Advances in Business Research International Journal, Special Issue 9(2) 2023, 43 – 47
This paper has been presented in the 9th INCOMaR 2023, Kota Kinabalu, Sabah, 1 & 2 March 2023

Effect of Capital Intensity on Corporate Income Tax Payable

Ninda Setiani[1*], Any Eliza M.Ak[2], and Rosydalina Putri, M.S.Ak., Akt[3]

[1]Faculty of Islamic Economics and Bussines
Raden Intan State Islamic University, Lampung
nindasetiani863@gmail.com

[2]Lecturer Faculty Of Islamic Economics and Bussines
Raden Intan State Islamic University, Lampung
anyeliza@radenintan.ac.id

[3]Lecturer Faculty Of Islamic Economics and Bussines
Raden Intan State Islamic University, Lampung
rosydalina.putri@radenintan.ac.id

Corresponding author (*)

Received:02022023 Revised from: 07022023 Accepted:015022023
Published: 01062023

Abstract

Corporate Income Tax Payable is a tax imposed on income earned by business entities in one year. Many factors can affect corporate income tax. This study aims to analyze the effect of operational costs, profitability, and capital intensity on corporate income tax payable. The companies studied were food and beverage sub-sector companies listed on the Indonesian Sharia Stock Index (ISSI) with a sample of 20 companies for three years, the 2019-2021 period. The method used in this study is multiple linear regression analysis with the help of the SPSS 23 program. The data collection technique was carried out using documentation techniques with secondary data types, namely in the form of financial statements of food and beverage sub-sector companies listed on the Indonesian Sharia Stock Index (ISSI) for the period 2019-2021. The results of this study indicate that operational costs have a positive effect on corporate income tax payable, profitability has a positive effect on corporate income tax payable and capital intensity has no effect on corporate income tax payable.

Keywords: Operational Costs, Profitability, Capital Intensity, Corporate Income Tax Payable.

1. Introduction

Tax is one of the mandatory government policies for taxpayers to support the needs of the state. One of them is the Indonesian state which implements taxes as a means to generate domestic revenue which is expected to finance government spending and the country's progress. Therefore, the government is always trying to increase tax revenue by making improvements in all fields, from administration, and regulation, to increasing the tax base. In order for the state to be successful in carrying out its development, the assistance of a reliable financial source is therefore needed, so that everyone in society must cooperate by paying taxes to the state in accordance with statutory regulations.

In the view of Muslims, taxes are assets that are obligated by Allah SWT to Muslims to be used to meet the needs of the state and the general public when the *baitul maal* runs out or lacks funds. As Muslims in the life of the nation, we are required to comply with all laws and regulations, including the obligation to pay taxes. In Islamic rules, paying taxes is highly recommended as long as these activities are intended for the benefit of the people and in Islamic tax law.

Everyone is obliged to pay various taxes including income tax. Income tax is a tax imposed on tax subjects on income earned during a certain tax year. Thus the tax subject is subject to income tax when receiving or earning income. Entities that have received or earned income are called corporate taxpayers. Tax payable is tax that must be paid at a certain point in the tax period, tax year, or part of the year, according to the provisions of the law. Meanwhile, corporate income tax payable is a tax calculated from taxable income.

Based on the achievement of tax revenue, which is the total of all taxes in 2021, it has experienced positive growth in line with the realization of Corporate Income Tax revenue which has also increased. In 2021 the realization of corporate income tax receipts of IDR 208.38 trillion has increased, which means there has been a recovery in economic activity compared to 2020 of IDR 164.64, a contraction of -37.8%. In 2021 the realization of corporate income tax revenues grew by 21.7% which was far from 2020 growth. In 2019 corporate income tax reached 256.74 trillion or 82.41% of the 2019 state budget target of 311.55 trillion which experienced a growth of 1 .07%. This shows a slowdown in 2019, which has fallen the most with a growth of 21.79%.

The problem that occurs in Indonesia is that taxes by most people are still considered a burdensome burden, this makes people as taxpayers always try to minimize their tax burden. On the other hand, the government is always trying to generate tax revenue as much as possible in the context of carrying out national development. Differences in interests between taxpayers and the government and the ratio of tax revenues that have not reached the target can be an indication of tax avoidance activities carried out by taxpayers so that the amount of tax realization received by state taxpayers each year is not optimal.

