CHAPTER I

INTRODUCTION

1.1 Background of the Study

Taxes are one of the most significant sources of revenue for Indonesia of all other state revenue sources. Tax is a source of income for the state, while for tax company is an expense that will reduce net income. One type of tax is the income tax. According to Law Number 36 of 2008 concerning income tax is a tax imposed on income received or obtained by the agency referred to in the General Tax Provisions and Procedures Law that can be charged directly to taxpayers, consisting of individuals, entities, or permanent establishments. One of the changes in the actual corporate income tax rate is progressive to a flat rate. The amendment is regulated in Law Number 36 of 2008 (https://www.pajak.go.id/id).

The new income tax law changes the corporate income tax rate from progressive to the flat tariff of 28% and applies to all corporate taxpayers. With the change in progressive tariff regulations to flat tariffs, some companies benefit, and some suffer losses. The company that benefits is a company that has a more significant profit, and then the tax payable will be smaller when compared with the use of progressive rates. While the injured party is a company that has less profit, then the tax will be greater than the progressive rate. These change companies with higher debt taxes will be more likely to owe, and companies with small profits tend not to owe much. The use of debt by the companies can affect corporate taxable income is smaller. This is due to the interest expense arising from the debt. The company's financial funding decision will significantly determine its ability to carry out its operational activities and affect its risk itself. Therefore, knowledge of the factors affecting capital structure is needed.

Capital structure balanced the permanent long-term debt and preferred and ordinary shares (Sartono, 2010). The capital structure is the proportion of the company's long-term permanent financing represented by debt, preferred stock, and common stock equity. Suppose the financial structure describes the overall composition of the balance sheet credit consisting of short-term debt, long-term debt, and equity capital and reflects how the company's assets are spent, while the capital structure describes the company's permanent financing consisting of long-term debt and own capital. Long Debt to Asset Ratio (LDAR) is a ratio that measured the size of the use of long-term debt compared to the company's capital. The aim is to measure how much of each rupiah of own capital is used to guarantee long-term debt by comparing the long-term debt with the company's equity capital.

A company should prioritize internally and not make a large credit if it is deemed unable to seek further approval because it will weaken the capital structure. One of the safe ways is made by selling shares. Therefore, companies must attract investors to invest their capital so that the capital structure will become stronger. The government also has an important role in making policies that attract investors to invest in developing without being entangled with high debt.

Profit is a measure of the company’s success in improving and maintaining business continuity. The growth of a company depends on business continuity and profitability. Profitability is generally defined as the ability of the company to obtain profits as measured by profitability ratios. Syamsuddin (2009: 61) explains that the gross profit ratio, operating profit ratio, and net profit ratio are profitability ratios seen directly from the company profit or loss statement. The gross profit ratio considers the ability to generate gross profit and the efficiency of production costs. The operating profit ratio is a ratio that shows the level of operating profit obtained and the effectiveness of the company in managing operating costs.

In contrast, the net profit ratio calculated the number of earnings after tax and compared it to the net sales. The large profitability ratio shows the company's better performance compared to competitors. A profitability ratio is required for recording company financial transactions. Investors and creditors will usually appraise the profitability ratio company to assess the company’s ability to pay debts to creditors based on the level of use in assets and other resources to look at company efficiency (Fatrian, 2019). A company can see the effectiveness and efficiency of management from the profit generated on the sales and investment of that company seen from the elements of financial statements. The higher the profitability ratio, the condition of a company is getting better. High marks describe the company’s level of profit and high efficiency that can be seen from the company's level of income and cash flow.

Profit in economics is defined as increasing investor wealth due to investment after deducting the costs associated with this investment. In accounting, profit is defined as the difference between the sales price and production costs. In general, the profit earned by a company is used to judge the success or failure of management within the company profit indicators, namely income and costs. Revenue is a related statement with money or finance from the total results of the main business of the product or services performed by the company in a period, or revenue is the amount of money received by the company from the results of sales of products from customers and not originating from investment. In comparison, the cost is a sacrifice or an expense made by companies or individuals whose aim is to obtain more benefits from the activities. One of the types of cost is the operational cost which is a factor that affects corporate income tax.

The company pays operational costs to fund the company's operational activities to achieve that target goal. Business costs consist of sales, administrative, and general costs. Sales costs are a cost from sales activities until the customer receives the goods, for example, shipping costs, taxes relating to sales, promotions, and salesperson salaries. General and administrative costs are a cost that happened in outside activities, for example, employee salaries, general parts (which are not goods of production, marketing), water, telephone, taxes, fees, and office expenses, according to Harahap (2011: 86). Meanwhile, if used as a variable in a study, operational costs can affect a company's profitability. That matters because, in a company, there is generally an income statement. There are elements of operating costs that affect the profit or loss business of a company. So that the company gets a profit, then the company must be able to reduce costs operational. Thus, it appears that one factor affecting the profit and loss of a business is an operating expense. If operating income is higher than the operational costs incurred, there will be profits to the company and operating profits. Otherwise, if the business income is less than the operational costs incurred, there will be a loss or decrease in the profit obtained.

