

# Evaluation Of The Application Of Income Tax On Rent For Domestic Taxpayers After The Enactment Of Psak 116: A Case Study At The Madya Tax Service Office West Jakarta

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## Abstract.

*This thesis aims to analyze the evaluation of income tax implementation on rent for domestic taxpayers after the enactment of PSAK 116 at the Tax Office of West Jakarta Tax Service. This research addresses questions regarding the implications of PSAK 116 on rental taxation for domestic taxpayers, the challenges faced by the Tax Office in ensuring compliance with income tax on rent, and the necessary steps to address these issues. The research methodology employed is qualitative with a case study approach, involving Account Representatives and taxpayers as respondents. Data were collected through interviews. Based on the analysis, the implications of PSAK 116 on the tax treatment of rent for domestic taxpayers bring significant changes by strengthening transparency and fairness in the tax system. These changes require the recognition and reporting of rent as assets and liabilities, balancing accounting and tax treatment, and enhancing taxpayer compliance. However, the Tax Office of West Jakarta Tax Service faces challenges such as taxpayers' insufficient understanding of PSAK 116, the complexity of accounting standard changes, and the need for adjustments in accounting and tax reporting systems. The necessary steps to address these issues include intensive socialization efforts, strengthening consultation services, and increasing audits to ensure compliance with the new tax regulations.*

**Keywords:** Income Tax on Rentals, Taxpayers, PSAK 116, lease, lessee, and lessor.

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## I. INTRODUCTION

Almost everywhere, including Indonesia, taxes are the primary source of income. The tax subjects vary, from MSMEs to well-known large corporations and other company categories. There are different reporting requirements for tax subjects. To simplify the tax reporting process on money earned from business activities, bookkeeping is done to determine taxable income, calculate taxes, and gain insight into financial status and results from freelance or commercial work (Prisillia, 2020). Statement of Financial Accounting Standards 116 Leases has been approved and effective since February 8 2024. PSAK 116 determines standards for recognizing, measuring, presenting, and disclosing leases. The aim in question is to ensure that tenants and renters provide related information in a way that represents the transaction accurately. To understand PSAK 116, it is necessary to refer to IFRS 16 Leases, a reference for PSAK 116 (IAI, 2017). The background to the ratification of IFRS 16 is that, in the conditions before the ratification of IFRS 16, the financial reports presented needed to meet the desires and needs of financial report users. The main issue with issuing IFRS 16 was that financial reports at that time only sometimes provided actual information. After all, there were various accounting treatments in recording leases. At that time, the lessee did not recognize the assets and liabilities resulting from the operating lease (Budi, 2012). The explanation above clarifies that applying PSAK 116: Leases will have three tax implications. First, the recognition of income for the lessee will potentially result in a shift in the amount that should be owed so that there is a shift in the timing of rent recognition, which has implications for when tax is payable. Second, recognition of costs that can be a deduction from gross income for the lessee.

This happens because the lessee no longer recognizes it as rental costs but instead recognizes it as depreciation on the right-of-use asset. Third, identifying and presenting all leases as liabilities will increase the debt-to-equity ratio. The phenomenon where the state suffers losses due to taxpayers charging costs twice (rental and depreciation costs for right-of-use assets) occurs because taxpayers comply with two different provisions. This phenomenon arises because of differences in treatment between accounting standards (PSAK 116) and applicable tax provisions. In PSAK 116, the lessee recognizes a right-of-use asset and lease

liabilities in its financial statements. This right-of-use asset is then depreciated over the lease term. As a result, taxpayers who comply with both provisions (accounting and taxation) can charge rental costs as operational costs while depreciating the right-of-use assets, reducing the tax burden that is greater than it should be. This ultimately reduces state tax revenues. However, according to KMK 1169, there should be no depreciation expense for capital lease because the load will be corrected. It is essential to clarify that this phenomenon occurs due to a misunderstanding or lack of adjustment between accounting treatment and applicable tax provisions. KPP Madya needs to ensure taxpayers understand and follow tax provisions correctly to avoid inappropriate reductions in the tax burden. Incongruence between accounting standards and tax provisions causes differences in taxpayers' financial reporting perceptions.

If taxpayers understand and charge both costs (rental costs and depreciation of right-of-use assets) correctly due to a lack of understanding of which provisions must be followed, then they will retain their valid tax deduction. This can increase the tax burden that must be paid by the Taxpayer, which ultimately harms the Taxpayer financially. Even though no rules overlap (double deduction), the difference between PSAK 116 and tax provisions can confuse taxpayers. For example, PSAK 116 requires the recognition of right-of-use assets and lease liabilities in the financial statements, which are then depreciated over the lease term. On the other hand, specific tax provisions still allow the recognition of rental costs as operational expenses. Therefore, it is essential for taxpayers to clearly understand the applicable requirements and follow the correct procedures to avoid application errors. KPP Madya must play an active role in providing education and guidance to Taxpayers to ensure that financial and tax reporting is carried out correctly, thereby avoiding potential financial losses for Taxpayers and ensuring that state tax revenues are not reduced. The implementation of PSAK 116 on Leases in Indonesia introduces new complexities in taxation, particularly regarding Income Tax (PPh) for Domestic Taxpayers. This arises from two primary issues: First, the reduction in Corporate Income Tax payments due to asset depreciation. PSAK 116 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet. As a consequence, the right-of-use assets are subject to depreciation, leading to depreciation expenses. However, based on KMK 1169 of 1991, only fixed assets can be depreciated for tax purposes.

If lease expenses cannot be deducted (adjusted) in tax calculations, this may lead to an increase in Corporate Income Tax. Second, the potential reduction in Corporate Income Tax may also result from the recognition of lease expenses that were previously not included in financial statements because they were considered capital leases, but are now recognized as operational expenses that can be adjusted. Additionally, there is uncertainty regarding the tax status of finance costs. The tax status of finance costs (interest expenses) related to finance leases under PSAK 116 is perceived as unclear or difficult to explain. This uncertainty arises because there is no clear guidance on whether these finance costs are subject to PPh 23. This issue potentially creates different impacts for lessees and asset owners. Asset owners are minimally affected, while lessees using the single accounting approach require further adjustments in accordance with varying fiscal regulations, depending on the type of lease utilized. The implementation of PSAK 116 introduces new complexities in taxation, particularly in relation to Income Tax (PPh), for Domestic Taxpayers. Issues related to the depreciation of right-of-use assets and the tax status of finance costs need to be addressed promptly to provide legal certainty and avoid potential tax disputes. Several challenges currently faced by the Medium Tax Office (Kantor Pelayanan Pajak Madya) include difficulties in compliance monitoring, where ensuring that taxpayers comply with tax regulations on leases following the implementation of PSAK 116 is a significant challenge. The Medium Tax Office must ensure that taxpayers understand and correctly apply these changes in their tax reporting.

