

# CHAPTER I

## INTRODUCTION

### 1.1. Background of The Study

Economics is the basic knowledge of how market finance works, including interest rates, currency exchange rates, business cycles, global trade, governmental policies, and the effective use of natural resources. Economics also examines stock prices, economic imbalances, and the income of people, businesses, and nations. By studying economics, one can gain insight into how a society's economy functions, contribute to decision-making, comprehend the potential and constraints of economic policy, and have a greater awareness of many economic and global issues.

One of the Economics resources that is expected to be able to make a profit in the future are Assets. An asset can be recognized if the entire economic resources can be measured in currency. It is undeniable that the existence of assets is very important in a company. On the otherhand, Assets with a longer usable life and a decreasing value are considered fixed assets if they have been owned and used by the business for more than a year (the value of use is getting lesser) (Lubis, 2017). But not all Company uses their assets to run their company. Sometimes Companies took loans to run their business. If we wanted to see if the company uses Assets or Loans, we need to use Leverage.

Leverage is the measure to which a company can use capital (debt or shares) to fulfill its goal of maximizing value of companies. After using leverage,

it is expected that the company's wealth will increase as well. The leverage ratio calculates how much of the company's funding comes from debt (Fahmi, 2018). After we know that the company use assets or debts to run their companies, we need to make sales in order to gain a profit. And that's why we need to use CIR (Capital Intensity Ratio).

A ratio called the Capital Intensity Ratio (CIR) measures how many assets are required to produce one rupiah (or one dollar) in sales. Because of its fixed assets, the business is able to annually deduct taxes related to their depreciation (Nelmidia and Siregar, 2016). After making a lot of sales, we need to calculate by using company profit to see how much profit we made.

Company Profit is a ratio used to measure a business's capability for income. Company Profit provides benefits for businesses that seek to make money by providing a measure of how well the company operates (Kashmir, 2016). The more we earn and the less we spend means that the more profit we will get. But the more profit a company earn the higher the tax that the company need to pay. Tax must be paid according to our country.

Tax is one of the sources of state revenue which is expected to reduce the dependence of the Indonesian state on loans from abroad. Therefore, the government always strives to optimize tax revenues through policies in the field of taxation. Taxes can be said as one of the largest state revenues, or almost all state revenues from taxes because almost all economic transactions are included in the tax object including the income earned by an entity, it will be subject to income tax.

Income tax is one of the largest tax revenues. But many taxpayers are definitely reluctant to pay taxes that are too expensive because they do not get the rewards directly and can reduce their net income. While the goal of a company is to maximize the profits they get, therefore companies as taxpayers want their tax obligations to be as minimal as possible. One way is to do tax planning that can keep the obligations to a minimum but in accordance with the applicable regulations or provisions.

Planning is the process of determining organizational (company) goals and then presenting the strategies, program implementation procedures, and operations needed to achieve company goals. The main objective that should be achieved by company management is to provide maximum long-term returns (long term returns) to investors or shareholders who have invested wealth and entrusted their management to the company. These profits must be obtained by complying with tax laws, both local taxes and central taxes. As a taxpayer, every company must comply with and carry out its tax management in accordance with tax laws.

Tax management is a management strategy to control, planning, and organizing aspects of taxation from the side that can benefit the company's business value by continuing to carry out obligation's taxation according to regulations and legislation. Tax management has a purpose, namely: the company maximizes the welfare of shareholders (investors) by to maximize profit in order to achieve these goals, planning must be carried out such a way, including strategic planning which is part of the strategic management and tax planning in order to obtain tax payments minimum but does not violate tax regulations.

According to Lumbantoruan (2005), tax management is a means to fulfill tax obligations to the amount of tax that can be pressed as low as possible to earn a profit and liquidation that expected. Efforts to make savings Taxes can legally be done through tax management. Purpose of applying Tax management is divided into two, namely:

1. Implement appropriate tax regulations.
2. Efficiency efforts to achieve profit and proper liquidity.

My research focuses on tax management in manufacturing companies, which illustrates how increased asset values can also result in higher taxes. Also, the tax will increase along with the greater profitability. However, there is a suggestion that assets also have a depreciation value, which lowers taxes. The reason that I want to research whether fixed assets and business earnings may be managed to reduce taxes, as well as whether tax management can manage taxes, is one of the reasons I chose this title.

