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Certain Regional Certificate (SKDT) Literature Review in the Palm Oil Sector as a Deductible Expense for Entities

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Abstract

The palm oil industry operates predominantly in rural areas, requiring companies to provide various employee facilities. Without SDKT, these expenses may be subject to positive fiscal adjustments as non-deductible costs or employee benefits. However, under the HPP Law and PMK Number 66 of 2023, facilities provided to employees in certain areas may qualify for fiscal deductions for companies while remaining taxable benefits for employees. Given the limited economic and transportation infrastructure in many plantation areas, the palm oil sector has significant potential to utilize SDKT facilities. This article examines SDKT as an instrument of tax planning and tax compliance while identifying its implementation challenges. Using a literature review approach (library research), this study analyzes relevant laws and regulations, official Directorate General of Taxes publications, and related tax literature. The findings are expected to contribute conceptually to developing tax compliance and efficiency strategies in the palm oil plantation sector and provide a foundation for further empirical research.

Keywords: SKDT, Deductable Expense, Remote Areas, Palm Oil Sector

INTRODUCTION

The oil palm plantation sector is one of the sectors that is structurally relevant to this policy. Oil palm plantations and processing plants are generally located in the Sumatra, Kalimantan, and Sulawesi regions that are far from urban centers, with limited access to electricity, clean water, health services, education, and public transportation. To maintain operational sustainability and labor welfare, oil palm plantation companies typically provide these facilities and infrastructure independently, ranging from employee housing, plantation clinics or hospitals, independent schools, to worship facilities and internal

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transportation. These characteristics make in-kind income tax exemption facilities in certain areas very relevant to be studied in the context of the palm oil industry.

The reform of the provisions of Income Tax (PPh) on in-kind and/or enjoyment is one of the most significant changes in Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law). Prior to the enactment of the HPP Law, the provision of in-kind and/or enjoyment by employers was not an object of income tax for employees who received it, but consequently these costs cannot be deducted from the company's gross income. Through the HPP Law, the two provisions are reversed: in-kind and/or enjoyment are basically objects of income tax for recipients, but at the same time can be financed by employers as long as they are related to activities to obtain, collect, and maintain income (3M fees).

This provision was then further elaborated through Government Regulation Number 55 of 2022 and Minister of Finance Regulation Number 66 of 2023 (PMK 66/2023), which provides a number of exemptions from income tax objects, one of which is in-kind and/or enjoyment provided by employers in certain areas. Certain areas are defined as areas that economically have potential that is feasible to develop, but the state of economic infrastructure is generally inadequate and difficult to reach by public transportation. The determination of a business location as a certain area is carried out by the Head of the Regional Office of the Directorate General of Taxes (DGT Regional Office) through the employer's application, and the evidence of this determination which in popular tax practice and literature is often referred to as a Remote Area Certificate (SKDT).

However, academic studies that specifically link SKDT policies to the oil palm plantation sector are still relatively limited. The available literature generally discusses in-kind taxes in general, such as the evolution of regulations after the HPP Law (Firmansyah & Wijaya, 2022) and the application of in-kind tax planning in the case of certain companies (Dewanto & Wijaya, 2018), while discussions that focus on the typical characteristics of oil palm plantations—which are spread over large areas with varying degrees of remoteness between plantations—have not been widely explored. In fact, the palm oil industry is one of the largest foreign exchange contributors and labor absorbers in Indonesia, so an adequate understanding of these fiscal incentives is important for both company management and tax authorities in formulating effective policies.

Based on this description, this article aims to (1) examine the regulatory framework for exemption of income tax on in-kind in certain areas (SKDT) and its implications for the oil palm plantation sector, and (2) identify the opportunities and challenges of implementing these facilities for oil palm plantation companies. This study is expected to make a

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conceptual contribution to the development of sectoral taxation literature as well as a basis for further empirical research on the use of SKDT in the palm oil industry.

Literature Review

This section examines relevant literature and regulatory frameworks, including the evolution of in-kind tax policy in Indonesia, the framework for income tax exemption on in-kind in certain regions, the characteristics of the oil palm plantation sector, and the theories underlying region-based fiscal incentive policies.

Referring to Article 8 paragraph (1) of the Regulation of the Minister of Finance Number 66 of 2023 concerning the imposition of income tax on in-kind (PMK 66/2023), there are several types of in-kind/enjoyment in certain areas that are exempt from withholding income tax on in-kind. The in-kind includes facilities, infrastructure, and/or facilities at the work site for employees and their families in the form of: residence, including housing, health services, education; worship; transportation; and/or sports excluding golf, motor boat racing, horse racing, kite flying, or automotive sports; as long as the employer's business location is determined by a certain area from the Director General of Taxes. These facilities, infrastructure, and/or facilities can be organized by the employer independently, or other parties who cooperate with the employer and the employer bear the cost of the implementation.