There is also a lack of resources and knowledge, with the office facing limitations in providing guidance and conducting examinations related to the application of PSAK 116. Staff need adequate training to understand these changes and to monitor taxpayer compliance effectively. Furthermore, better coordination and communication are necessary between the Medium Tax Office and taxpayers to ensure that changes in accounting standards do not lead to confusion and non-compliance in tax reporting. The necessary actions for the Intermediate Tax Office include organizing educational sessions and training for taxpayers to explain the implications of PSAK 116 and how to apply it in tax reporting. Training should also be provided

to staff to enhance their understanding of these changes. Clear guidelines and Standard Operating Procedures (SOPs) related to the implementation of PSAK 116 and adjustments in tax reporting need to be issued. These guidelines should include concrete examples and case studies to help taxpayers understand the process. The Intermediate Tax Office should enhance monitoring and inspection systems to ensure taxpayer compliance with tax regulations following the implementation of PSAK 116. The use of technology and data analysis can assist in more effectively monitoring taxpayer compliance. The Intermediate Tax Office can provide consultation services and specialized assistance for taxpayers experiencing difficulties in implementing PSAK 116. These services can help taxpayers resolve their issues and ensure accurate tax reporting. The Intermediate Tax Office should collaborate with accounting authorities to align the interpretation and application of PSAK 116 with existing tax regulations. This collaboration can help reduce discrepancies and ensure alignment in financial and tax reporting.

Based on previous research, Ulhaq (2021) conducted a different study on PSAK 116 by examining the impact of its implementation on taxation in Indonesia from the perspective of lessees. The study concluded that the implementation of PSAK 116 would affect the alignment between accounting standards and tax regulations. Research on the application of PSAK 116 in financial statements was also previously conducted by Prajanto (2020). This study used a sample of three state-owned enterprises (SOEs) listed on the IDX. The study concluded that the implementation of PSAK 116, which replaces PSAK 30, will result in changes to the financial report structure and financial ratios of SOEs, although these changes vary because each SOE sector has different policies on asset use, whether leased or directly owned. Rahmawati (2021) conducted research on the implementation of PSAK 116 in mining companies listed on the Indonesia Stock Exchange. The study used a sample of two mining companies and concluded that the application of PSAK 116 made the financial statements of mining companies listed on the Indonesia Stock Exchange worse, but there was no significant decline. From the comparison of previous studies, it is evident that there are several research limitations that need further investigation. Previous studies focused on the impact of PSAK 116 in various industry contexts. However, from the perspective of the tax authorities (Intermediate Tax Office), there has been no research discussing the evaluation of income tax implementation on leases for domestic taxpayers. This is important because the tax office is on the front line in ensuring taxpayer compliance with tax regulations. Understanding the impact of PSAK 116 on the tax office is crucial to identifying the challenges they face in implementing and enforcing compliance with new tax rules related to leases. Research can help the tax office develop more effective monitoring and tax collection strategies related to leases under PSAK 116. This can improve taxpayer compliance and maximize tax revenue. Furthermore, research findings can provide valuable input for the Directorate General of Taxes (DJP) in formulating appropriate tax policies related to leases under PSAK 116.

Appropriate policies can enhance the fairness and efficiency of the tax system and promote legal certainty for taxpayers. The dominant research method has been qualitative descriptive (case studies), while there is still potential to expand with both qualitative and quantitative approaches. Previous studies have also not explored the contexts and challenges faced by domestic taxpayers at the local level, such as those in tax offices. Based on these limitations, this study aims to evaluate the impact of PSAK 116 implementation on tax compliance, particularly concerning income tax on leases for domestic taxpayers at the Intermediate Tax Office in West Jakarta. The research method will include analysis of tax documentation, interviews with taxpayers, and analysis of tax data to investigate the concrete impact of PSAK 116 implementation on the tax obligations of domestic taxpayers related to leases. Based on previous research, the primary focus has been on measuring company performance and the impact of PSAK 116 on lessees. However, an existing research limitation is the evaluation of the impact of PSAK 116 implementation on tax compliance, particularly concerning income tax on leases for domestic taxpayers. To address this limitation, this study will thoroughly examine how PSAK 116 implementation affects tax obligations, focusing on the technical tax differences from the perspective of the Intermediate Tax Office in West Jakarta. The research methods will include the analysis of documentation related to tax regulations, interviews with taxpayers, and tax data analysis to evaluate the concrete impact of PSAK 116 implementation on the tax obligations of domestic taxpayers related to leases.

## **II. LITERATURE RESEARCH**

### **2.1. Understanding PSAK 116**

PSAK 116 is a replacement Financial Accounting Standard for PSAK 30: Leases, a reference accounting standard from 2009 to 2019. PSAK 116: Leases adopt IFRS 16, effective February 8, 2024. Early implementation of PSAK 116: Leases are permitted with the condition that the entity has implemented PSAK 72: Opinions from Contracts with Customers on or before the initial implementation date (IAI, 2017).

#### **2.1.2. Rent**

A lease is a contract/agreement that gives the lessee the right to lessor to the tenant (lessee) to use an asset within an agreed period in exchange for payment. The amount of payment for the period in question can be understood as the quantity of asset utilization, such as production units and distance spent (Martani, 2019). According to the lease terms, the lessee must pay the lessor to obtain the right to use the asset, and when the lease ends, the asset is returned to the lessor or becomes the lessee's property (Prajanito, 2020). Because the rental agreement requires an upfront payment from the company, the lessee does not have to use all cash to price fixed assets. Besides, because lessors are often responsible for paying the remaining rental value under many rental agreements, leasing offers coverage for equipment at risk of obsolescence (Sandi et al., 2020).

#### **2.1.3. Rent Recognition Based on PSAK 116**

Financial reports are the final product of the accounting process, which is presented quantitatively and includes data that can help various stakeholders, both inside and outside the company, in making decisions that impact business/company continuity (Casanova and Nindito, 2014).

#### **2.1.4. Tax aspects related to PSAK 116**

In addition to the rental arrangements for using the above assets, the Minister of Finance, through Minister of Finance Decree No. 1169/KMK.01/1991 concerning Leasing Activities (KMK 1169 of 1991) regulates the tax implications of leasing operations based on the type of lease, namely whether the activity is included in the leasing category with option rights or rental business use without option rights. On this basis, standards for categorizing rents in this situation become very important.

#### **2.1.5 Income Tax on Rental Transactions**

The Leasing Regulations refer to Minister of Finance Decree No. 1169/KMK.01/1991, which regulates government-issued leasing activities. Based on this regulation, business leases are divided into two categories: business leases with option rights and business leases without option rights.

#### **2.1.6. Framework Financial Accounting**

A conceptual framework is a system related to the objectives and principles underlying accounting practice, which aims to produce consistent standards in describing the nature, function, and limitations of financial accounting and reporting. According to Yadiati (2017), the conceptual framework was prepared with two main objectives: 1) as a basis for forming coherent accounting standards and rules and 2) as a theoretical reference in dealing with practical problems in financial reporting.

