

CHAPTER I

INTRODUCTION

1.1 Background of the Study

During the year 2019 to 2021, every region was experiencing varying degrees of economic recovery from the COVID-19 pandemic. Some areas are seeing strong growth as businesses reopen and consumer confidence improves. The road to full economic recovery will likely be long and challenging, requiring continued support and adaptation from governments, businesses, and individuals. Collaboration and cooperation will be key in overcoming the lingering effects of the pandemic and building a more resilient and inclusive economy for the future. By working together towards a shared vision of recovery and growth, a more sustainable and prosperous future for businesses can be created. Also, it is essential for businesses to continue working together towards this common goal of economic stability and growth.

Even though all sectors of business' economic stability and growth were hugely affected during the pandemic, only several sectors were able to seek opportunity during the pandemic such as the manufacturing sector. This sector could increase their sales by the help of digital technology. The pandemic forced the global perspective to change from using conventional to online transactional services. That is why the manufacturing sector were rapidly increasing in sales—supported by the massive shift of customer preferences and habits during the pandemic.

Economic stability and growth will eventually result in the increasing of consumer spending and higher income for businesses. This positive cycle can lead to more investment opportunities, job creation, and overall prosperity for a country, and Indonesia is not an exception. By maintaining economic stability, businesses can thrive, expand, and contribute to the overall economic development of society. Eventually, a strong economy benefits everyone by providing a higher standard of living and greater opportunities for success, which can be observed clearly in the business environment indicated by the increasing income of businesses.

One of the most crucial factors in the increasing of income is the sales growth of a business. According to Mahdiana & Amin (2020), sales growth is essential for businesses to increase their revenue and profitability. When a business experiences consistent sales growth, they are able to invest in new products, technologies, and market expansion strategies. This can lead to job creation, as businesses need more employees to meet the demand for their products or services. Additionally, higher sales can also result in increased wages and benefits for existing employees, further boosting consumer spending and economic growth. In this way, sales growth plays a vital role in driving the overall economic stability and prosperity of business environment.

Profitability is also a key metric that investors and analysts use to analyze a company's financial health and performance in the market. Profitability refers to a company's ability to generate income relative to its expenses over a specific period (Wilbert & Nariman, 2022). A company's profitability is crucial for its long-term sustainability and success. A profitable business is able to reinvest in its operations,

expand its reach, and innovate to stay competitive in the market. This not only benefits the company itself but also contributes to the overall economic health of the country by driving economic growth. Therefore, achieving and maintaining profitability is a top priority for businesses of all sizes and industries.

The increasing profitability of a firm will also increase the firm's size, allowing for further expansion and potential market dominance. By maximizing profits, businesses can also enhance their ability to weather economic downturns and unexpected challenges. This financial stability provides a solid foundation for growth and resilience in the face of uncertainty. Additionally, profitable businesses are better positioned to attract investors and secure financing for future endeavors, further fueling their success and growing the size of the businesses.

With the increasing size of a company, it will result in more level of transactions within the company which means that there is an increase in the complexity of the company, requiring more advanced financial management and oversight. As businesses grow in size, they may need to implement more sophisticated financial systems and processes to effectively manage their increasing volume of transactions. This includes implementing advanced financial management tools, hiring specialized financial professionals, and conducting regular audits to ensure compliance and accuracy. By investing in robust financial management practices, businesses can not only sustain their growth but also optimize their operations and maximize profitability in the long run. Therefore, strong financial management is essential for businesses to navigate the complexities of expansion and achieve sustainable success in the competitive market landscape.

Being able to expand and maintain the business in a competitive market landscape will make a business increase in its firm value over time. Firm value is a key indicator of a company's overall success and attractiveness to investors. By effectively managing finances, businesses can demonstrate stability and growth potential, which can in turn lead to increased investor confidence and higher valuations. This can open up opportunities for additional funding, partnerships, and strategic alliances, ultimately fueling further growth and success for the business. In essence, strong financial management is not just about balancing the books, but about positioning the company for long-term success and sustainability in a dynamic and challenging business environment.

According to the Statement of Financial Accounting Standards (PSAK), a business must have the certainty of the profit, as demonstrated by actual financial records; this is known as accounting conservatism. Accounting conservatism means recognizing profit, revenue, or assets with the assurance that they have already occurred. The business must fully disclose and not engage in any form of manipulation when recording any profit, income, or assets that are backed by verifiable facts.

Larger income, which is a measure of a company's profitability, inevitably means larger tax payments for the business. On the other hand, paying taxes is an essential component of conducting business and supports societal cohesion. All people are required by law to pay taxes, which are used for state-mandated objectives and are coercive (UUD 1945 Article 23A). Strong financial management

and responsible tax payment are two other ways a company can enhance its reputation as a trustworthy and moral enterprise.

