash Top-up Relief (Self, Dependant and Medisave account)			
Supplementary Retirement Scheme (SRS) Relief			
NSman(Self/Wife/Parent) Relief			
Total Personal Reliefs (capped at \$80,000)	9,840	69,912,000	5,826
CHARGEABLE INCOME	34,360	454,488,000	37,874
Tax Payable on Chargeable Income	282.60	82,622,000	6,885
Less: Personal Income Tax Rebate (50%)			
Tax Payable after Personal Income Tax Rebate	282.60	82,622,000	6,885
Less: Parenthood Tax Rebate			-
NET TAX PAYABLE	282.60	82,622,000	6,885

Source: Processed Data, 2024

Assuming an exchange rate of 1 SGD = IDR 12.000, the same income taxed under Singaporean and Indonesian regulations amounts to SGD 282,60 and SGD 6,885, respectively. Significant tax reliefs apply for Singaporean residents, and the progressive tax rates are lower than Indonesian progressive tax rates, offering greater benefits for individuals in starting a family.

Conclusion

The similarities in income tax and tax reliefs under the income tax laws and regulations in both Indonesia and Singapore are conceptually the same, as they relate to the approach of tax collection based on the ability to pay and the application of progressive tax rates. Both Indonesia and Singapore adhere to the one-tier system for dividends received by individuals, as stated in Article 4 (3) (f) (1a) of the HTR Act and Article 31 (1) (za) of the ITA.

The differences between the income tax laws and regulations of Indonesia and Singapore lie in implementing tax provisions related to the ability to pay, which closely relates to tax reliefs reflecting a family's living needs. The personal exemption (non-taxable income) under Article 7 (1) of the HTR Act does not fully account for the needs of a family supporting special needs relatives or the limitations on the number of dependents. The additional non-taxable income for working women is appreciated despite leading to the increasing income tax liability. The shared value reflected in Singaporean social life is evident in the extensive and various tax reliefs under Article 39 of the ITA, assisting in forming a harmonious family and meeting living needs. Singapore's highest progressive tax rate is 24%, as per Schedule 2 Table 3 of the ITA, while Indonesia's is 35%, according to Article 17 (1) (a) of the HTR Act. The differences in income tax systems arise from Indonesia's application of worldwide income taxation, imposing a tax on all economic increments regardless of origin if Singapore uses a territorial basis, taxing only income sourced from or received in Singapore.

Despite the effectiveness of Indonesia's income tax system, the government should consider factors affecting public purchasing power, such as inflation rates, high education costs, and other elements contributing to a high-cost economy.

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