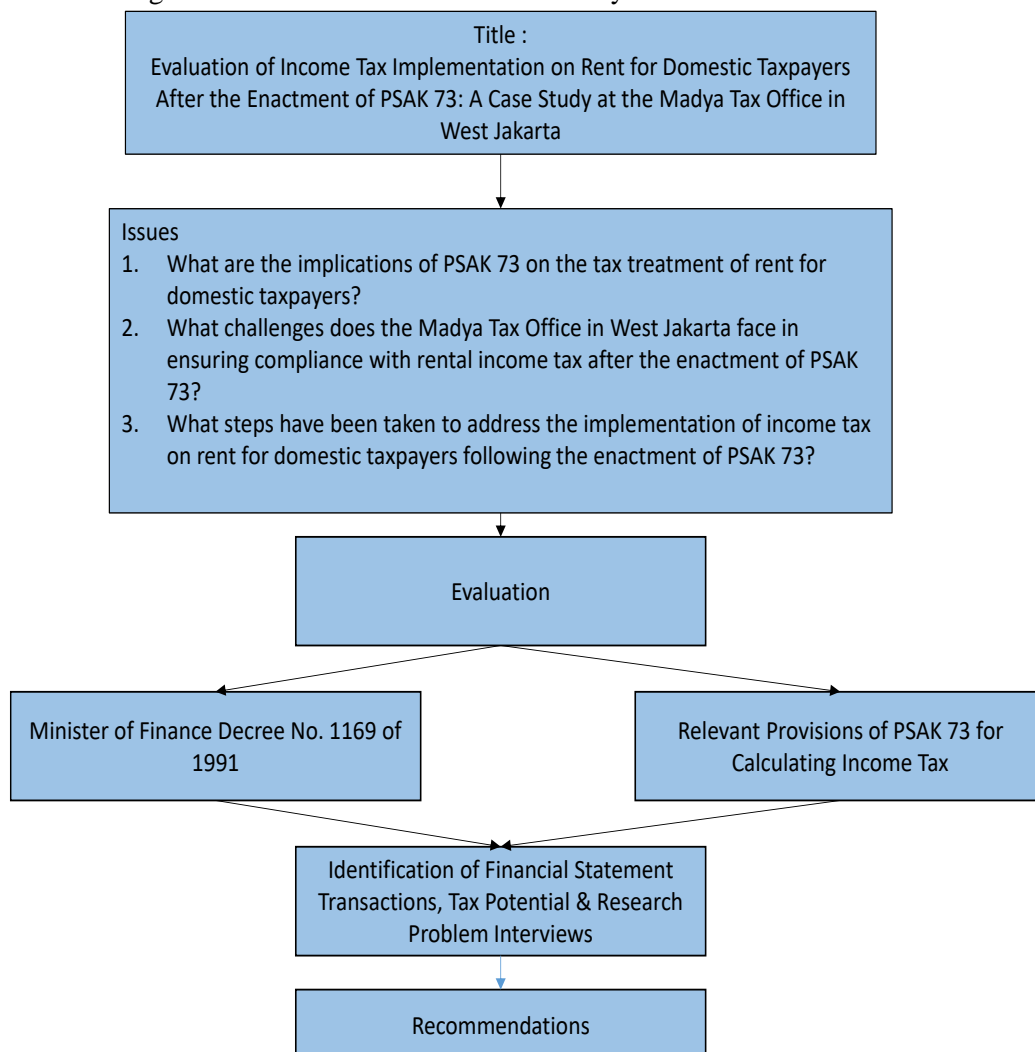
### **2.2 Research Framework**

This application aims to ensure that tenants and lessors provide appropriate data so that financial report users can evaluate how rent affects cash flow, economic performance, and company position. The standard requires lessors and previous lessees to categorize leases as finance/operating leases. The balance sheet displays financial leases. However, operating leases function similarly to leases in general. Except for leases that have low value and last less than one year, PSAK 116 mandates that all leases be presented as finance leases. The IASB defines low-value underlying assets as assets worth \$5,000 or less. Even though option-based leases are the same for the lessee, they are classified as right-of-use assets and not fixed assets in accounting. This will depreciate the assets used for use rights. What was previously recorded as rent expense for leases without a change option is now recognized as interest and depreciation expenses on right-of-use assets. In this way, the business world must carry out fiscal reconciliation. Tax regulation changes still need to align with changes in applicable accounting standards, which function as guidelines or references in producing financial reports. Minister of Finance Decree (KMK) No. 1168/KMK.01/1991, which regulates leasing activities (leasing), is still included in the tax regulations governing leasing in Indonesia. Rent in this

decision is divided into two categories: rent with option rights and rent without option rights. In addition to different tax implications, increasing rental obligations affect the debt-to-equity ratio. This ratio limit is regulated in Minister of Finance Regulation (PMK) No. 169/OMK.010/2015, which governs income tax calculation by comparing company debt and capital.

Except for certain business groups, this PMK limits the debt-to-capital ratio to a maximum of 4:1 (Minister of Finance Regulation, 2015). By Article 3 Paragraph 1, if the business is above the four-to-one threshold, then the loan costs that can be included in determining taxable income are those relevant to the debt-to-capital ratio of 4:1. From an accounting perspective, taxpayers must comply with the Financial Accounting Standards (SAK) and make fiscal corrections at the end of the year if there are discrepancies with tax regulations. Misunderstandings can occur because taxpayers may not fully grasp the implications of PSAK 116 and its differences from tax regulations, leading to errors in recognizing lease expenses and right-of-use assets. Taxpayers with weak accounting or tax backgrounds often struggle to consistently interpret and apply both standards, resulting in inconsistencies in income and expense recognition. The lack of education and guidance from tax authorities on integrating these standards further increases the risk of reporting errors. This thesis aims to identify the implications of PSAK 116 on lease taxation for domestic taxpayers and formulate steps to address issues in the application of income tax on leases following the implementation of PSAK 116, particularly at the Intermediate Tax Office. This research will also examine the challenges faced by the Intermediate Tax Office in West Jakarta in ensuring compliance with income tax on leases after the enactment of PSAK 116.

The research framework in this study aims to provide readers with an overview of the flow of this research. The following is the research framework in this study:



**Fig 2.1.** Research Framework



### **III. METHODS**

#### **3.1. Approach Study**

Through case studies, this research uses qualitative statistical methodology. The assessment/evaluation model case study is a type of case study that researchers use. In qualitative research, the researcher becomes the main instrument and works directly with data sources in an environment conducive to learning (Sugiyono, 2019). Qualitative research is descriptive, describing data and phenomena obtained in the field and then comparing them with existing theories.

#### **3.2 Unit of Analysis and Determination of Informants**

Qualitative research does not use the term population, but Spradley (Sugiyono, 2019) calls it a social situation or social situation consisting of three elements: place, the perpetrator (actors), and activity that interact synergistically. Respondents in this study were selected by the Tax office from existing divisions, with the consideration that they are experts who have and provide information regarding something being researched, namely application income tax on the enactment of PSAK 116: Rent for domestic taxpayers at The Madya Tax Service Office, West Jakarta.

#### **3.3. Method Collection Data**

##### **1. Interview**

The interview technique used in this research is a semi-structured interview. This type of interview is included in the category in-depth interview, where the implementation is freer compared to structured interviews.

##### **2. Documentation review**

The documentation method is collecting data by examining important records that are closely related to the research object.

#### **3.4. Data Processing and Data Analysis Techniques**

In qualitative research, data analysis is carried out inductively. In qualitative research, researchers try to collect facts from specific phenomena or events, then based on these specific phenomena or events, general conclusions are drawn. (Kholil, 2016).

##### **1. Data reduction**

The amount of data obtained from the field is quite large, so it needs to be recorded carefully and in detail. Reducing this data means summarizing, selecting the main things, focusing on the important things, and then looking for themes and patterns in order to provide a clearer picture and then make it easier for researchers to find the necessary data.

##### **2. Data presentation**

After the data has been reduced, the next step is to present the data. In qualitative research, data presentation can be done in the form of brief descriptions, charts, and relationships between categories. The most frequently used way to present data in qualitative research is narrative text.

