

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The Directorate General of Taxes states that taxes according to Article 1 of Law No. 28 of 2007 are compulsory contributions to the state that are owed by personal taxpayers and corporate taxpayers that are compelling based on law, without receiving direct compensation and used for the welfare of the people ([www.pajak.go.id](http://www.pajak.go.id)). Taxes are mandatory contributions to the state that are owed by private persons or entities that are compelling based on law, without receiving direct compensation, and are used for state needs for the greatest prosperity of the people.

Sources of state revenue coming from various sectors, both internal and external. There are several types of tax revenue in Indonesia, one of which is the corporate income tax. The income referred to in Taxation Law Number 36 of 2008, namely: Income, which is any additional economic capability received or obtained by a taxpayer, both from Indonesia and outside Indonesia, which can be used to increase the wealth of the taxpayer concerned, whether in any name or form. Corporate income tax is a tax imposed on tax subjects, namely companies or entities, against income tax objects, namely company profits. "The calculation of the income tax rate uses a progressive tax rate, namely the percentage of the rate used is greater if the amount subject to tax is greater" (Atina et al., 2017).

In determining the amount of income tax of a company, it can be seen through the company's financial performance. The company's financial performance is a condition that describes the company's finances. The financial performance focuses on assessing the good and bad financial performance of a company which is known by analyzing the relationships of various items in a financial report. This is considered very important so that resources are used optimally in the face of environmental changes (Puspitasari and Amah, 2019).

The factors that can affect corporate income tax are gross profit and operating profit. Gross profit takes into account the ability to generate gross profit as well as the efficiency of production costs while operating profit is a ratio that shows the level of operating profit obtained and the effectiveness of the company in managing operational costs (Salamah et al., 2016). This factor is the profitability ratio that can be seen in the company's profit/loss statement. The level of operating profit will have an impact on the amount of tax to be paid. If the number of operating profits increases, the amount of tax to be paid by the company will also be higher. This is in line with the research of Salamah et al. (2016) & Anggraini and Kusufiyah (2020), which states that gross profit and operating profit have a significant effect on corporate income tax.

In general, company growth shows intense and fierce competition, both in industrial companies and service companies. Apart from being seen from profit, it is also very important to pay attention to the process of obtaining profits, such as costs that are needed by management in carrying out all its functions to ensure systematic operations and as a tool to oversee the company's planned activities.

Costs that have a big role in the success of a company to achieve its goals are operational costs.

Operational costs in the company's business activities are closely related to the corporate income tax of a company. Paragraph 1, Article 6 of Law Number 36 of 2008 concerning Income Tax, explains that the expenses that are allowed to be deducted in calculating the income of a domestic taxpayer are expenses related to business activities. Conceptually, the greater the operational costs incurred by the company, the lower the taxes paid by the company. The corporate tax, or what is known as corporate income tax, has the largest contribution compared to other income taxes (Salamah et al., 2016). This is in line with the research of Kusananto et al. (2019) & Anggraini and Kusufiyah (2020), which states that operating costs have a significant effect on income tax.

The basic and chemical industrial companies chosen as the object of research is because the basic and chemical industrial companies are sectors that have a significant influence on the Indonesian economy. Since the beginning of 2017, the basic and chemical industry companies on the Indonesia Stock Exchange have managed to record quite high growth. This indicates that the financial performance of companies in the basic and chemical industry sectors is improving. Even the basic industry and chemical sectors became the sector with the second-highest growth after the financial sector

Regarding the cause of the imbalance between the planned budget and the realization of the company's operational costs, the researcher also revealed the factors of the causes of the high operational costs of the company, the impact of

the high operational costs on the welfare of members and performance. Table 1.1 shows the condition of the basic industry and chemicals companies on the Indonesia Stock Exchange

**Table 1.1**  
**Gross Profit, Operating Profit, Operational Cost, and Corporate Income Tax**  
**in the Year 2015-2019 (in a million rupiah )**

Company Name	Year	Gross profit	Operating Profit	Operational Cost	Corporate Income Tax
<b>PT. Kedawung Setia Industrial Tbk.</b>	2015	221684	50513	1713946	3722
	2016	273395	103123	1995337	12739
	2017	313043	130259	2245519	23341
	2018	33716	137003	196713	25989
	2019	360944	154325	206619	23732
<b>PT. Toba Pulp Lestari Tbk.</b>	2015	158622	9517	1254581	10699
	2016	42646	96202	1086972	43069
	2017	218637	382704	1459756	88644
	2018	1203730	894047	309683	183939
	2019	876303	560368	315935	99474
<b>PT. Indal Aluminium Industry Tbk</b>	2015	167805	72276	95529	14278
	2016	173133	82710	90423	14524
	2017	184809	87105	97704	13073
	2018	183257	93163	90094	16189
	2019	142220	46356	95864	12029

Source: Prepared by Researcher (2021)

From all the basic industry and chemicals companies in Indonesia Stock Exchange, the writer takes 3 companies which is PT. *Kedawung Setia Industrial Tbk*, PT. *Toba Pulp Lestari Tbk* and PT. For the Gross Profit ( $X_1$ ), Operating Profit ( $X_2$ ), Operational Cost ( $X_3$ ), and Corporate Income Tax (  $Y$ ).