The evolution of in-kind tax policy in Indonesia

According to the *definition of the Organisation for Economic Co-operation and Development (OECD)* quoted by the Directorate General of Taxes (2023), in-kind and/or enjoyment is known as benefits in kind, which is a form of compensation received by employees in a form other than cash in connection with the employment relationship. Prior to the enactment of the HPP Law, the provisions of Article 4 paragraph (3) letter d and Article 9 paragraph (1) letter e of the Income Tax Law stipulated that in-kind and/or enjoyment was not an object of income tax for employees, but at the same time should not be financed by the employer as a deduction of gross income, except in kind in the form of food/drink for all employees and in-kind related to the implementation of work in certain areas—this last provision was previously further described in the Regulation of the Minister of Finance Number 167/PMK.03/2018 (Minister of Finance of the Republic of Indonesia, 2018), which was later repealed and replaced by PMK 66/2023. Firmansyah and Wijaya (2022) noted that this old arrangement pattern creates incompatibility with the matching principle in tax accounting, because the costs that have been incurred by employers cannot be recognized as a deduction of gross income.

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The HPP Law fundamentally changes this paradigm: in-kind and/or enjoyment in principle becomes an object of income tax for recipients as well as can be financed by employers. Firmansyah and Wijaya (2022) concluded that the urgency of this change lies in adjusting the matching principle, closing tax avoidance gaps, optimizing income tax revenues, and reducing inequality between employees. Prior to this reform, Dewanto and Wijaya (2018) in their case study on a company showed that the provision of in-kind and enjoyment was often used as a legal tax planning instrument for employers and employees, considering that previously there was a gap for high-income employees to receive compensation in the form of in-kind to avoid progressive personal income tax rates, which after the expansion of the tariff layer through the HPP Law now reaches 35 percent for taxable income above Rp5 billion per year—much higher than the corporate income rate of 22 percent. To prevent too wide an impact and maintain business competitiveness, Government Regulation 55/2022 and PMK 66/2023 continue to provide a number of exemptions from the object of income tax, including food and beverages for all employees, in-kind that must be provided related to work requirements, in-kind financed by the State Budget/APBD/APBDes, in-kind with certain types and value limits, and in-kind and/or enjoyment provided in certain areas.

Exemption framework for in-kind income tax in certain regions (SKDT)

Based on Articles 8 and 9 of PMK 66/2023, in-kind and/or enjoyment provided in certain areas are excluded from the object of income tax as long as they are in the form of facilities, infrastructure, and/or facilities at the work site for employees and their families, including: residences including housing; health services; education; worship; transportation; and/or sports facilities other than golf, motorboat racing, horse racing, kite flying, or automotive sports (Ministry of Finance of the Republic of Indonesia, 2023).

The facility must be organized by the employer itself and the business location has been designated as a certain area by the Director General of Taxes. The determination of certain areas is carried out based on an assessment of the availability of eleven types of economic and transportation infrastructure, namely eight aspects of economic infrastructure (electricity, clean water, housing that can be rented by employees, hospitals and/or polyclinics, schools, permanent sports and/or entertainment venues, places of worship, and markets) as well as three aspects of transportation (road/bridge access, sea/river/air ports, and land/sea/air public transportation) (Pajak.com, 2023).

A business location can be designated as a specific area if at least six of the eleven criteria are not adequately available (Kontan.co.id, 2022). The application for determination is submitted by the company's head office to the Head of the DGT Regional Office where the

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taxpayer is domiciled, and if approved, as explained by one of the speakers of the Directorate General of Taxes, "a Decree is issued that is valid for 5 years and can be extended again" (Pajak.com, 2023).

Characteristics of the oil palm plantation sector and its relevance to specific regional policies

The palm oil industry is one of the leading sectors of the Indonesian economy, with plantation areas spread across Sumatra, Kalimantan, Sulawesi, and Papua. The characteristics of palm oil agribusiness require that business locations be close to plantation land and fresh fruit bunch processing plants (FFB), which are generally far from urban centers and public infrastructure. This condition encourages plantation companies to provide their own basic facilities for employees and their families, such as housing, garden clinics, independent elementary schools, places of worship, and internal transportation facilities between afdelings. The pattern of providing this kind of facility is in line with the criteria for in-kind and/or enjoyment that are excluded from the object of income tax based on PMK 66/2023.