**Table 1 1 Phenomenon (In Rupiah)**

| Emit Code | Year | Fixed Assets      | Total Liability   | Profitability     | Total Assets       | Tax Expense      |
|-----------|------|-------------------|-------------------|-------------------|--------------------|------------------|
| MYOR      | 2018 | 4.258.300.525.120 | 9.049.161.944.940 | 1.760.434.280.304 | 17.591.706.426.634 | 621.507.918.551  |
|           | 2019 | 4.674.963.819.225 | 9.137.978.611.155 | 2.039.404.206.764 | 19.037.918.806.473 | 665.062.374.247  |
| AISA      | 2018 | 764.532.000.000   | 5.267.348.000.000 | - 123.513.000.000 | 1.816.406.000.000  | - 37.940.000.000 |
|           | 2019 | 1.150.417.000.000 | 3.526.819.000.000 | 1.134.776.000.000 | 1.868.966.000.000  | 229.689.000.000  |
| ALTO      | 2018 | 883.204.636.248   | 722.716.844.799   | - 33.021.220.862  | 1.109.843.522.344  | - 12.653.972.351 |
|           | 2019 | 885.151.767.583   | 722.719.563.550   | - 7.383.289.239   | 1.103.450.087.164  | - 3.706.273.005  |

Source : [www.idx.co.id](http://www.idx.co.id)

In table 1.1 it can be seen that the tax management that occurs in manufacturing companies shows that increased debt can cause the tax burden to be

too high due to the interest costs arising from debt owned by the company. Then, with high profitability, the company will carry out tax planning so that the tax burden paid by the company is too high, one of which is by choosing to invest the company's profits in the form of fixed assets. Because every year fixed assets will experience depreciation and the depreciation can be used as a deduction which can affect the company's tax management

From the description above, the researcher feels the need to raise the problem of bag management in a study entitled **“The Effect of Fixed Assets, Leverage, Company Profit and Capital Intensity Ratio on Tax Management in Manufacturing Companies Listed on the Indonesia Stock Exchange”**.

## **1.2. Problem Limitation**

In avoiding deviation from the topic, the writer set some problem limitation as below:

1. The research of this object is manufacturing companies listed on Indonesia Stock Exchange.
2. The dependent variable is tax management, while the independent variable of this research are fixed assets, leverage, Company profit and Capital Intensity Ratio.
3. The research data of the period is from year 2018-2020

## **1.1. Problem Formulation**

Based on the above background, the formulation of the research problem is:

1. Does fixed assets have significant impact towards tax management of manufacturing companies listed at Indonesia Stock Exchange for the 2018-2020 period?
2. Does leverage have significant impact towards tax management of manufacturing companies listed at Indonesia Stock Exchange for the 2018-2020 period?
3. Does company profit have significant impact towards tax management of manufacturing companies listed at Indonesia Stock Exchange for the 2018-2020 period?
4. Does capital intensity ratio have significant impact towards tax management of manufacturing companies listed at Indonesia Stock Exchange for the 2018-2020 period?
5. Does fixed assets, leverage, company profit and capital intensity ratio simultaneously have significant impact toward tax management of manufacturing companies listed at Indonesia Stock Exchange for the 2018-2020 period?

## **1.2. Objective of the Research**

Based on the problem statement that has been described, the objective of this research are as follows:

1. To find out whether fixed assets has significant impact towards tax management.
2. To find out whether leverage has significant impact towards tax management.

3. To find out whether company profit has significant impact towards tax management.
4. To find out whether capital intensity ratio has significant impact towards tax management.
5. To find out whether fixed asset, leverage, company profit and capital intensity ratio has significant impact towards tax management.

### **1.3. Benefit of Research**

This researcher is expected in this research can provide not only theoretical but useful for various parties in accordance with the purpose of the research, the uses of this research are:

#### **1.3.1. Theoretical Benefit**

The Theoretical, the writer expect that this research can be used as the literature material for theoretical and references for other academic who wants to do further research on tax management. The writer also hopes that this research's results can increase knowledge and insight about the effect of fixed assets, leverage, company profit and capital intensity ratio on tax management.

#### **1.3.2. Practical Benefit**

Nearly, the author expects that this research can be used as follows:

1. For Scholar

It is expected that this research can supply information and serve as a reference in conducting research related to tax management for other students.

2. For Investor

The result of this research is expected to provide information as well as illustrations regarding the condition of the companies and also can be taken as inputs for consideration in investment-related decision making.

3. For the Government

On these research are predicted to be an enter for the directorate widespread of taxes to understand what factors have an effect on an organization to take tax management movements.

4. For the Author

In this research is to feature insight, information and pointers for the development and application to know how that has been gained in the course of the lecture period.

5. For Further Research

The result of this research must be a reference supply for similarly research into the effect of fixed assets, leverage, company profit and capital intensity ratio on tax management.