In PT *Kedawung Setia Industrial Tbk* for the year 2017-2018, the gross profit was decreased 89%, but the corporate income tax was increased 11,3%, in 2018-2019 the operating profit was increased by 12,6%, but the corporate income tax was decreased by 7,2%, in 2017-2018 the operational cost was decreased 91,2%, and the corporate income tax was increased 11,3%

For PT. Toba Pulp Lestari Tbk for the year 2015-2016 the gross profit was decreased 73%, but the corporate income tax was increased 75,1%, for the year 2018- 2019 operating profit decreased 27,2 % but the corporate income tax was also decreased 45,9 %, in the year 2015-2016 the operational cost was decreased 13,3 % and the corporate income tax was increased 75,1%.

For PT. Indal Aluminium Industry Tbk for the year 2016-2017 the gross profit was increased 6,3% but the corporate income tax was in decreased 9,9%, the operating profit was increased 5,04%, but the corporate income tax was also decreased 9,9%, in the same year the operational cost was increased 7,45% and the corporate income tax was decreased 9,9%

This study is a replica of previous research, namely from (D Anggraini & Kusufiyah, 2020). The difference between this study and previous research lies in the focus of the independent variable on gross profit and the object of research. Where in this study using manufacturing companies that have been listed on the Indonesia Stock Exchange 2015 -2019. The manufacturing industry sector has the aim of increasing and growing the competitiveness of resources and production capacity so that it can continue to grow better. A manufacturing company is one company that can improve people's welfare in terms of the economy. This is because basic industry and chemical companies have an important role in fulfilling daily life and are expected to carry out good corporate income tax practices. Other than that, the independent variable which is gross profit, operating profit and operational cost are related closely to the dependent variable which is corporate income tax and for this research want to

see from this three dependent variables which have the important role and significant impact to the independent variable and none of the previous research done this research with this three independent variables towards corporate income tax.

Based on the description above, the writer wants to do research on the factors that influence corporate income tax, which is measured using gross profit, operating profit, and operational cost. So the author like to research the title is **"The Impact of Gross Profit, Operating Profit and Operational Cost toward Corporate Income Tax of Basic Industry and Chemicals Companies Listed on Indonesia Stock Exchange "**.

## **1.2 Problem Limitation**

The problem limitation in this study are :

1. The data about gross profit, operating profit, operating costs, and corporate income tax of the manufacturing companies listed in Indonesia Stock Exchange for the year 2015-2019
2. Manufacturing Companies, specifically basic industry and chemicals companies listed in the Indonesia Stock Exchange for the period year 2015 to 2019

## **1.3 Problem Formulation**

Based on the background of the problem that has been described, the problems are as follows:

1. Is there any impact of gross profit on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange?
2. Is there any impact of operating profit on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange?
3. Is there any impact of operational cost on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange?
4. Is there any impact of gross profit, operating profit, and operational costs simultaneously on corporate income tax in basic industry and chemicals companies listed on the Indonesia Stock Exchange?

#### **1.4 Objective of The Research**

Based on the above problem formulation, the objectives of this study are as follows:

1. To find out the impact of gross profit on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange
2. To find out the impact of operating profit on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange

3. To find out the impact of operational cost on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange
4. To find out the impact of gross profit, operating profit, and operational costs simultaneously on corporate income tax on basic industry and chemicals companies listed on the Indonesia Stock Exchange

### **1.5 Benefits of The Research**

This research not only gives benefit to the researcher but also provides a direct or indirect benefit to the elements to the future researcher. The following are the benefit of the research conducted:

#### **1.5.1 Theoretical Benefits**

For the Researcher, this research is expected to theoretically give knowledge about gross profit, operating profit, and operational cost that impact corporate income tax. In addition, this research can theoretically contribute to adding references in the development of research in the field of taxation, especially corporate income tax.

#### **1.5.2 Practical Benefits**

Based on the research, Here is the practical benefit that can be taken :

1. For companies

The results of this study are expected to be the corporate income tax information to the companies and know which of the gross profit,

operating profit, and operational costs have the significant impact on corporate income tax

2. For Writers

This research is useful for writers because can learn during lecture and give some perception and experience in this research.

