

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Tax becomes the largest contribution for the government. The government will be using the contribution to provide facilities for the country. In Indonesia, paying taxes becomes mandatory for taxpayers. Income tax is a type of tax that is imposed directly on the individual, corporate, permanent establishment and undivided inheritance. It is undeniable that income tax is included as one of the largest state revenue because the subject is revenue, so if the company income is high, the tax should be paid is higher (Anam & Zuardi, 2018).

There are a lot of industries that affect the economy in Indonesia. One of them is the food and beverages industry. In these last few years, this industry has been growing rapidly, which can be seen from the increasing number of companies listed on the Indonesia Stock Exchange. It is because this industry is a basic necessity for the community. Therefore, it becomes a favourable prospect. During the monetary recession that happened in the past, this sector was the most resistant one compared to the others.

Every company needs cash to promote the continuity of its operations. A high level of cash management is really needed by the executives of the company to fund its operations and expand its business line as well as additional investments. To ensure there is good cash management, the company needs to look

at certain ratios. One of them is liquidity. Liquidity measures the ability of the company to convert an asset or anything that the company owns to add value for them. It means liquidity can be described to the extent that an asset can be quickly sold in the market at the intrinsic price. Cash is the most liquid asset because it can be quickly converted into another asset. When the company is able to quickly convert assets, it means the company has a good liquidity ratio, which will affect to the ability in paying tax (Hayes, 2021).

Furthermore, the other financial ratio measures the ability of the company to cover its long terms debt obligations, which is called the solvability ratio. This ratio is important because it measures the financial health of the company. By the illustration, when the company pays the higher interest, it will become the expense and deduct the revenue, in automatically when there is lesser revenue, of course, the income tax will be lesser. The difference between liquidity and solvability is liquidity can be classified as the representative of a company ability to face its short-term obligation, while solvability represents the company ability to face its financial obligation, generally the total of its liability (Hayes, 2020).

Operational expense occurs through normal business operations. They are classified as the cost are associated with the administration and maintenance of business on a day-to-day basis. Operational expenses include the selling expense, general expense and administrative expense, which include rent, payroll and another overhead cost, as well as raw materials and maintenance expense (Kenot, 2021). Operational is the company expense that will decrease the revenue of

company, if the revenue of the company is small. Of course, the income tax will be smaller.

Table 1.1 Table of Phenomena

No	Company	Year	CR	DAR	Operational Expense	Income Tax
1	PT. Budi Starch and Sweetener Tbk	2016	1,001	0,602	109.409	14.208
		2017	1,007	0,593	165.086	15.325
		2018	1,003	0,638	156.142	21.314
		2019	1,006	0,571	149.098	19.884
		2020	1,143	0,553	156.980	2.219
2	PT. Campina Ice Cream Industry Tbk	2016	3,971	0,366	444.121	22.876
		2017	15,822	0,308	488.150	14.962
		2018	10,839	0,118	495.660	22.091
		2019	12,633	0,115	515.499	22.776
		2020	13,267	0,115	477.287	12.770

Sources: Prepared by The Writer (2021)

As in the table, the writer is choosing two companies as the representative due to the writer is comparing the year to year of independent variables (CR, DAR, and Operational Expense) to the dependent variables (Income Tax), and there is an inverted effect. In PT. Budi Strach and Sweetener Tbk at the year 2017-2018, the CR is decreased, but the income tax is increased. In the year 2018-2019, the CR increases, but the income tax decreases. In the year 2019-2020, the CR increases, but the income tax decreases. In PT. Campina Ice Cream Industry Tbk at the year 2016-2017, the CR increases, but the income tax decreases. In the year 2017-2018, the CR is decreased, but the income tax is increased. In the year 2019-2020, the CR increases, but the income tax decreases. It means if the CR is giving negative effect to the income tax (Anam & Zuardi, 2018).

In PT. Budi Strach and Sweetener Tbk at the year 2016-2017, the DAR decreases but the income tax increases. In PT Campina Ice Cream Industry Tbk at the year 2017-2018, the DAR is decreased, but the income tax is increased. In the year 2018-2019, the Dar is decreasing, but the income tax is increasing. It means if the DAR is giving a positive effect to the income tax (Anam & Zuardi, 2018).

In PT. Budi Strach and Sweetener Tbk at the year 2017-2018, the operational expense is decreased, but the income tax is increased. In the year 2019-2020, the operational expense increases, but the income tax decreases. In PT Campina Ice Cream Industry Tbk in the year 2016-2017, the operational expense is increased, but the income tax is decreased. It means the operational expense is giving a positive effect to the income tax (Anam & Zuardi, 2018).

The writer chooses food and beverages as the object of research because this industry is the needs of the community. It causes the company to grow and develop following the population growth in Indonesia. The writer would like to discuss analysis with the title **“The Analysis of Liquidity, Solvability and Operational Expense Toward Income Tax of Food and Beverages Companies Listed on Indonesia Stock Exchange.”**

1.2 Problem Limitation

Due to resources limitation, this research will only discuss the three variables: the Liquidity focus on the Current Ratio, the Solvability focus on Debt to Asset Ratio and Operational Expense toward the effect of income tax. The data used is limited to the financial statement of the food and beverages, and the

companies are listed on Indonesia Stock Exchange 2016-2020. Through the research, the writer focuses on making clear limitations to avoid distorted results due to broad problems.

1.3 Problem Formulation

Based on the background of the study described in the previous section, the writer of this research identifies the problem formulation as follow:

1. Does Liquidity partially have a significant effect on the Income Tax in Food and Beverages companies?
2. Does Solvability partially have a significant effect on the Income Tax in Food and Beverages companies?
3. Does Operational Expense partially significant effect the Income Tax in Food and Beverages companies?
4. Do Liquidity, Solvability, and Operational Expense simultaneously have a significant effect on the Income Tax in Food and Beverages companies?

1.4 Objectives of the Research

According to the problem formulation stated above, the objectives of the research would be:

1. To understand whether Liquidity partially have a significant effect on the Income Tax in Food and Beverages companies listed on Indonesia Stock Exchange

2. To understand whether Solvability partially have a significant effect on the Income Tax in Food and Beverages companies listed on Indonesia Stock Exchange or not?
3. To understand whether Operational Expense partially have a significant effect on the Income Tax in Food and Beverages companies listed on Indonesia Stock Exchange
4. To understand whether Liquidity, Solvability, and Operational Expense simultaneously have a significant effect on the Income Tax in Food and Beverages companies listed on Indonesia Stock Exchange

1.5 Benefit of the Research

The research is expected to provide benefits, which are:

1.5.1 Theoretical Benefit

In theoretical, this research could be:

1. Adding more understanding knowledge for various parties regarding the research topic in analysis the effect of Liquidity, Solvability and Operational Expense
2. As a reference for future research with the same topics.

1.5.2 Practical Benefit

This research is expected to be useful for:

1. Writer
To gain more knowledge regarding the impact of Liquidity, Solvability and Operational Expense towards the company.

2. Reader

To be used as reference with empirical evidence that guide further research, to add understanding about Liquidity, Solvability and Operational Expense.

3. Company

It is expected that the result of this research will be used as material information if the company face problem.