Taxes, particularly corporate taxes, directly reduce a company's profitability because they are a mandatory expense that reduces net income. On the other hand, in order to optimize tax revenue, Directorate General of Tax (*DJP*) makes lists of *Daftar Sasaran Prioritas Penggalian Potensi (DSP3)* every year. According to the Circular Letter of the Directorate General of Tax No. SE-15/PJ/2018, *DSP3* is a list of taxpayers that become the priority target for potential exploration throughout the year, both through supervision and inspection. In order to determine which taxpayers are included in *DSP3*, the *Kantor Pelayanan Pajak (KPP)* needs to pay attention to indications of non-compliance by looking at the gap between the tax profile in the taxpayer's Annual Tax Return (*SPT*) and the actual economic profile.

For taxpayers registered at the *Kanwil DJP Wajib Pajak Besar (LTO)*, *Kanwil DJP Jakarta Khusus*, and *KPP Madya*, indications of non-compliance are seen based on analysis of Corporate Tax to Turnover Ratio (CTTOR), Gross Profit Margin (GPM), or Net Profit Margin (NPM) compared to benchmarking similar industries. It is stated in the Circular Letter of the Directorate General of Tax No.

SE-15/PJ/2018 that if there is more than a 10% discrepancy between the analysis and the industry average, there is a substantial probability of non-compliance.

KEMENTERIAN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL PAJAK
KANWIL DJP [REDACTED]
KANTOR PELAYANAN PAJAK PRATAMA [REDACTED]

TELEPON (021) 1500200, 1500201, 1500202, 1500203, 1500204, 1500205, 1500206, 1500207, 1500208, 1500209, 1500210, 1500211, 1500212, 1500213, 1500214, 1500215, 1500216, 1500217, 1500218, 1500219, 1500220
 LAYANAN INFORMASI DAN KELUHAN KEPADA PEMERINTAH (SLIP) 1500220
 EMAIL: pengaduan@pajak.go.id

Nomor : S [REDACTED] P2DK/KPP [REDACTED] /2024 25 Maret 2024
 Sifat : Rahasia
 Lampiran : Satu set
 Hal : Permintaan Penjelasan atas Data dan/atau Keterangan

Yth. Pimpinan [REDACTED]

Kami mengucapkan terima kasih dan memberikan apresiasi atas partisipasi dan kepedulian Saudara dalam memenuhi kewajiban pajak Saudara/perusahaan Saudara selama ini. Pajak yang Saudara bayarkan merupakan sumber utama pembiayaan Anggaran Pendapatan dan Belanja Negara (APBN) Indonesia.

Menindaklanjuti data pada administrasi Direktorat Jenderal Pajak, dengan ini disampaikan beberapa hal sebagai berikut.

- Berdasarkan penelitian terhadap data dan/atau keterangan yang kami miliki dan/atau kami peroleh untuk tahun pajak 2021, diketahui bahwa:
 - Berdasarkan Neraca Keuangan terdapat penurunan Kas sebesar 74.23%, dari tahun sebelumnya.
 - Terdapat kenaikan Persediaan sebesar 33.18%, dari tahun sebelumnya.
 - Terdapat penurunan Hutang dagang sebesar 19.06%, dari tahun sebelumnya.
 - Terdapat kenaikan Modal disetor sebesar 6566.67%, dari tahun sebelumnya.
 - Wajib Pajak melaporkan Peredaran usaha sebesar Rp [REDACTED], naik 17.67% dari tahun sebelumnya.
 - Wajib Pajak melaporkan NPM sebesar 0.99% untuk tahun pajak 2021 lebih rendah daripada tahun sebelumnya sebesar 1.02%.
 - Wajib Pajak melaporkan CTTOR sebesar 0.21% untuk tahun pajak 2021 sedangkan tahun sebelumnya adalah 0.31%.
 - Berdasarkan bukti potong PPh Pasal 23 terdapat penghasilan imbalan/jasa lainnya yang belum dilaporkan dan belum diterbitkan faktur atas transaksi tersebut sebesar Rp [REDACTED].
 - Berdasarkan data Laporan Keuangan Tahun Pajak 2020 saldo Persediaan Akhir sebesar Rp [REDACTED] lalu pada Laporan Keuangan Tahun Pajak 2021 Persediaan Awal sebesar Rp [REDACTED], terdapat selisih [REDACTED].
 - Biaya bongkar/SPSI mengalami kenaikan yang sangat signifikan sehingga Peneliti melakukan penyesuaian dengan tahun sebelumnya.
 - Terdapat penghasilan lain-lain berupa Hadiah/penghargaan yang belum dilaporkan Wajib Pajak sebesar Rp [REDACTED].
 - Berdasarkan bukti potong PPh Pasal 23 terdapat penghasilan imbalan/jasa lainnya yang

belum dilaporkan dan diterbitkan faktur atas transaksi tersebut sebesar [REDACTED] dengan Potensi PPN sebesar Rp [REDACTED].