Thus, conceptually, many oil palm plantation business locations have the potential to meet the criteria for a specific area, especially plantations located in areas with limited public infrastructure. However, the degree of remoteness between plantations can vary greatly—some plantations are relatively close to the district city that already has adequate infrastructure, while others are in areas that are completely isolated. This variation makes it necessary to determine the status of specific areas on a per-business location, rather than generically for all of the company's business units.

Foundations of theory and previous studies

The policy of exemption from income tax in certain regions can be understood through the perspective of fiscal policy theory for regional development, where tax incentives are used by the government to encourage investment and the provision of public facilities in areas that have economic potential but lack infrastructure. From a corporate perspective, this policy is also relevant to the concept of legitimate tax planning. Armstrong, Blouin, and Larcker (2012) emphasized that corporate tax planning decisions are basically driven by incentives to take advantage of loopholes and facilities legally provided by laws and regulations to optimize tax burdens, in contrast to aggressive tax avoidance. In line with that, Arfandi, Suun, and Sudirman (2019) found that the effective use of in-kind costs can be one of the tax planning strategies that contribute to streamlining the company's tax burden.

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From the employee side, the relevance of this policy can also be explained through the fringe benefits theory. A study conducted by tax researchers from the Danny Darussalam Tax Center (DDTC) shows that the in-kind exemption policy in certain areas also supports equitable development distribution, because "developing infrastructure will benefit" fiscally (Kristiaji, quoted in Kontan.co.id, 2022).

However, the same study also identified implementation challenges, such as the breadth of the scope of in-kind income tax objects, variations in in-kind distribution models between companies, and the lack of detailed technical guidelines for a number of specific forms of facilities. In the context of the plantation sector, Baihaqi, Luthfi, and Hidayat (2020) show that the provision of facilities by oil palm plantation companies in remote areas contributes positively to the socio-economic conditions of the surrounding communities. These findings are one of the basis for further studies on the implementation of SKDT in specific sectors such as oil palm plantations.

Methods, Data, Analysis

This research uses a qualitative approach with the literature review method (library research), which aims to examine and synthesize written sources to answer the formulation of research problems without involving the collection of primary data in the field. This approach was chosen because the research topic is conceptual-regulative, namely examining how the legal framework for exemption from income tax in kind in certain areas is relevant and can be implemented in the oil palm plantation sector, before empirical testing is carried out at the next stage of research.

The data sources used consist of primary sources in the form of laws and regulations, namely Law Number 7 of 2021 concerning the Harmonization of Tax Regulations, Government Regulation Number 55 of 2022, and Minister of Finance Regulation Number 66 of 2023, as well as secondary sources in the form of official publications of the Directorate General of Taxes, articles and studies from credible tax research institutions, and academic literature related to in-kind taxes, regional fiscal policies, and the characteristics of the palm oil industry.

The data collection technique was carried out through a systematic search of documents and literature with keywords such as "in-kind tax", "certain regions", "SKDT", "PMK 66/2023", and "oil palm". The documents and literature obtained were then selected based on relevance, credibility of the source, and the up-to-date information. Data analysis was carried out through a descriptive-interpretive content analysis, namely identifying the main provisions in the regulation, comparing it with the operational characteristics of the oil palm plantation sector, and interpreting its implications for corporate tax practices.

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This research has methodological limitations because it does not use primary data or case studies on specific companies, so the findings produced are conceptual and need to be further tested through empirical research, for example through case studies or analysis of financial data on oil palm plantation companies that have obtained the determination of certain areas.

RESULTS AND DISCUSSION

Based on the literature and regulatory research described in the previous section, this section discusses the implications of SKDT facilities for the oil palm plantation sector from several perspectives: suitability of operational characteristics, fiscal implications for companies and employees, administrative challenges, and their relationship to corporate social responsibility.

Suitability of Palm Oil Operational Characteristics with Certain Regional Criteria

As described in the literature review section, the eleven economic and transportation infrastructure criteria used by the DGT to designate specific areas are in line with the real conditions of many oil palm plantation business locations, especially plantations located far from district cities. Table 1 summarizes the main categories of infrastructure assessed and their relevance to common practices in the palm oil industry.

Table 1. Summary of economic and transportation infrastructure criteria for the determination of specific regions and their relevance to the palm oil sector

Yes	Economic Infrastructure/Facilities	General Criteria (PMK 66/2023)	Relevance for the Palm Oil Sector
1	Electricity and clean water	Availability of adequate electricity and clean water supply at the job site	Some CPO plantations and factories depend on independent power plants and non-

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			PDAM water sources
2	Employee housing	The availability of housing that can be rented by employees around the business location	Companies generally build mess/employee housing in isolated garden areas
3	Health and education	Availability of hospitals/polyclinics and schools around the work site	Self-help plantation clinics and primary schools are commonly provided by palm oil companies
4	Public transport	Access to roads, bridges, ports, and land/sea/air public transportation	Many oil palm plantations are only accessible via company roads without public transport

Source: processed from PMK Number 66 of 2023 and various in-kind tax literature.

