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The Effect Of Operating Costs, Leverage And Profitability On Corporate Income Tax (Empirical Study On Mining Companies Listed On The Indonesia Stock Exchange In The 2018-2021 Period)

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Abstract: Tax revenues contribute 80% of total state revenues annually. Corporate income tax is one of the main potential tax revenues, where mining companies as taxpayers have a large contribution to tax revenues. This study aims to determine the effect of operational costs, leverage and profitability on corporate income tax partially and simultaneously on mining sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. In this study, the population studied was 52 mining sector companies, using puposive sampling techniques in sampling so as to get a sample of 20 companies or 80 financial statements. The data used in this study is secondary data with data collection techniques using document study techniques through the official website of the Indonesia Stock Exchange, namely www.idx.co.id and using a checklist instrument. This study was analyzed using multiple linear regression analysis based on descriptive statistical tests, classical assumption tests and hypothesis tests with SPSS v.26.00 software. The results of this study show that partially operational and operational costs have a significant effect with a positive direction on corporate income tax, leverage does not have a significant effect on corporate income tax. For the results of the study simultaneously showed that operating costs, levarage and profitability have a significant effect on corporate income tax.

Keywords: Operating Costs, Leverage, Profitability, Corporate Income Tax

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Introduction

The realization of state revenue is dominated by the contribution of tax revenue, which is that there is more than 80% of tax revenue every year (Badan Pusat Statistik, 2022). Corporate income tax is the main potential tax revenue with a nominal contribution of 55.48% to the total tax revenue until the end of November 2021. However, in recent years tax revenues in the mining sector have experienced fluctuating growth, which has an impact on state tax revenues, especially corporate income tax revenues. This fluctuating growth is marked by a significant increase in tax revenue in 2021 of 60.52%. The good performance of the mining sector is due to the implementation of the Job Creation Law which has resulted in coal becoming a taxable item and increasing global demand (Kementrian Keuangan Republik Indonesia, 2022).

The growth rate of tax revenues in the mining sector can show a high profit because operating profit is the basis for calculating the value of corporate income tax as an obligation that must be borne by the company (Anggraini dan Kusufiyah, 2020). In addition, there are costs related to all operational activities of the company called operational costs which usually consist of sales, administrative, and general costs(Firdiansyah et al, 2018). Based on research by Salamah et al (2016) corporate income tax has a significant influence partially by operating costs, this is because the operational costs incurred are one of the factors used as a deduction in the calculation of the amount of income subject to taxation. The statement is also proved by Nursasmita (2021). Furthermore, there is debt measured using the Leverage Ratio which is known to have a significant influence on corporate income tax in a negative direction (Vindasari, 2020). But there are differences in results by Hendrik dan Rahmawati (2021) which gets that variable leverage has effect with a positive direction on corporate income tax. In addition to the leverage ratio, there is also a another ratio namely profitability that can show the company's ability to generate profit which will later become a benchmark for the value of corporate taxation of the company (Puspitasari dan Amah, 2019). The statement is supported by research Naibaho dan Sudjiman (2021) which states that profitability affects the value of corporate income tax.

The latestness of this study is to examine the effect of operating costs, leverage and profitability on corporate income tax to determine its effect on corporate income tax so as to avoid fluctuating tax revenue growth.

Method

This research is kind of a causal associative research with a quantitative approach. In this study, the population studied was a mining sector company listed on the Indonesia Stock Exchange (IDX) using puposive sampling technique in sampling based on predetermined criteria resulting in a total sampe of 80, namely 20 compenies in 4 years. The independent variable used is corporate income tax and the independent variables used in this study are operational costs, leverage and profitability. This study was analyzed using multiple linear regression analysis based on descriptive statistical tests, classical assumption tests and hypothesis tests with SPSS v.26.00 software. The equation used in multiple linear regression analysis is:

$$Y = a + b1X1 + b2X2 + b3X3 + e \quad (1)$$

Information:

Y	: Corporate Income Tax
X1	: Operating Costs
X2	: Leverage
X3	: Profitability
b1, b2, and b3	: Regression Coefficient
a	: Constant
e	: error 5%

Result and Discussion

Descriptive Statistical Analysis

Descriptive statistical analysis is carried out to describe the data used statistically to determine the minimum value, maximum value, mean (mean) and standard deviation of a sample on each variable.

Table 1. Descriptive Statistical Results

	N	Minimum	Maximum	Mean	Std. Deviation
Corporate Income Tax	80	5,37	12,37	8,7834	1,86663
Operating Costs	80	1,89	2,53	2,1859	0,21514
Leverage	80	-1,02	0,88	-0,1765	0,36309
Profitability	80	0,16	0,77	0,3991	0,14067
Valid N (listwise)	80				

Source: Data processed on IBM SPSS 26 (2022)

Test of Classical Assumptions

This study has conducted a whole test of classical assumptions such as normality test, multicholinearity test, heteroskedasticity test, and autocorrelation test. Based on the results of the classical assumption test, it was found that the data in this study had met the requirements, so in this study the regression model could be used in subsequent tests.