- Memperhatikan hal di atas, kami berharap Saudara atau pihak yang diberi kuasa khusus sesuai dengan peraturan mengenai pelaksanaan hak dan pemenuhan kewajiban seorang kuasa di bidang perpajakan, dapat memberikan penjelasan kepada kami atas data dan/atau keterangan yang dimaksud, dalam waktu 14 (empat belas) hari kalender sejak tanggal surat, tanggal kirim surat, atau tanggal surat ini diserahkan secara langsung.
- Penjelasan atas data dan/atau keterangan di atas dapat dilakukan melalui penjelasan tertulis, tatap muka langsung, atau tatap muka melalui media audiovisual.
- Penjelasan secara tertulis dapat berupa surat yang ditujukan kepada Kepala Kantor Pelayanan Pajak (KPP), yang dapat disampaikan secara langsung ke KPP, dikirimkan melalui faksimile, atau dikirimkan melalui jasa pos/ekspedisi/kurir dengan bukti pengiriman surat.
- Dalam hal Saudara hendak menyampaikan penjelasan, mengajukan pertanyaan, atau memerlukan informasi lebih lanjut, Saudara dapat menghubungi Account Representative dan/atau pejabat pendamping sebagai berikut.
 - Account Representative
 - nama [REDACTED]
 - informasi kontak [REDACTED]
 - Pejabat pendamping
 - nama [REDACTED]
 - jabatan [REDACTED]
 - informasi kontak [REDACTED]
- Apabila dalam pelaksanaan tugas ini terdapat pegawai Direktorat Jenderal Pajak yang meminta dan/atau menerima barang/uang/fasilitas apa pun dari wajib pajak agar dilaporkan melalui Kring Pajak 1500200, telepon (021) 52970777, surel pengaduan@pajak.go.id, laman <https://pengaduan.pajak.go.id>, atau laman <https://wise.kemenkeu.go.id>.

Kepedulian dan peran aktif Saudara dalam melaksanakan kewajiban perpajakan sangat kami hargai. Atas perhatian dan kerja sama Saudara, kami ucapkan terima kasih.

Kepala Kantor,
 [REDACTED]
 Ditandatangani secara elektronik
 [REDACTED]

Dokumen ini dikeluarkan secara elektronik dan tidak memerlukan tandatangan atau cap basah. Validasi terhadap dokumen ini dapat dilakukan dengan memindai QR Code diatas melalui aplikasi mobile M-Pajak.

Kp.:KP [REDACTED] KP [REDACTED] /2024

Figure 1.1 Surat Permintaan Penjelasan atas Data dan/atau Keterangan (SP2DK)

Source: Prepared by the writer (2024)

According to the Circular Letter of the Directorate General of Tax No. SE - 05/PJ/2022, in the process of potential exploration done by KPP, the KPP will then issue *Surat Permintaan Penjelasan atas Data dan/atau Keterangan (SP2DK)* to taxpayers demanding for explanations regarding the drastic changes in the percentage of benchmarking ratios of the tax year and those of the previous tax year. Also, they show the gaps found between the benchmarking and the tax profile in the taxpayer's Annual Tax Return (SPT). Some of the benchmarking ratios used by

the *KPP* in the *SP2DK* issued to taxpayers are the Corporate Tax to Turnover Ratio, Net Profit Margin, and Gross Profit Margin.

The Corporate Tax to Turnover Ratio (CTTOR) is the most widely used analysis by the *KPP* to do benchmarking. CTTOR evaluates a company's corporation tax liability in relation to its revenue, or turnover. It indicates the percentage of the business's revenue that is allocated to paying taxes. In the point of view of the business, it is essential to comprehend and monitor the CTTOR while evaluating a company's financial situation. A high CTTOR may be a sign of operational inefficiencies or high tax obligations for the business, which might impact on its ability to compete in the market. Conversely, a low CTTOR may indicate prudent financial management and successful tax preparation techniques, which could result in increased earnings and room for expansion. Efficient management of corporation taxes is critical to optimizing earnings and guaranteeing the enterprise's sustained prosperity.

On the other hand, *KPP* views a high CTTOR of a business as a fair compliance to the tax obligations and may view a low CTTOR of a business as a sign of non-compliance to the tax obligations. Even though CTTOR cannot be used directly as a basis for determining taxes, the company can be listed in the list of targets for potential exploration prepared by the *KPP* and the *KPP* will carry out a benchmarking method as a tool to compare the financial performance of the business and explore the potential of the taxpayer through mapping the risk of tax non-compliance.

