



## **Socialization of Tax Procedure for Domestic Taxpayers Receiving Income Abroad in Pulau Pinang Malaysia**

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### **Abstrak**

Di era ekonomi global kegiatan bisnis lintas negara meluas, termasuk urbanisasi warga negara ke luar negeri, salah satunya adalah anggota Perhimpunan Masyarakat Indonesia (PERMAI) di Pulau Penang Malaysia baik sebagai ekspatriat, pelajar, wirausaha dan sebagai tenaga kerja di Malaysia yang berdampak pada meningkatnya penerimaan devisa. Secara spesifik, melalui Peraturan Menteri Keuangan Nomor 18 Tahun 2021, Pemerintah Indonesia telah memberikan arahan mengenai cara pengurusan status perpajakan bagi wajib pajak dalam negeri yang bekerja dan memperoleh penghasilan di luar negeri, atau sebaliknya. Namun banyak Wajib Pajak yang tidak memahami status pajaknya ketika bekerja dan mendapatkan penghasilan di luar negeri dan memiliki persepsi yang keliru sehingga beresiko terkena tagihan pajak dari otoritas pajak di Indonesia, sehingga perlu dilakukan sosialisasi. Kegiatan pengabdian masyarakat ini bertujuan untuk memberikan edukasi mengenai prosedur perpajakan bagi wajib pajak Indonesia yang bekerja dan memperoleh penghasilan di luar negeri, serta memberikan pendampingan dalam melaksanakan prosedur sesuai ketentuan yang berlaku. Kegiatan ini dilaksanakan di Pulau Pinang Malaysia pada Januari 2024 kepada 75 masyarakat Indonesia yang berdomisili dan memiliki penghasilan di Luar Negeri. Dengan metode sosialisasi dan tanya jawab, diketahui bahwa semua peserta tidak tahu aturan tersebut dan tidak memahami bagaimana prosedur seharusnya sebelum kegiatan berlangsung. Pemahaman peserta meningkat setelah kegiatan berlangsung, dan mayoritas peserta menjadi waspada dan berniat untuk melakukan koordinasi dengan keluarga yang ada di Indonesia mengenai NPWP yang dimiliki selama ini.

**Kata kunci:** *NPWP, Penghasilan Luar Negeri, Sosialisasi, Wajib Pajak*

### **Abstract**

*In the era of the global economy, cross-border business activities are widespread, including the urbanisation of citizens abroad, one of which is a member of the Pertubuhan Masyarakat Indonesia (PERMAI) on Penang Island Malaysia both as expatriates, students, entrepreneurs and as a workforce in Malaysia which has an impact on increasing foreign exchange earnings. Specifically, through the Minister of Finance Regulation Number 18 of 2021, the Government of Indonesia has provided direction on how to manage the tax status for domestic taxpayers who work and earn income abroad, or vice versa. However, many taxpayers do not understand their tax status when working and earning income abroad and have the wrong perception so that they are at risk of getting a tax bill from the tax authorities*



*in Indonesia, so socialisation is needed. This community service activity aims to provide education about tax procedures for Indonesian taxpayers who work and earn income abroad, and provide assistance in carrying out procedures according to applicable regulations. This activity was held in Pulau Pinang Malaysia in January 2024 to 75 Indonesians who are domiciled and have income abroad. With the socialisation and question and answer method, it was found that all participants did not know the rules and did not understand how the procedure should be before the activity took place. The understanding of the participants increased after the activity, and the majority of participants became vigilant and intended to coordinate with their families in Indonesia regarding their Tax ID Number.*

**Keywords :** Tax ID Number, Income Abroad, Socialization, Taxpayer

**Introduction**

In today's global economy, business activities are no longer only carried out within the scope of a particular region, but already across regions and even across countries. This condition can occur due to the needs and limitations experienced by a country so that it needs to establish business relations with other countries. The impact of the global economy has also hit human resources who can work across countries, often called migrant workers or as entrepreneurs.

Indonesia is the largest contributor to international migration in Southeast Asia, after the Philippines. This cross-country migration is carried out by the average Indonesian in search of a better livelihood (Kusdarini et al., 2021). Some of the country destinations crossed by these migrants include several Asian countries such as Hong Kong, Taiwan, Singapore and Japan, including Malaysia as a neighboring country (Bangun, 2023). In 2022, Malaysia is the main destination for Indonesian migrant workers.