A company is inseparable from tax obligations on income earned. Income from a company is a tax object. The company's goals are generally established to be profit-oriented or profit-oriented, for that the company will always try to maintain high profits so that it is good in the eyes of stakeholders, while taxes are a burden that can reduce profits, this is the reason companies always try to minimize the amount of tax that must be paid. Many companies are not voluntary in paying taxes. Payments are made only because of the coercive nature of taxes, that is, if the company does not pay taxes, it can be subject to sanctions that result in losses to the company.

There are various ways companies can minimize their tax burden, one of which is by taking advantage of capital intensity. One that affects the amount of corporate income tax payable is the depreciation expense of fixed assets. The proportion of fixed assets owned by a company can be measured using capital intensity. Capital Intensity or capital intensity is the activity of the company investing its funds in the form of fixed assets.

Sources of funds for a company can come from two sources, namely internal and external. Internal funding sources come from the company's retained earnings, while external funding sources can come from debt and stock issuance. In an effort to minimize the amount of tax obligations, companies tend to choose to use external funding sources in the form of debt compared to issuing shares. This is used by companies because debt activities are definitely accompanied by interest payment obligations to creditors, interest expense incurred by debt is a component of deductible expense. Deductible Expense is a fee that is allowed as a deduction from income in calculating the tax base. Thus, even though the use of debt funding sources will increase the company's burden, this burden can be used as a deduction from taxable income. If a company's taxable income is lower, the tax burden that will be borne by the company will also be lower.

This food and beverage sub-sector company is one of the mainstay sub-sectors in the manufacturing industry which has a major contribution to national economic growth and tax revenues. This can be seen from the consistent and positive results of performance achievements and share price movements, both in increasing productivity, investment, and export activities to employment absorption, this is evidenced in 2019 the food and beverage industry grew by 7.78% exceeding economic growth nationally, namely 5.02%.

Based on data from the Ministry of Industry of the Republic of Indonesia, Indonesian food and beverage products were able to record the highest export value in the manufacturing group, with an achievement of USD 27.28 billion throughout 2019. In addition, this industry is also the largest contributor of investment value in the period January to September 2019, namely at IDR 41.43 trillion. The food and beverage industry is also able to absorb the most labor force in the manufacturing sector with a total of 4.74 million people as of August 2019. The food and beverage sector is also a stock that is resilient to economic crises compared to stocks from other sectors because, in the event of a crisis, food and beverage products will still be needed because they are the basic needs of the entire community.

2. Research Methods

Quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical in nature with the aim of testing hypotheses that have been established.

This research is a descriptive analysis research, namely research to describe more thoroughly the characteristics of an effort to determine the frequency of occurrence of something or the relationship of something else and provide systematic and accurate information about the characteristics of a particular population or object. The method used in this study is the quantitative method, with the aim of testing the theory and finding out more about the causal relationship of each variable with clear, detailed, and specific data so that this research runs systematically and objectively.

Source of data in this study using secondary data sources (secondary data). Secondary data sources are sources that do not directly provide data to data collectors. The data collection method used in this research is to review the documentation of daily reports and annual reports of companies in the Food and Beverage sub-sector that are listed on the Indonesian Sharia Stock Index (ISSI) and are sampled in this study in 2019-2021. This method is done by collecting data from PT. Indonesia Stock Exchange (IDX), www.idx.co.id , and related company websites contain information on profit after tax, total equity, total fixed assets, sales, selling expenses, general administrative expenses, and corporate Pph payable. In addition, this research also uses the literature study method, namely data collection by taking data and sources of information from readings in the form of literature, books, and journals that are in accordance with the research.

The population is the area of generalization that consists of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then conclusions drawn. The population taken in this study are companies in the food and beverage sub-sector that are listed on the Indonesia Stock Exchange and are limited to companies listed on the Indonesian Sharia Stock Index (ISSI) and published financial reports as of December 31 for the 2019-2021 financial year, a total of 38 companies.

The sample is part of the number and characteristics possessed by the population. Sampling in this study uses purposive sampling method, namely the technique of determining the sample with certain considerations obtained from as many as 20 companies.