##### **3. Verification**

The third step in qualitative data analysis is drawing conclusions and verifying. Conclusions in qualitative research are new findings that have not previously existed. Findings can be in the form of a description or picture of an object that was previously dim or dark.

### **IV. RESULT AND DISCUSSION**

#### **4.1 Analysis of Tax Illustrations Related to PSAK 116**

There is a change in accounting treatment, where the latest regulation of PSAK 116, which replaces PSAK 30, effective February 8, 2024, means that almost all rental transactions must be classified as finance leases by the lessee. Exceptions for short-term lease transactions and leases of low-value assets can be applied as operating leases. Therefore, companies must recognize leasehold assets not previously identified as assets, classify them as non-current assets, recognize lease liabilities, and categorize them according to the payment due date based on short-term or long-term liabilities. Implementing PSAK No. 116 on rent regarding recognition of the company's financial position statement has provided differences in value for several company financial position accounts. Differences in the values of several financial accounts will impact the

relevance of financial reports, especially on the company's assets, liabilities, equity, and operational expenses. The fiscal correction has stayed the same from a tax perspective because all PT ABC rental transactions are included in the finance lease category. PSAK 116 recognizes the leased assets and depreciation expenses. Based on KMK-1169/1991, the difference between leases with option rights and without option rights relates to the rental payments that may be charged and financial burdens. Option leases do not allow charges on land as a deduction from income. Financial expenses that can be included as a deduction from income are financial expenses that are included in the amount of rental payments.

Thus, if there is no encumbrance on the land, the rental fees that can be deducted as income for an option lease have the same value as a lease without an option. Another factor that caused the PKP not to change and stay the same was the absence of fiscal corrections for option lease transactions related to depreciation charges on leased assets. Even though the income tax expense after implementing PSAK 116 is the same, the company's net profit has changed due to the emergence of depreciation expenses in the profit and loss statement. Apart from the impact on company income tax, rental transactions also affect other taxation, namely PPh Article 23 and Final Income Tax for lessors, as well as VAT on the delivery of rental services for lessees. After implementing PSAK 116 on PT ABC rental transactions and knowing the impact of PSAK 116, the author knows that building and building rental transactions are by Financial Accounting Standards Regulation 116. Vehicle rental transactions are also governed by the terms and conditions of Accounting Standards Regulation 116 and rental transactions. So, by accounting, all PT ABC rental transactions are by the requirements of PSAK 116, namely by recording the rental transactions in the leasehold assets and liabilities contained in the statement of financial position. Not only that, but the profit/loss report also includes the implementation of PSAK 116, which is by this..

#### **4.2 Analysis of Data Collection Results from Account Representative**

In executing the task of tax intensification through guidance, consultation, analysis, and supervision of taxpayers aimed at exploring the potential of state revenue in the field of taxation, the position of Account Representative has been established at the Tax Service Office through Minister of Finance Regulation Number 79/PMK.01/2015 concerning Account Representatives at the Tax Service Office. To support the implementation of Financial Accounting Standards (PSAK) 116 regarding leases, which affects the tax treatment of leases for Domestic Taxpayers, the role of the Account Representative becomes increasingly crucial. PSAK 116 requires the recognition of right-of-use assets and lease liabilities for lessees, which has significant implications for taxpayers' financial statements and tax treatment.

An Account Representative must have adequate technical competence to understand and apply PSAK 116 in the tax context, experience in handling tax cases related to leases, and good communication skills to provide guidance and consultation to taxpayers. Thus, an Account Representative can ensure that taxpayers understand and comply with the new tax provisions and optimize the potential state revenue from the lease taxation sector. Based on interview results, it was found that Account Representatives possess adequate technical competence and experience in supervising taxpayers. In addition to the formal education level that supports their technical competence, the technical expertise of Account Representatives is also enhanced by continuous education and training activities. Their experience in supervising various taxpayer behaviors further strengthens their ability to oversee taxpayers effectively. This is consistent with the statements from the interviewees as follows:

#### ***Perspectives of Account Representatives on the Impact of PSAK 116 on Tax Obligations Related to Lease Income Tax for Domestic Taxpayers***

**RIY:** "...The implementation of PSAK 116 significantly impacts the fulfillment of tax obligations for domestic taxpayers related to lease income tax (PPh Sewa). This is because PSAK 116 changes the presentation of financial statements, including tax reporting. This change has several important implications, such as increasing transparency, minimizing gaps, and enhancing taxpayer compliance..." (RIY/AR).

**IA:** "...Overall, the implementation of PSAK 116 has a positive impact on the fulfillment of lease income tax obligations for taxpayers. Greater transparency, reduced gaps between accounting treatment and tax treatment, and improved accuracy in lease income tax calculations are some of the

main benefits of this accounting standard. Taxpayers are expected to leverage this change to meet their tax obligations more effectively and responsibly..." (IA/AR).

***Observations on Reporting Patterns and Tax Obligations Post-PSAK 116 Implementation by FS and ATP from West Jakarta Intermediate Tax Office***

**FS:** "...The implementation of PSAK 116 has caused significant changes in reporting patterns and tax obligations related to leases. With this change, taxpayers show increased compliance and understanding of new tax provisions, as well as adapt to the required reporting changes. This positive impact is expected to enhance the transparency, fairness, and effectiveness of Indonesia's tax system..." (FS/AR).

**ATP:** "...Following the implementation of PSAK 116, some taxpayers have shown changes in reporting patterns and tax obligations. Taxpayers are more vigilant in complying with the new tax provisions related to PSAK 116. This reflects their commitment to fulfilling tax obligations accurately and timely..." (ATP/AR).

***Key Changes Observed After PSAK 116 Implementation by IA and PDW from the West Jakarta Intermediate Tax Office***

**IA:** "...The implementation of PSAK 116 related to reporting patterns and tax obligations has caused significant changes in the preparation of financial statements, such as introducing new provisions for the recognition and measurement of deferred tax assets and liabilities, adjusting the recognition of deferred tax assets related to fiscal losses, enhancing standards for disclosing information related to deferred taxes and tax rate changes, and bringing changes in the methods of calculation and estimation of deferred tax assets and liabilities..." (IA/AR).

**PDW:** "...The key changes following the implementation of PSAK 116 related to reporting patterns and tax obligations are as follows: Recognition and measurement of deferred tax assets and liabilities impacting the value and presentation of deferred tax assets and liabilities in the balance sheet. Recognition of deferred tax assets related to fiscal losses enabling entities to recognize future tax benefits arising from their fiscal losses. Disclosure of information related to deferred taxes and tax rate changes requiring entities to provide more detailed and comprehensive information about their tax obligations and the impact of tax rate changes on their financial position. More complex calculations and estimations of deferred tax assets and liabilities..." (PDW/AR).

***Varied Significance of Changes Due to PSAK 116 Implementation Across Entities or Business Sectors by RIY and ATP***

**RIY:** "...The implementation of PSAK 116 brings varied impacts on reporting patterns and tax obligations across business entities. The significance of these changes varies depending on the complexity of the entity, business structure, and industry sector they operate in. The above factors need to be considered to understand the significance level of changes experienced by each entity. By understanding the factors affecting the significance of PSAK 116's impact, business entities can better prepare to implement this new accounting standard and minimize potential risks and uncertainties..." (RIY/AR).