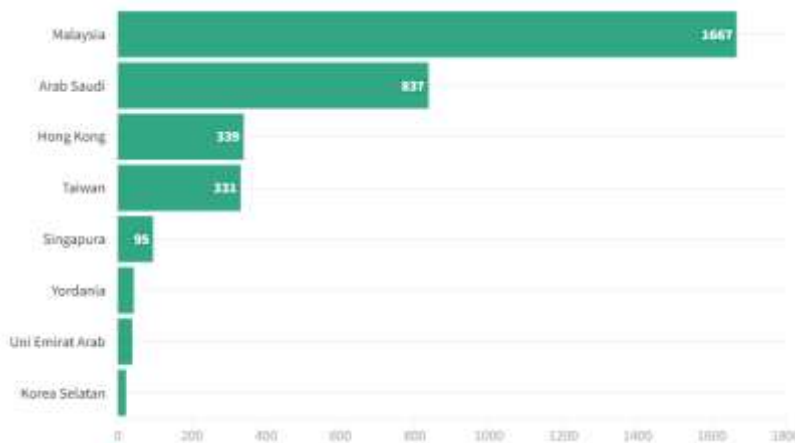


Figure 1. Destination Countries for Indonesian Migrant Workers in 2022

Bank Indonesia (BI) noted that there were 3.44 million Indonesian migrant workers (PMI) in 2022. This number increased by 6% compared to the previous year which amounted to 3.25 million people. Of this number, the largest number of Indonesian migrant workers are in Malaysia, namely 1.67 million people. That number is equivalent to 48.13% of the total Indonesian migrant workers by the end of last year. This was followed by Saudi Arabia with 837,000 Indonesian migrant workers. Then, the number of Indonesian migrant workers located in Hong Kong was 339,000 people. There are also 331,000 Indonesian migrant workers working in Taiwan. The number

of migrant workers in Singapore and Jordan is 95,000 people and 43,000 people respectively. The number of Indonesian migrant workers in the United Arab Emirates was 39,000 last year. After that there is South Korea with 22,000 Indonesian migrant workers. Meanwhile, the smallest number of Indonesian migrant workers are in the UK and Oman, which are both 2,000 people. Above them are Qatar and Italy with 3,000 Indonesian migrant workers each (dataindonesia.id).

Indonesian migrant workers, both those working in the domestic and plantation sectors in neighboring countries, have a major contribution to the country's economic development and the daily lives of its citizens.

Quoting the Malaysian Department of Statistics website, the presence of Indonesian migrant workers in Malaysia has significance to its economic development. Apart from being widely employed in Malaysian homes as household assistants (ART), Indonesian migrant workers are also found in the agriculture, forestry and fisheries sectors. In this sector, the number of foreign workers reaches a percentage of 32 percent. Then in the field of accommodation services, food and beverage industry, the number of migrant workers reached 19.2 percent. Construction and manufacturing accounted for 18.2 percent and 15.7 percent respectively. According to data from the Department of Statistics Malaysia, the number of registered migrant workers reached 1.7 million during the pre-pandemic period and shrank to around 1.17 million people during the pandemic.

Sending migrant workers abroad is not only beneficial for themselves, but can also provide benefits for the government (Juniansyah et al., 2023). The existence of migrant workers turns out to be able to generate such high remittances (Dhiu & Kusuma, 2021). The economic contribution made by migrant workers in the form of remittances to the sending country and the economic contribution in the form of taxes to the receiving country is very large. This is evident based on data from the World Migration Report 2020, Indonesia is included in the top 10 countries in Asia that receive remittances from its migrant workers (Prajanti et al., 2023).

While working abroad and even returning home, both legal and illegal migrant workers have always been controversial regarding the departure mechanism. As foreign exchange heroes, their fate often receives stereotypes and inhumane treatment associated with their existence as foreign female laborers. They are called foreign exchange heroes, but they are nothing more than numbers and statistics in the eyes of the government. The existence of these migrant workers provides benefits for the Government, the title of foreign exchange heroes is commonly applied to migrant workers (Farida, 2020). The majority of income received from abroad is sent to families in Indonesia for living and other needs. Indonesian migrant workers and entrepreneurs who are doing business in Malaysia generally do business for a long time in Malaysia, so what about their tax status? Do workers and entrepreneurs understand the applicable rules?