3. Result and Discussion

From the research results it is known that the capital intensity variable obtained a value obtained t-count of 1.277 < t-table 2.00172 with a significance level greater than the predetermined significance level of 0.207> 0.05 so it can be concluded that capital intensity has no effect on corporate income tax payable to companies food and beverages listed on the Indonesian Sharia Stock Index (ISSI) for the 2019-2021 period, which means H1 which states that capital intensity has a negative effect on the corporate income tax payable is rejected and it is known that there is no significant effect of capital intensity on the corporate income tax payable. Capital Intensity is a company activity to invest funds in the form of fixed assets. The company invests in fixed assets by adding buildings, land, equipment, buildings, machinery, and so on with the aim of supporting the company's operations. In addition, fixed assets are used by companies in an effort to encourage increased company profits.

Based on the agency theory of capital intensity, it places more emphasis on the amount of the company's tax burden, idle funds in the company by managers which will be invested in the form of fixed asset investment with the aim of obtaining profits in the form of depreciation expenses which can be used as a tax deduction so that taxable profits are low. However, the results of this study do not support this theory. In this study, the results obtained were that capital intensity did not affect the corporate income tax payable. This can occur due to increased capital intensity, causing an increase in the company's operational costs. The increase in operational costs is used by the company to reduce profits which are used as the basis for calculating taxes. However, companies are more interested in investing in fixed assets motivated by operational costs with the aim of increasing company profits. When companies invest in fixed assets motivated by corporate income tax, no correlation is found because there is an additional asset depreciation expense which makes the company's profits decrease so that the high or low capital intensity has no effect on the corporate income tax payable.

This research is in line with research conducted by Putra and Merkusiwati (2016) which states that Capital Intensity has no effect on Income Tax. However, this research is not in line with research conducted by Widani, Mahaputra, and Sudiartana, which stated that capital intensity has an effect on corporate income tax payable.

4. Conclusion

This research was conducted to determine the effect of capital intensity on corporate income tax payable (Case studies on food and beverage companies listed on the Indonesian Sharia Stock Index (ISSI) for the 2019-2021 period. The data in this study are secondary data that were processed using the SPSS 23 software using the multiple linear regression method, the researcher draws the conclusion that capital intensity has no effect on corporate income tax payable to food and beverage companies listed on the Indonesian Sharia Stock Index during the period 2019- 2021. The results of this study indicate that high or low capital intensity has no effect on corporate income tax payable. The advice that can be given is that it can be used as material to increase knowledge and insight regarding corporate income tax payable, companies are expected to be able to manage company assets, company operational costs, and profitability values. the company wisely and properly in order to have ratios and costs that are not too high or low in the eyes of investors. It is hoped that the next researcher will increase the observation period in order to obtain a larger sample so that the research results will be even better, examine the corporate income tax payable in other sectors so that the research object is broader and not limited so as to produce research results that are even more varied and become material for consideration. to add new variables and determine factors that can affect corporate income, such as sales variables, commercial expenses, inventories, depreciation of fixed assets, and cost of production.

References

Vindasari, Renanda. 2019. "Ratio Pengaruh Debt To Equity Ratio, Return On Asset, Dan Biaya Operasional Terhadap Pajak Penghasilan Badan Terutang (Studi Kasus Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Di Bursa Efek Indonesia Periode 2015-2017)," *Jurnal Analisa Akuntansi dan Perpajakan*, Vol. 3, No. 2, 90-97.

Laksono, Roni Dwi. 2019. "Pengaruh Struktur Modal (Leverage, Debt Equity Ratio, Long Term Debt To Asset Ratio), Profitabilitas, & Biaya Operasional Terhadap Pajak Penghasilan Badan Terhutang Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Periode Tahun 2015 – 2017," *Jurnal Ekonomika*, Vol. 14, No. 1, 26-34.

Pradana, Bayu Laksana dan Chytia. 2021. "Analisis Pengaruh Capital Intensity, Kepemilikan Institusional, Debt To Asset Ratio (DAR), dan Return On Assets (ROA) Terhadap Effective Tax Rate (ETR) Pada Perusahaan Sektor Properti Utama Yang Terdaftar Di Bei Periode 2016 -2019," *Jurnal Bina Akuntansi* 8, No. 1, 1–2.

Siregar, Hakim Lukman. 2017. "Pengampunan Pajak (Tax Amnesty) Sebagai Upaya Peningkatan Pendapatan Nasional Dari Sektor Fiskal," *Jurnal Manajemen Pendidikan Dan Keislaman* 6, No. 1, 97–105.

Gazali. 2015. "Pajak Dalam Perspektif Hukum Islam Dan Hukum Positif," *Mu'amalat* 7, No. 1, 84–10.