**ATP:** "...Yes, there is. The significance of the impact of PSAK 116 on reporting patterns and tax obligations varies between entities and business sectors. More complex entities and business sectors generally experience more significant changes compared to simpler entities and business sectors. For example, the banking and insurance sectors have unique and complex tax regulations, so the implementation of PSAK 116 can significantly impact their reporting and tax obligations. Another example is entities with many lease assets or complex lease transactions, which may experience significant changes in the recognition and measurement of deferred tax assets and liabilities related to leases..." (ATP/AR).



Based on interviews with Account Representatives from the West Jakarta Intermediate Tax Office regarding the implications of PSAK 116 on the tax treatment of leases for Domestic Taxpayers, the following details can be outlined:

1. Impact of PSAK 116 on Tax Compliance Related to Lease Income Tax

Account Representatives unanimously agree that the implementation of PSAK 116 has brought positive impacts on the compliance with lease income tax obligations (PPh Sewa) for Domestic Taxpayers. This standard enhances transparency and fairness by requiring leases to be recognized and reported as assets and liabilities, providing clearer insights into company lease obligations. Thus, PSAK 116 helps align accounting and tax treatments, minimize legal gaps, and increase taxpayer compliance.

2. Significant Changes in Reporting Patterns and Tax Obligations

From the experiences of Account Representatives, PSAK 116 has led to significant changes in reporting patterns and tax obligations related to leases. The adoption of this standard forces taxpayers to adapt to changes in financial statement presentation and tax calculations. Many taxpayers have shown improved compliance and understanding of new tax provisions, encouraging them to report tax obligations more accurately and timely.

3. Points of Change in Reporting Patterns and Tax Obligations

Account Representatives observed several points of change after the implementation of PSAK 116:

- a. Recognition and Measurement: Deferred tax assets and liabilities must be recognized and measured according to the new standards, impacting the recorded values on the balance sheet.
- b. Deferred Tax Assets: Recognition of deferred tax assets related to fiscal losses allows companies to utilize these losses to reduce future tax burdens.
- c. Information Disclosure: The new standards demand more detailed disclosures regarding deferred taxes and tax rate changes, enhancing transparency and providing more comprehensive information for financial statement users.
- d. Calculation and Estimation: Methods for calculating and estimating deferred tax assets and liabilities have become more complex, requiring deeper expertise in accounting and taxation.

4. Significance of Changes Based on Implementation Across Entities or Business Sectors

Account Representatives acknowledge significant differences in the significance of changes due to PSAK 116 implementation, depending on the complexity of entities, business structures, and industry sectors. Entities with more complex tax transactions or involved in cross-border businesses tend to experience more significant impacts compared to simpler entities. For instance, the banking and insurance sectors face greater changes due to their complex tax regulations. These factors need to be considered to understand PSAK 116's impact on reporting and tax obligations for each entity.

Overall, the implementation of PSAK 116 is viewed positively by Account Representatives at the West Jakarta Intermediate Tax Office. This standard enhances transparency, fairness, and compliance within Indonesia's tax system, particularly regarding lease income tax (PPh Sewa). Changes in reporting patterns and tax obligations resulting from PSAK 116 help taxpayers understand and fulfill their tax obligations more effectively. While the significant impacts of this standard vary across entities and business sectors, thorough understanding and adaptation to these changes will assist taxpayers in meeting their tax obligations more efficiently and responsibly.

#### **4.2.2 The Challenges Faced by the West Jakarta Middle Tax Office in Ensuring Withholding Tax Compliance following PSAK 116**

Based on interview results, information was obtained indicating that Account Representatives at the West Jakarta Middle Tax Office face several key challenges. One of the primary challenges is ensuring that all Taxpayers understand and correctly implement the changes stipulated by PSAK 116. Despite the Account Representatives' strong communication skills, the complexity of PSAK 116 can lead some Taxpayers to struggle in adapting these changes into their tax reporting and calculations. Additionally, some Taxpayers may still lack a full understanding of the implications of the new recognition and measurement of lease assets and liabilities, which could result in errors in the reporting of withholding taxes on rents. Another issue encountered is the need to enhance a deeper technical understanding among Account Representatives

regarding PSAK 116. While their communication abilities are proficient, a profound understanding of accounting standards and their tax implications is crucial for providing accurate and effective guidance to Taxpayers.

***IA and FS as ARs outline the main issues faced by the West Jakarta Middle Tax Office in evaluating the implementation of income tax on leases for domestic Taxpayers after the enactment of PSAK 116, IA and FS said:***

"...PSAK 116 brings significant changes for KPP officers in evaluating the application of withholding tax on leases. These changes pose challenges for KPP Mayda Jakbar, such as Taxpayers who do not fully understand the new accounting standard PSAK 116, Taxpayers facing difficulties in tax compliance, KPP officers confronted with challenges in auditing tax reports prepared based on the new PSAK 116 standards..."

"...The main issues faced by the West Jakarta Middle Tax Office are as follows: Difficulty in verifying and validating data related to withholding tax on leases due to Taxpayers' incomplete understanding of this new accounting standard, resulting in inaccurate or incomplete presentation of information in financial and tax reports. There is a potential for delayed tax reporting and errors in withholding tax calculations, leading to penalties for Taxpayers due to difficulties in adjusting accounting systems and tax reporting to these new standards. There is a need for adaptation to the new accounting standards that alter the format and content of financial and tax reports..."

***ATP and RIY's views on cooperation between the Tax Office and Taxpayers in ensuring compliance with withholding tax after PSAK 116 came into effect, ATP and RIY said:***

"... The Tax Office is committed to providing guidance, support, and continuous assistance to Taxpayers in understanding and fulfilling their tax obligations accurately. The Tax Office invites Taxpayers to utilize various services and sources of information available to understand PSAK 116 and withholding tax. Open and proactive communication between the Tax Office and Taxpayers is crucial to ensure smooth transition and compliance with these new regulations..."

"... To ensure Taxpayers' compliance with the application of these new accounting standards, close cooperation between the Tax Office (KPP) and Taxpayers is essential. The Tax Office actively conducts outreach and education on PSAK 116 and its implications for withholding tax. The Tax Office also provides consultation services for Taxpayers seeking further clarification on the new tax regulations..."

***AR's expectations in this matter PDW and IA regarding improvements or enhancements in the evaluation and implementation processes undertaken by Account Representatives for the application of income tax on leases for domestic Taxpayers after PSAK 116 came into effect, PDW and IA said:***

"...Improvements in the evaluation and implementation processes undertaken by Account Representatives in applying withholding tax on leases for domestic Taxpayers after PSAK 116 are highly anticipated to proceed optimally with the cooperation and support of all parties involved. Enhancing the capacity of KPP ARs and fostering strong collaboration with stakeholders is a critical step to ensure the smoothness of the evaluation and implementation processes of withholding tax for domestic Taxpayers in the era of PSAK 116. Through these measures, it is hoped that Taxpayers' compliance will increase, and a fair and transparent tax system can be achieved..."

"...The West Jakarta Middle Tax Office hopes that improvements or enhancements in the evaluation and implementation processes of withholding tax on leases for domestic Taxpayers can be more effective and efficient. This can be achieved through the provision of adequate resources such as training materials, guidelines, and access to up-to-date information, as well as intensive training including simulations, case studies, and discussions with experts to ensure that KPP ARs have a comprehensive understanding of these new accounting standards and enhance their skills in handling the evaluation and implementation of withholding tax under PSAK 116..."