According to the regulation of the minister of finance number 255 / PMK.03 / 2008, Income tax payable is a calculation of the amount of income tax instalments in the current tax year that new taxpayers must pay, banks, leases with option rights, a state-owned corporation, regionally owned enterprises, stock exchange taxpayers with other taxpayers based on the conditions required to make periodic financial statements including certain employers' taxpayers.

The factors that affect corporate income tax, income, and operating costs that significantly affect corporate income tax (Dharmayanti, 2018). Meanwhile, Wicaksono (2015) concluded that the gross profit study margin results have a negative and significant effect on corporate income tax, while net profit margin and operating costs positively affect corporate income tax. Another factor was also stated by Atina (2017) with research results. The partial test shows no significant effect on net profit margin from corporate income tax while operating expenses affect corporate income tax. Simultaneous test results show that the net profit margin and operating costs significantly affect corporate income tax. Other research shows that profitability has a negative effect on income tax payable agencies, and operating costs do not have a significant effect on taxes income payable agencies. Also, profitability and cost operations significantly affect corporate income tax payable (Pratiwi, 2019).

Each company has experienced gains or losses; one is in the Infrastructure, Utilities and Transportation Industry Company. This Infrastructure, Utilities and Transportation Company must have a corporate income tax paid in the future. The tax does not pay its obligations, and the tax directorate general will collect taxes if the taxpayer does not pay the tax due. So the titled of this research is “The Impact of Capital Structure, Profitability and Operational Fee toward Corporate Income Tax Payable on Infrastructure, Utilities and Transportation Company in IDX”.

1.2 Problem Limitation

The limitation of the impact on capital structure, profitability and operational fee toward corporate income tax payable from this research that will be studied is the financial statements of Infrastructure, Utilities and Transportation Companies in IDX 2015-2019.

1.3 Problem Formulation

The problem formulation is a statement about the state, phenomenon, or concepts that require solutions and solutions or answers through research and deep thinking using science-relevant knowledge and tools. Capital Structure measures how much capital we use in long-term debt guarantees, but profitability is to know the profit that the company earns. The company get profit must be able to reduce costs operational so that one of the factors affecting the profit and loss of a business is an operating expense.

Based on the background above, then the problem in this research can be formulated as follows:

1. Does Capital Structure (Long-Term Debt to Asset Ratio) affect the Corporate Income Tax Payable on Infrastructure, Utilities and Transportation Companies in IDX?
2. Does profitability (Gross Profit Margin) affect the Corporate Income Tax Payable on Infrastructure, Utilities and Transportation Companies in IDX?
3. Does the Operational Fee affect the Corporate Income Tax Payable on Infrastructure, Utilities and Transportation Companies in IDX?
4. Does the Capital Structure (Long-Term Debt to Asset Ratio), Profitability (Gross Profit Margin) and Operational Fee affect the Corporate Income Tax Payable on Infrastructure, Utilities and Transportation Companies in IDX?

1.4 Objective of the Research

The purpose of the research is to express the results to be achieved through the research process. Based on the above problem formulation, the purpose of the research can be formulated as follows:

1. To determine the effect of Capital Structure (Long-Term Debt to Asset Ratio) toward corporate income tax payable.

2. To determine the effect of Profitability (Gross Profit Margin) toward corporate income tax payable.
3. To determine the effect of Operational Fee toward corporate income tax payable.
4. To determine the effect of Long-Term Debt to Assets Ratio (Long-Term Debt to Asset Ratio), Profitability (Gross Profit Margin), and Operational Fee toward corporate income tax payable.

1.5 Benefit of the Research

1.5.1 Theoretical Benefits

The research benefits are getting more information on the finances of Infrastructure, Utilities and Transportation Companies and digging and understanding the impact of Capital Structure, Profitability and Operational Fee toward corporate income tax payable in Infrastructure, Utilities and Transportation Companies listed in IDX.

1.5.2 Practical Benefits

The benefits of research are explaining the usefulness of research for government and science.

1. For the Government

   The study results can help the Government, specifically its directorate company tax generals, come from external funds in debt with interest related to tax purposes. In addition to minimizing the profitability practice, so can issue strict regulations related to the implementation of transparency in the financial statements and strict sanctions against the company that deviates from its financial statements.

2. For Science

This research is expected to be used as a basis for referencing the development of science in the future.