However, different industry sectors or sub-sectors may have varying profitability margins and tax implications. For example, the technology industry may have higher profitability margins due to the high demand for innovative goods and services. On the other hand, the hospitality industry may have lower profitability margins due to high operating costs and seasonality. Additionally, tax implications can vary depending on the location of the business and the specific tax laws that apply to that industry. Therefore, benchmarking ratios, namely CTTOR, may be at variance in accordance with the profitability.

Benchmark Behavioral Model is one technique to examine the potential of taxpayers through depicting the risk of non-compliance of entity taxpayers registered in the *DJP* database. Benchmark Behavioral Model is compiled by comparing the financial performance of entity taxpayers with the financial performance of similar entity taxpayer groups, namely entity taxpayers in the same business classification, registered in the same region and within the same business scale range. The financial performance is compiled in financial ratios sourced from the Annual Tax Return (SPT) of entity taxpayers.

The financial performance of companies in the same industry sector or even in the same industry sub-sector may differ significantly—which can be caused by many factors. Referring to the research result conducted by Bachtiar (2020) on manufacturing companies in the basic material and chemical sector, and the research result conducted by Raihanah et al. (2024) on manufacturing companies in the consumer goods sector, they show that profitability ratios have a significant influence towards the CTTOR and thus, it is realistic to expect that profitability is

a substantial factor that reflects financial performance and further determines benchmarking ratios. Nonetheless, in relation to the fact that financial performance of each company in the same sector or sub-sector may vary, it can be questioned whether profitability is truly one of the factors that significantly impact the CTTOR, because there are numerous factors that can affect the financial performance of a business.

This research is conducted with the objects deriving from manufacturing companies (including basic material and chemical industry sector with all of its sub-sectors, consumer goods industry sector with all of its sub-sectors, and miscellaneous industry sector with all of its sub-sectors) listed on the Indonesian Stock Exchange and the period of analysis during the year 2021-2023 because these sectors was hugely affected during the COVID-19 pandemic. Hence, it can be analyzed regarding how businesses in this industry were able to survive during the pandemic and thrive when the economic condition became more stabilized after the pandemic ended. By analyzing their CTTOR, it can provide valuable insights into how well these companies are managing their tax obligations and financial resources. This information can further show how the profitability of a business impacts its CTTOR. Thus, understanding the CTTOR using the Benchmark Behavioral Model is crucial for ensuring the overall compliance towards tax obligations of manufacturing companies in the Indonesian market.

Based on explanation above, the author decided to conduct this research with the title **“The Impact of Profitability towards Benchmark Behavioral Model”**.

1.2 Problem Formulation

Based on the background stated above, the problem formulation in this research is:

“Does profitability have significant partial impact on Benchmark Behavioral Model in manufacturing companies listed on the Indonesian Stock Exchange?”

1.3 Objective of the Research

Based on the problem statement that has been described, the objective of this research is:

“To find out whether profitability have significant partial impact towards Benchmark Behavioral Model in manufacturing companies listed on the Indonesian Stock Exchange.”

1.4 Benefit of the Research

The benefits that can be gained from this study are as follows:

1.4.1 Theoretical Benefit

The research has the ability to enhance the author's comprehension of several aspects such as profitability, sales growth, company value, complexity, size, and Benchmark Behavioral Model. Furthermore, the author hopes that this study will serve as a theoretical foundation and a source of information for other scholars wishing to study Benchmark Behavioral Model in further detail. The author also hopes that by sharing the findings of this study, more people would be aware of

how profitability affects Benchmark Behavioral Model in manufacturing companies that are listed on the Indonesian Stock Exchange.

1.4.2 Practical Benefit

1. For Researcher

It is expected that this study is able to provide information and serve as a reference in conducting studies related to Benchmark Behavioral Model for other researchers.

2. For the Government

This research was conducted with the hope that the government can comprehend better about the problems regarding Benchmark Behavioral Model applied by businesses in Indonesia.

3. For Company

For companies that are the objects of this research, it is hoped that this research can be treated as references and additional insights about the appliance of Benchmark Behavioral Model which is in accordance to the current regulations.

4. For the Author

In this research, the benefit for the author is to add knowledge, information and suggestions for the development and application of knowledge that has been received during lecture periods.

5. For Further Research

The outcomes of this research should be a reference source for further research into the effect of profitability on Benchmark Behavioral Model.

1.5 Problem Limitation

In order to avoid deviation from the research topic, the author sets some problem limitations as below:

1. The objects of this research are manufacturing companies listed on the Indonesian Stock Exchange.
2. The dependent variable is Benchmark Behavioral Model (BBM), while the primary independent variable of this research is profitability and the control independent variables are sales growth, firm size, complexity, and firm value.
3. The research data is analyzed from the period of year 2021-2023.