Therefore, the evaluation results of the Account Representatives (ARs) of the West Jakarta Middle Tax Office regarding:

1. The West Jakarta Middle Tax Office faces difficulties in verifying and validating data related to withholding tax on leases because Taxpayers often do not fully understand PSAK 116. This results in inaccurate or incomplete information in financial and tax reports. Moreover, changes in accounting standards lead to calculation errors and potential delays in tax reporting, necessitating complex adjustments to accounting and tax reporting systems.
2. Effective cooperation between the Tax Office and Taxpayers is crucial to ensuring compliance with withholding tax on leases. The Tax Office is proactive in providing guidance, outreach, and education on PSAK 116. Taxpayers are expected to utilize consultation services and actively participate in outreach efforts. Strong collaboration can enhance Taxpayers' understanding and compliance, contributing to improved tax revenues and achieving a fair and transparent tax system.
3. There is an expected increase in capacity-building and training for ARs of the Tax Office to comprehensively understand PSAK 116. This can be achieved through seminars, workshops, and specialized training modules. Additionally, collaboration with stakeholders such as business associations, tax consultants, and academics is crucial for sharing information and experiences related to PSAK 116. Enhanced resources and training will assist ARs of the Tax Office in effectively and efficiently handling the evaluation and implementation of withholding tax on leases.

Overall, by enhancing Taxpayers' understanding and the capacity of ARs through training and effective cooperation, the West Jakarta Middle Tax Office can address challenges in implementing withholding tax under PSAK 116. This will support better tax compliance and foster a transparent and fair tax system.

#### **4.2.3 Steps Taken to Address the Challenges of Implementing Income Tax on Leases for Domestic Taxpayers After PSAK 116**

Based on interviews with Account Representatives (ARs) from the West Jakarta Middle Tax Office, the steps taken to address the challenges of implementing income tax on leases for domestic Taxpayers after PSAK 116 include:

***Concrete steps taken by the West Jakarta Middle Tax Office in addressing challenges related to the implementation of PSAK 116 concerning income tax on leases, RIY and ATP stated:***

"...The West Jakarta Middle Tax Office (KPP Madya Jakbar) faces several key issues in evaluating the implementation of income tax on leases (Withholding Tax on Leases) for domestic Taxpayers after the enactment of PSAK 116, including a lack of understanding of PSAK 116, difficulties in fulfilling tax obligations, challenges in auditing tax reports..." (RIY / AR)

"...The Tax Office continues to monitor developments related to PSAK 116 and Withholding Tax on Leases, and consistently updates available information and education for Taxpayers. Information and education are provided through workshops, training sessions, and practical guides. The Tax Office encourages Taxpayers to utilize available solutions and consult with the Tax Office if they have questions or need assistance..." (ATP/ AR)

***FS and PDW as ARs stated that the West Jakarta Middle Tax Office assists Taxpayers in understanding and complying with applicable tax regulations after the implementation of PSAK 116, FS and PDW said:***

"...We want to ensure that Taxpayers have a clear understanding of PSAK 116 and its implications for their tax obligations. Tax Office staff are ready to provide in-depth explanations about changes in accounting standards and how they affect tax obligations on leases. We also utilize digital platforms such as social media to provide information and education related to PSAK 116 to Taxpayers. Consultation services are available both in-person and online to facilitate Taxpayers' access to information and assistance. We collaborate with external parties, such as financial institutions, public accountants, and academics, to enhance Taxpayers' understanding and compliance with PSAK 116. All these services aim to prepare Taxpayers better to fulfill their tax obligations accurately and timely, thereby increasing Taxpayers' compliance..." (FS / AR)

"...ARs at the West Jakarta Middle Tax Office understand that the implementation of PSAK 116 brings significant changes in lease accounting and impacts on withholding tax on leases (Withholding Tax on Leases) for Taxpayers. Therefore, we provide support and assistance to Taxpayers in understanding these new provisions. We offer guidance, consultation services, outreach, and training, up-to-date information, and collaboration with external parties to provide additional insights to Taxpayers on PSAK 116. All these services aim to ensure Taxpayers are better prepared to meet their tax obligations correctly and timely, thus increasing Taxpayers' compliance..." (PDW / AR)

***Strategies implemented by the West Jakarta Middle Tax Office in identifying and resolving discrepancies between tax treatment and PSAK 116 provisions, IA and ATP said:***

"...Recognizing the potential discrepancies between tax treatment and PSAK provisions, the West Jakarta Middle Tax Office has taken strategic steps to identify and resolve these issues such as strengthening audit functions, conducting intensive examinations, and facilitating dialogue and clarification between the Tax Office and Taxpayers. Resolving discrepancies through these steps will provide legal certainty for Taxpayers in meeting their tax obligations..." (IA/ AR)

"...Yes, there are. The significance of PSAK 116's impact on reporting patterns and tax obligations varies between entities and business sectors. More complex entities and business sectors generally experience more significant changes compared to simpler ones. For example, the banking and insurance sectors have unique and complex tax regulations, so the implementation of PSAK 116 can significantly impact their reporting and tax obligations. Another example, entities with many lease assets or complex lease transactions may experience significant changes in the recognition and measurement of assets and deferred tax liabilities related to leases..." (ATP/ AR)

Therefore, it can be concluded that the evaluation results of the Account Representatives are as follows:

1. The West Jakarta Middle Tax Office has implemented various educational and practical measures to assist Taxpayers. Emphasis on outreach, workshops, and digital guides demonstrates efforts to make information more accessible and understandable for Taxpayers. However, more details regarding the content of these workshops and guides, as well as their frequency, would provide a clearer picture of the effectiveness of these measures. Overall, the steps taken by the West Jakarta Middle Tax Office reflect comprehensive and sustained efforts in addressing the challenges of implementing PSAK 116 related to withholding tax on leases.
2. The commitment of the Tax Office to provide ongoing support to Taxpayers through various media and channels is evident. Utilization of digital platforms and social media is a positive step that reflects adaptation to technology and the need for quick information dissemination. Collaboration with external parties also enriches resources and information accessible to Taxpayers. Further details about the types of consultation services and the frequency of outreach efforts would help assess the effectiveness of these programs.
3. The strategic steps taken by the Tax Office to address potential discrepancies are notable. Strengthening audit functions and enhancing auditor capacity indicate a focus on the quality of tax examinations. Providing open dialogue spaces with Taxpayers is a positive step towards resolving discrepancies transparently and fairly. Additional information on how these dialogues are structured and the most frequently discussed issues would provide better insight into the implementation of these strategies. Collaboration with external parties also enriches understanding and ensures that information conveyed to Taxpayers is accurate and up-to-date.

Overall, the West Jakarta Middle Tax Office demonstrates strong commitment to supporting Taxpayers in facing the changes brought by PSAK 116. The comprehensive approach through education, consultation, and enhancing audit functions reflects efforts to improve tax compliance and accuracy.

### **4.3 Analysis of Data Collection Results from Taxpayer**

The taxpayers who are the subjects of this research are corporate taxpayers related to income tax on rental income for domestic taxpayers after the implementation of PSAK 116.