The Indonesian government through the Minister of Finance Regulation Number 18 of 2021 has explained the rules on how the procedures for managing the tax status of WPDN who work and live for a long time abroad, as well as WPLN who work and live for a long time in Indonesia. However, the majority of immigrant workers and cross-border entrepreneurs do not know the tax procedures that apply to this, so they do not carry out their tax rights and obligations since working and earning income abroad. This has the risk of future tax bills that will harm taxpayers and families in Indonesia, especially those who have been receiving remittances from migrant workers or entrepreneurs in Indonesia.

Considering this, the tax accounting lecturers of Universitas Mercu Buana together with partners from the NGO Pertubuhan Masyarakat Indonesia (PERMAI) on Penang Island Malaysia have a moral obligation to assist the Directorate General of Taxes of the Republic of Indonesia in conducting counseling on the rules, namely Article 5 and article 6 of PMK 18 of 2021 concerning the Implementation of Law Number 11 of 2020 concerning Job Creation in the Field of Income Tax, Value Added Tax and Sales Tax on Luxury Goods, as well as General Provisions and Tax Procedures in which there are tax procedures for taxpayers who work and live abroad or vice versa.

PERMAI itself is a Non-Political Non-Governmental NGO engaged in Social Education and Culture. The management and experts in this NGO consist of Indonesian people who live in Malaysia, among others: Expatriates, Businessmen, Lecturers, Teachers, Students, or Workers who are in Malaysia.

Ahli PERMAI consists of a diverse community of people from all over Indonesia with different backgrounds. It is sought to synergize the excess to give to the less. The strong help the weak. Those who are smart teach those who are still laymen. This is solely in order to assist and support the government in the service of community benevolence. PERMAI also seeks collaboration with parties who are willing to synergize / transfer knowledge in the fields of e-Commerce, Fintech, Digital Technology and other specialized skills that are appropriate in order to establish a socio-cultural cooperation relationship between the people of Indonesia and Malaysia.

PERMAI strives to be an incubator to give birth to a community that has special skills and skills in order to get a job in a higher position and salary or at least equal to other nations. As an Ambassador of the Nation overseas, we continue to maintain / preserve the culture and national identity of the Indonesian Constitution based on Pancasila. But not ignoring and still upholding the Constitution and regulations that apply in Malaysia. Not forgetting the proverbial message of our ancestors "where the ground is trodden there the sky is upheld. Providing education on taxation procedures for Indonesian taxpayers who are workers or entrepreneurs in Malaysia is in line with the purpose of establishing this PERMAI NGO.

This Community Service activity in 2024 is a continuation of the Community Service activities in previous years with the topic of taxation for MSME actors. With this activity, it is hoped that Indonesian migrant workers and entrepreneurs in Malaysia will understand the applicable tax regulations, especially tax procedures regarding their respective tax status so as to encourage tax compliance (Sarpingah et al., 2017; Syaputra, 2019; Tarmidi et al., 2023).

Based on this, it is necessary to hold informative and educative activities in terms of tax procedures for the tax status of taxpayers who earn income abroad. The activities to be carried out are expected to: 1) Assist the Government in counseling tax regulations, namely PMK 18 of 2021, 2) Assisting migrant workers and Indonesian business actors in Malaysia in carrying out their tax rights and obligations, especially the procedures for their respective tax statuses.

The benefits of this community service activity are to provide education and information about the procedures for managing changes in NPWP status for Domestic taxpayers who are domiciled and receive income abroad. This is a form of organisational social responsibility as educators at Universitas Mercu Buana, University Sains Malaysia and NGO Permai in Pulau Pinang Malaysia, to the Indonesian community in Malaysia and responsibility as a good citizen in helping the Government improve tax compliance. With the implementation of this activity, it is hoped that a harmonious family relationship will be established between the

Indonesian community at home and abroad with Universitas Mercu Buana, University Sains Malaysia and NGO PERMAI as well as with the Directorate General of Taxes of the Republic of Indonesia and the Central Government as regulators.