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Partial Test (T)

Table 2. Partial Test Results (t)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-10,980	0,883		-12,431	0,000
	Operating Costs	8,630	0,355	0,991	24,314	0,000
	Leverage	-0,149	0,195	-0,029	-0,765	0,447
	Profitability	2,167	0,542	0,161	4,001	0,000

a. Dependent Variable: Corporate Income Tax

Source: Data processed on IBM SPSS 26 (2022)

Hypothesis 1 (H1)

From the data in Table 3, it was obtained namely the results of the partial test of operational costs had a significance value of 0.000 < 0.05 alpha signification level and a calculated t value of 24.314 > 1.99167 t table, but a value with a positive direction was obtained. So that H1 is rejected, this means operating costs have a significant influence in a positive direction on corporate income tax partially.

Hypothesis 2 (H2)

For the hypothesis 2 we can see from the Table 3, it was obtained that the results of variable partial leverage test had a significance value of 0.447 > 0.05 alpha signification level and a calculated t value of -0.765 < 1.99167 t table and a value with a negative direction. So that H2 is rejected, it can means leverage have no significant influence of in a negative direction on corporate income tax partially.

Hypothesis 3 (H3)

Then, the hypothesis 3 that see on the data in Table 3, it was obtained that the results of the variable partial test of profitability had a significance value of 0.000 < 0.05 alpha signification level and a calculated t value of 4.001 > 1.99167 t table and a value with a positive direction. So that H3 is accepted, we can see that it means profitability have a significant influence in a positive direction on corporate income tax partially.

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Simultaneous Test (F)

Table 3. Simultaneous Test Results (F)

ANOVA[a]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	239,750	3	79,917	207,194	0,000[b]
	Residual	28,542	77	0,386		
	Total	268,292	80			

a. Dependent Variable: Corporate Income Tax

b. Predictors: (Constant), Profitability, Leverage, Operating Costs

Source: Data processed on IBM SPSS 26 (2022)

Hypothesis 4 (H4)

From the data in Table 4, it can be seen that the results of the simultaneous test of operating costs, leverage and profitability show a significance value of 0.000 < 0.05 alpha significance level and a calculated f value of 207.194 > 2.72 f table. As for H4 to be accepted, this means that simultaneously operating costs, leverage and profitability have a significant effect on corporate income tax.

Coefficient of Determination (R2)

Table 4. Coefficient of Determination Results (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,945[a]	0,894	0,889	0,62105

a. Predictors: (Constant), Profitability, Leverage, Operating Costs

Source: Data processed on IBM SPSS 26 (2022)

From the data on Table 5, it can be seen that the Adjusted R Square value is 0.889 or 88.9%. This means that the independent variables of operating costs, leverage and profitability have an effect of 88.9% on the dependent variable of corporate income tax, while the remaining percentage of 11.1% is influenced by other variables outside the regression model of this study.

Discussion.

The effect of operating expenses on corporate income tax

This study obtained results that show there is a significant influence of operational costs on corporate income tax and it can be seen that the value of the operational cost regression coefficient shows a positive relationship direction, so it is assumed that the higher the value of operational costs, the higher the value of corporate income tax. It's caused of the company's management in the mining sector has made good operational cost efficiencies so that the profits obtained by the company do not decrease and vice versa, namely increasing. So with the amount of the company's income, it will have an impact on the amount of tax deposited.

Leverage on corporate income tax

In this study, the leverage variable did not have a significant effect on corporate income tax. This means that the amount of leverage value, whether it is high or low, does not affect the amount of corporate income tax burden. From the results of this study, it can be indicated that mining sector companies use debt optimally in supporting the company's operational activities without utilizing the use of debt as an alternative in tax savings and vice versa, namely being able to use the use of company debt to increase productivity and increase company profits compared to the value of interest expenses from the debt. Therefore, the leverage ratio that describes the use of debt in this study has no influence on the value of corporate income tax of mining sector companies.

The effect of profitability on corporate income tax

There is a phenomenon in mining sector companies that shows an increase in sales volume due to the existence of the Ciptaker Law and an increase in global demand. With the increase in sales volume, the company will generate an increase in company profits. This ratio shows that mining sector companies have good profitability, because they have been able to effectively carry out effectiveness on operational costs and increase sales so that it can be said that the company is able to increase company profits which will be a benchmark or basis in calculating taxes and determining the imposition of the amount of corporate income tax. This is able to support the company to make optimal tax payments. That way it can be concluded that the higher of profitability, the higher of corporate income tax. So it can be said that profitability has a significant influence with a positive direction on corporate income tax of mining sector companies.

The simultaneous effect of operating costs, leverage and profitability on corporate income tax

In this study, it was found that operating costs, leverage and profitability together can affect corporate income tax. This result indicates that there is an efficiency in operational costs so that the company is able to minimize the costs incurred and affect the amount of corporate income tax. With the efficiency of operational costs, it will also affect funding derived from debt and interest expenses that arise due to debt will be reduced, so that if the efficiency of operational costs is not carried out properly and the use of debt increases, it can affect the decision of company management to use debt as an alternative to tax savings. The efficiency of operational costs also has an impact in increasing sales volumes and high profits, where the profit generated by the company will determine the amount of corporate income tax borne by the company.

Conclusion

From the results of the research and discussion in this study, several conclusions were obtained, 1) partially operational costs have a significant effect with a positive direction on corporate income tax, 2) leverage does not have a significant effect on corporate income tax, 3) profitability has a significant effect with a positive direction on corporate income tax, 4) simultaneously operating costs, levarage and profitability have a significant effect on corporate income tax.

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