#### **4.3.1 Impact of PSAK 116 on tax obligations related to income tax on rental income**

Based on the interview results, it was found that taxpayers at the West Jakarta Tax Office have been cooperative in their supervision by the Account Representatives. The interview results regarding the impact of PSAK 116 on tax obligations related to income tax on rental income, with two statements given to two taxpayers each.

*AN and YS as taxpayers, the impact of PSAK 116 on your tax obligations related to income tax on rental income, AN and YS said:*

".... The application of PSAK 116 has caused significant changes in my income tax obligations related to rent. This accounting standard changes several aspects of financial reporting, especially in terms of recognition, measurement, and disclosure of lease transactions. These changes directly affect my tax obligations. The calculation and reporting of income tax on rent are also influenced by this new accounting treatment..." (AN / taxpayer)

".... PSAK 116 has made significant changes in how I pay income tax on rent. These new regulations alter the way companies record lease transactions in financial statements, which affects how income tax is calculated. The changes include recognition, measurement, and disclosure of lease transactions in financial statements..." (YS / taxpayer)

*AN and YS as taxpayers, have experienced significant changes in reporting and tax obligations after the implementation of PSAK 116, AN and YS said:*

".... Yes, the implementation of PSAK 116 brings significant changes in how I report and fulfill tax obligations. These changes in accounting standards have made me study the tax implications they bring. I have to adjust how to calculate and report tax obligations on rent to comply with PSAK 116 provisions. This is certainly different from the previous reporting and tax system..." (AN / taxpayer)

".... There are certainly changes in my reporting and tax obligations due to the implementation of PSAK 116. I have to adapt to these new accounting standards and make necessary adjustments to ensure compliance with tax regulations and avoid tax penalties..." (YS / taxpayer)

Therefore, it can be concluded that the evaluation results of taxpayers with these questions are as follows:

1. Taxpayers indicate that the implementation of PSAK 116 has resulted in significant changes in their tax obligations related to rent. They acknowledge that this accounting standard alters how they record lease transactions in financial statements, thereby affecting the calculation of income tax. These responses provide a clear understanding that PSAK 116 not only impacts accounting aspects but also directly influences tax obligations on rent.
2. Taxpayers indicate that they have experienced significant changes in how they report and fulfill tax obligations after adopting PSAK 116. They state that they have had to adjust how they calculate and report tax obligations on rent to comply with these new provisions. This response reflects the awareness and proactive efforts of taxpayers to adapt to changes in accounting standards to ensure compliance with new tax regulations.

Overall, these changes are not just technical in financial reporting but also have direct implications on tax obligations that need to be met. Taxpayers clearly recognize the need for adaptation and adjustment in how they manage and report income tax on rent following the adoption of PSAK 116. In summary, this underscores the importance of understanding and readiness in facing accounting regulation changes to minimize risks and maintain tax compliance.

#### **4.3.2 Efforts of the West Jakarta Tax Office in supporting taxpayers to understand and comply with tax regulations after the implementation of PSAK 116**

In efforts to support taxpayers in understanding and complying with tax regulations following the adoption of Statement of Financial Accounting Standards (PSAK) 116, the West Jakarta Tax Office (KPP Madya Jakarta Barat) has taken various proactive steps.

Based on our interview findings, taxpayers at the West Jakarta Tax Office have felt significant impacts from the implementation of PSAK 116 on their tax obligations, particularly concerning income tax on rental income. This report will outline the key findings from these interviews, emphasizing the active role



of KPP Madya Jakarta Barat in providing education, guidance, and support to taxpayers during this transition period.

***AN and YS perceive the efforts of the West Jakarta Tax Office in supporting taxpayers to understand and comply with tax regulations after the implementation of PSAK 116. AN and YS stated:***

".... The West Jakarta Tax Office is highly dedicated to assisting taxpayers in understanding and complying with the new tax regulations related to PSAK 116. Their efforts have been excellent and have supported the smoothness of our adaptation process to these changes. Various educational activities, consultation services, and collaborations with external parties they provide have helped taxpayers adapt to these changes more easily and effectively..." (AN / taxpayer)

".... The support of the West Jakarta Tax Office in helping taxpayers understand and comply with the new tax regulations related to PSAK 116 is invaluable. They have shown their high commitment by organizing socialization sessions, trainings, and helpdesk consultation services for taxpayers needing further explanations. These efforts are commendable and are expected to continue to assist taxpayers in fulfilling their tax obligations effectively..." (YS / taxpayer)

***AN and YS collaborate with the Tax Office in ensuring compliance with Income Tax on Rental Income after PSAK 116 was implemented. AN and YS said:***

".... The implementation of PSAK 116 has prompted us to collaborate with the Tax Office to ensure compliance with Income Tax obligations on rental income. We maintain open and transparent communication with the Tax Office to ensure the smoothness of the rental income tax reporting process. We actively provide necessary information to the Tax Office to facilitate their verification process..." (AN / taxpayer)

".... We recognize the importance of understanding the latest changes related to the implementation of PSAK 116 on Income Tax on Rental Income. Therefore, we actively participate in various workshops and trainings organized by the Tax Office. This helps us stay updated and understand well how to apply these regulations..." (YS / taxpayer)

Based on interviews with taxpayers at the West Jakarta Tax Office (KPP Madya Jakarta Barat), the following conclusions can be drawn:

1. Taxpayers appreciate the support provided by the West Jakarta Tax Office. They stated that the office is highly dedicated to helping taxpayers adapt to the changes brought by PSAK 116. Activities such as socialization sessions, trainings, and helpdesk consultation services organized by the Tax Office are considered very effective in enhancing their understanding of these new provisions. This response reflects that taxpayers feel well-supported and assisted by the Tax Office in facing significant tax changes.
2. Taxpayers indicate that they actively collaborate with the Tax Office to ensure compliance with Income Tax on Rental Income after adopting PSAK 116. They participate in various workshops and trainings organized by the Tax Office to understand the latest changes in tax regulations. This helps them implement the regulations more effectively and ensure that their reporting complies with current requirements.

Overall, this demonstrates that the efforts of the West Jakarta Tax Office in supporting taxpayers to understand and comply with tax regulations after the implementation of PSAK 116 are highly regarded. The Tax Office has successfully provided various educational programs and consultation services beneficial for taxpayers to overcome adaptation challenges posed by these changes. The collaboration between taxpayers and the Tax Office in ensuring compliance with Income Tax on Rental Income is also evident. In conclusion, this underscores the importance of the Tax Office's role in providing effective support to taxpayers in navigating significant tax changes such as PSAK 116.