Fiscal Implications for Companies and Employees

From the company's perspective, the determination of a business location as a certain area provides two benefits at once, in line with the pattern of relationships between in-kind deductibility and/or enjoyment stated by Firmansyah and Wijaya (2022). First, the cost of providing facilities and infrastructure for employees can still be financed as a deduction of gross income in the calculation of Corporate Income Tax, in line with the 3M cost principle after the HPP Law. Second, and which is the core of the SKDT facility, the company does not

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need to deduct Article 21 Income Tax on the in-kind value from the employee's income, thereby reducing the administrative complexity of withholding taxes while avoiding fiscal disputes that have the potential to arise from differences in interpretation of in-kind value.

From an employee's perspective, this exemption means that the housing, health, education, and transportation facilities received do not reduce the net income received (take-home pay), as the value is not added as a component of taxable income. This is particularly relevant for employees at the decision-making level whose base salary is already in the higher personal income tax rate layer (up to 35 percent), who without this exemption facility would incur a significant additional tax burden on the facilities they receive as a consequence of working in a remote location.

Implementation Challenges

Although conceptually advantageous, the use of SKDT facilities by oil palm plantation companies faces a number of administrative challenges. First, the process of proving the fulfillment of certain regional criteria requires adequate documentation of real conditions in the field, which is not always easy to collect uniformly for all large and widespread plantation units of the company. Second, because the assessment is carried out on a per-business site, companies with many plantations have the potential to have some locations that meet the criteria and others do not, thus requiring separate tax administration management between locations.

Third, the five-year limited determination period requires companies to periodically submit an application for an extension before the expiration of the validity period, with the risk that the exemption facility cannot be used if the application is submitted late or rejected. Fourth, in line with the findings of the DDTC study described earlier, the limitation of detailed technical guidance for various forms of facilities has the potential to cause differences in interpretation between taxpayers and tax authorities in the field, including in the plantation sector which has a diverse pattern of providing facilities between companies.

Linkages to Social Responsibility and Equitable Development

Beyond the aspect of fiscal efficiency, the use of SKDT facilities can also be seen as in line with the implementation of corporate social and environmental responsibility (TJSL) in the oil palm plantation sector, considering that the provision of health, education, and basic infrastructure facilities for employees and their families also contributes to equitable development in remote areas. The findings of Baihaqi, Luthfi, and Hidayat (2020) show that the existence of social responsibility programs for oil palm plantation companies in remote areas has been proven to have a positive impact on the socio-economic conditions of the

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surrounding communities, while Sari and Sinambela (2008) found a relationship between the components of employee welfare costs and the costs of the community around the company and the financial performance of plantation companies. Thus, SKDT can be positioned as a two-way policy instrument, namely providing legal fiscal incentives for companies while encouraging the provision of basic infrastructure in plantation operational areas that have been less accessible to public services.

CONCLUSION

This literature review shows that the income tax exemption facility in kind in certain regions (SKDT), as stipulated in the HPP Law, PP 55/2022, and PMK 66/2023, has a strong conceptual relevance to the operational characteristics of the oil palm plantation sector, which is generally located in areas with limited economic and transportation infrastructure. This facility has the potential to provide dual benefits, namely the provision of facilities for employees as a deduction of the company's gross income, as well as the exemption of the in-kind value from withholding Income Tax Article 21 for recipient employees.

Theoretically, this study enriches the literature on in-kind taxation by presenting a sectoral perspective specific to the palm oil industry, which has not been explicitly discussed in the available literature so far. Practically, this study can be a reference for the management of oil palm plantation companies in evaluating the feasibility of submitting a specific regional determination in each of their business locations, as well as for tax authorities in evaluating the clarity of technical guidelines for the implementation of this policy in the plantation sector.

This research has limitations because it is conceptual and does not use primary data or case studies on specific companies, so the findings obtained cannot be generalized empirically. The next research is recommended to conduct a case study or analysis of financial data on oil palm plantation companies that have obtained a specific regional designation, in order to quantitatively measure the impact of SKDT facilities on the efficiency of the company's tax burden and on the net income of employees, as well as empirically evaluate the administrative challenges faced in the application and renewal process.

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