### Implementation Method

Community service activities with Indonesian participants who have income in Pulau Pinang Malaysia were carried out in January 2024 with the following methods:

Table 2. Implementation Method to be used

No.	Target	Implementation Methodology
1.	Socialization	Explain Minister of Finance Regulation (PMK) number 18/2021 about as well as General Provisions and Tax Procedures in which there are tax procedures for taxpayers who work and live abroad or vice versa. By this method, participants' understanding can be increasing (Herawati et al., 2018; Tarmidi, 2021).
2.	Demonstration	Make an example of how to make a report to tax office about the abroad domicile and Tax ID Number status based on PMK 18/2021.
3.	Question and Answer	Participants are given the opportunity to ask questions related to the procedure of report and communicate with tax staff or Indonesia Directorate General of Tax. In addition to socialization, consultation or discussion in the form of questions and answers about taxation helps participants to be more open in understanding all the topics explained (Maghriby et al., 2017; Rahmi et al., 2020; Tarmidi et al., 2022).
4.	Evaluation	This activity is more focused on reviewing the participants' understanding about the procedure. Activity evaluation has a function as a process controller of the results of the activity program so that a systematic, effective and efficient activity program can be guaranteed. The evaluation of activities seeks to obtain information about the results of activities, also including feedback from socialization participants which is very helpful in improving activities through the questionnaire provided

### Result and Discussion

This international joint community service have done by lecturer from Universitas Mercu Buana and Pertubuhan Masyarakat Indonesia (PERMAI) Pulau Pinang Malaysia, also supported by University Sains Malaysia and Persatuan Anak Rantau Indonesia (PARI) at Pulau Pinang Malaysia. This activity is carried out with the following details:

Day	: Sunday
Date	: January 28, 2024
Time	: 09.00 (Penang times) untill finished
Location	: Dewan Orang Ramai Taman Pelangi, Juru, Bukit Mertajam, Pulau Pinang, Malaysia
Participant	: 75 People



Figure 2. Implementation of Join Community Service

This activity consists of several sessions as follows:

- a. First Session, Opening and Welcoming from Mrs. Dr. Erna Setiany, SE. M.Si. as Vice-Chancellor Universitas Mercu Buana, Dr. Anees as representative of University Sains Malaysia, Representative of PERMAI and representative of PARI
- b. Second session, explanation of tax regulation of Minister of Finance Regulation Number 18 of 2021, the Government of Indonesia has provided direction on how to process tax status for domestic taxpayers who work and earn income abroad, or vice versa.
- c. Third session, practice the Standard Operating Procedure of how Indonesian Taxpayers report their overseas activities and changes in NPWP status.
- d. Fourth Session, namely discussions and questions and answers between the implementers and participants about the topics that were socialized.

### *Discussion*

The participants of this Community Service activity are Indonesian citizens who live, work and trade in Pulau Pinang Malaysia. The majority of participants have lived here for many years and do not understand the status of NPWP that has been owned in Indonesia.

In the PKM activity, it was found that none of the participants knew the rules on how to report activities abroad and how to report changes in the status of Tax ID Number that had been owned. However, due to having family in Indonesia, most of the income in Malaysia is sent to Indonesia for family needs and asset ownership.

With this socialisation, participants are more aware of taxation for themselves as workers and income recipients in Malaysia and aware of assets and family in Indonesia so as not to be subject to double taxation either in Malaysia when receiving income or in Indonesia when reporting family assets.

However, participants will start communicating and coordinating with their families in Indonesia to ask the Tax Officers in their area about the implementation procedures of the rules regarding income from abroad.

### Conclusion

The Community Service activity with the topic of calculating final income tax for Indonesians who are domiciled and earn income in Malaysia, the following conclusions were obtained 1) all participants did not know the procedures regarding the NPWP owned according to PMK 18/2021, and 2) participants need more information about tax procedures both formal and material on income from abroad.

### Acknowledgments

This Community Service Activity (PKM) is a collaboration between Universitas Mercu Buana, Pertubuhan Masyarakat Indonesia (PERMAI) Pulau Pinang Malaysia, dan University Sains Malaysia. Apart from being a tridharma obligation of lecturers, this activity is in fact directly beneficial for activity participants in increasing participants' understanding of the material being socialized, in addition to increasing participants' awareness of tax rights and obligations related to their personal and business.

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