#### **4.3.3 Challenges, Discrepancies, and Expectations Related to PSAK 116**

Based on the interviews we conducted, it was revealed that taxpayers at the West Jakarta Tax Office face several challenges and discrepancies related to the implementation of PSAK 116. In their interview responses:

***The primary challenge in meeting tax obligations after the enactment of PSAK 116, especially concerning income tax on rental income, AN and YS stated:***

"... The implementation of PSAK 116 poses a challenge for us to comprehensively understand its impact on income tax on rental income. Changes in accounting treatment alter how we calculate and report tax obligations, necessitating adjustments in our tax reporting and management processes..." (AN / WP)

"... Understanding the implications of PSAK 116 on Income Tax on Rental Income is a major challenge we face. We need to enhance our knowledge and capabilities in accounting and taxation to ensure compliance with the applicable regulations. Adjustments in tax reporting and management processes are also necessary to ensure accurate and precise reporting of Income Tax on Rental Income..." (YS / WP)

***Did taxpayers encounter difficulties or discrepancies in understanding between tax treatments and PSAK 116 provisions? If so, how did they respond to this, AN and YS said:***

"... It is true that we initially faced difficulties in understanding the alignment between tax treatments and PSAK 116 provisions. However, consultation services and socialization efforts from the Tax Office improved our understanding. Eventually, we overcame the difficulties and were able to fulfill our tax obligations related to rental income accurately..." (AN / WP)

"... The implementation of PSAK 116 did present some challenges for us in understanding the alignment between tax treatments and its written provisions. In this situation, the Tax Office played a crucial role in helping us gain a more comprehensive understanding. We are also committed to enhancing our internal understanding of PSAK 116 and taxation through internal training, team discussions, and consultations with Tax Office personnel..." (YS / WP)

***As taxpayers at the West Jakarta Tax Office, AN and YS feel the need for improvements or refinements in the evaluation and application processes of income tax on rental income after the adoption of PSAK 116. If so, what do they suggest, AN and YS said:***

"... The implementation of PSAK 116 is still relatively new, and many taxpayers have not deeply understood its implications for Income Tax on Rental Income. We believe that continuous evaluation and education on Income Tax on Rental Income post-PSAK 116 can enhance taxpayer compliance..." (AN / WP)

"... Yes, for improvement and refinement, we propose several steps to enhance understanding in the application of Income Tax on Rental Income post-PSAK 116, including periodic training and socialization, providing guidelines in the form of booklets or video tutorials accessible to taxpayers, and easily accessible consultation services both face-to-face and online..." (YS / WP)

***Expectations for changes or improvements in tax policies related to PSAK 116 in the future, AN and YS said:***

"... We hope that tax policies related to PSAK 116 will continue to be updated and adjusted through collaboration between the government and other stakeholders. This collaboration aims to create more effective and targeted tax policies. Clear and easily understandable tax policies can enhance taxpayer compliance and promote economic growth..." (AN / WP)

"... Improvements in tax policies related to PSAK 116 should always be made in line with evolving business developments to ensure their relevance. We also hope for cooperation between the government and stakeholders such as businesses, tax consultants, and academics in formulating more comprehensive tax policies that consider various perspectives..." (YS / WP)

Therefore, it can be concluded that the evaluation results regarding taxpayers' perspectives on the challenges, discrepancies, and expectations they face related to the implementation of PSAK 116 are as follows:

1. Taxpayers identify that their main challenge is to deeply understand the implications of PSAK 116 on Income Tax on Rental Income (PPh Sewa). They recognize that changes in accounting treatments affect how they calculate and report tax obligations. Adjustments in tax reporting and management processes are also deemed essential to ensure accurate compliance.

2. Taxpayers acknowledge that they initially faced difficulties in understanding the alignment between tax treatments and PSAK 116 provisions. However, they appreciate the role of the Tax Office (KPP) in providing consultation services and socialization efforts that helped improve their understanding. Through these efforts, they successfully overcame these barriers and ensured compliance with tax obligations.
3. Taxpayers state the need for improvements in the evaluation and implementation processes of Income Tax on Rental Income post-PSAK 116. They propose periodic training and socialization, the provision of easily accessible guidelines such as booklets or video tutorials, and consultation services that facilitate both face-to-face and online access. This is considered crucial to enhance understanding and compliance with the new tax regulations.
4. Taxpayers voice their hope that tax policies related to PSAK 116 will continue to be updated and adjusted in line with dynamic business developments. They emphasize the importance of collaboration between the government and other stakeholders, such as businesses, tax consultants, and academics, to formulate more effective and relevant tax policies. Clear and easily understandable policies are expected to enhance taxpayer compliance and support broader economic growth.

Overall, PSAK 116 presents significant challenges in understanding and complying with tax obligations related to Income Tax on Rental Income. Nevertheless, the socialization, consultation, and education efforts undertaken by the Tax Office have assisted taxpayers in overcoming difficulties and improving their understanding. There is also an awareness of the need for improvements in the evaluation and implementation of tax regulations post-PSAK 116, as well as a hope for more adaptive tax policies in the future. This underscores the importance of strong collaboration among taxpayers, government, and relevant stakeholders to create a conducive tax environment that supports sustainable economic growth.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1. Conclusion**

Based on the analysis, the implications of PSAK 116 on the taxation treatment of leases for Domestic Taxpayers bring significant changes. PSAK 116 enhances transparency and fairness within the taxation system by requiring the recognition and reporting of leases as assets and liabilities. This helps balance accounting and tax treatments, minimizes the risk of legal loopholes, and increases taxpayer compliance. Moreover, this change necessitates that taxpayers adjust their reporting and tax calculation patterns, thereby improving accuracy and adherence in tax obligation reporting. The West Jakarta Intermediate Tax Office faces several challenges in ensuring taxpayer compliance regarding Income Tax on leases following the implementation of PSAK 116. One of the primary issues is the lack of in-depth understanding of PSAK 116 among taxpayers. This leads to inaccurate or incomplete information in financial and tax reports, as well as errors in reported tax calculations. Additionally, the complexity of the changes in accounting standards requires adjustments in accounting and tax reporting systems, which not all entities can adequately follow.

To address the issues in applying Income Tax on leases post-PSAK 116, the West Jakarta Intermediate Tax Office needs to take several measures by conducting more intensive outreach and programmed education for taxpayers about the implications of PSAK 116. This can be done through workshops, seminars, and the provision of easily accessible digital guides. Strengthening consultation services for taxpayers both face-to-face and online to answer questions and provide guidance related to the implementation of PSAK 116 is also crucial. Increasing the frequency and quality of audits to ensure that tax reports submitted by taxpayers comply with the prevailing regulations is necessary. Additionally, tax authorities should issue regulations and circular letters to provide guidance for tax officials. For long-term solutions, regulations at least at the Government Regulation level should be issued, granting the Minister of Finance the authority to make ministerial regulations in response to changes in PSAK. The main obstacles and challenges faced by the West Jakarta Intermediate Tax Office lie in identifying leases, where there is a possibility of disputes in determining whether a transaction involves a lease.

## 5.2. Recommendation

1. It is hoped that the government can change statutory regulations in the field so that tax authorities are given enough space to make changes to tax regulations when there are significant changes to Financial Accounting Standards. Given the complexity of changes in tax and accounting rules, it is recommended that they be included in the law (UU) or government regulation so that ministerial-level officials can respond to changes in rules immediately by issuing supporting regulations from the government..
2. It is hoped that the government can immediately make adjustments to regulations that can accommodate the application of PSAK 116 in tax provisions, this is necessary to avoid disputes and the risk of litigation over the application of taxation on rental transactions..
3. One way to increase state revenue is to tax rental loan interest liabilities. By including rental loan interest liabilities in the tax base, the state can increase its revenues without increasing the tax burden for taxpayers who comply with the rules correctly. This additional source of state revenue can help support development programs and economic equality and reduce pressure to increase tax rates, which might burden the business sector.
4. The tax authority needs to hold joint discussions with other stakeholders, for example, DSAK IAI, academics, practitioners, and taxpayers, to continue tax policy choices regarding the implications of implementing PSAK 116 in Indonesia.

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