

## **THE EFFECT OF PROFITABILITY AND OPERATING COSTS ON CORPORATE INCOME TAX PAYABLE**

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### **Abstract**

Taxes are very influential in achieving the development of a country because taxes are the main source of income for a country. Compared to other income, taxes are a large part of state income and expenditure so that taxes have the potential to contribute to the state treasury. Income Tax is a tax imposed on a person on all income received during a tax year. One of the goals is profit. This study aims to analyze the effect of profitability and operating costs on corporate income tax in Retail Trading Companies listed on the Indonesia Stock Exchange in 2019 - 2023. The strategy utilized in this inquire about is to utilize quantitative strategy utilizing auxiliary information. The test collection procedure utilized in this ponder could be a purposive inspecting strategy which produces 8 company tests over a period of 5 a long time to get 40 test units. The speculation in this think about was tried utilizing different direct relapse examination utilizing the SPSS form 21 program. The comes about of this ponder demonstrate that benefit and working costs have a critical impact on corporate pay assess.

**Keywords:** Profitability, Operating Costs, Corporate Income Tax

### **Introduction**

Indonesia is a country that focuses on development in various fields in improving the welfare of its people. Therefore, the government needs constant funding. Taxes are a large scope of state budget revenues and expenditures so that they have the opportunity to contribute to the State treasury (Febrisari, Fenti & Wahyudi 2022). This budget is intended to meet the needs of public facilities in supporting the implementation of the government's duties to provide public services to the community (Lase, R.H. Budi & Ananda 2023). Income Tax is a tax imposed on a person on all receipts he receives during one tax year. Profit is the basis for calculation in taxable income which is then multiplied by the respective corporate tax rate in accordance with applicable laws and regulations (Nursasmitaa 2021). Therefore, it can be concluded that the amount of tax burden borne by an entity or company is related to the increase in profits received and the increase in costs incurred (Anggraini, Dina & Kusufiyah 2020).

In practice, there is a phenomenon that occurs in retail trading companies listed on the Indonesia Stock Exchange, namely in 2020 – 2021, PT Ace Hardware Indonesia Tbk, which is now known as PT Aspirasi Hidup Indonesia Tbk, experienced an increase in profitability of 0.79% and a decrease in corporate income tax of IDR 14.17 billion. Meanwhile, in 2021 – 2022, PT Erajaya Swasembada Tbk experienced a decrease in profitability by 0.2%, but corporate income tax actually increased by IDR 500.42 million. This condition is contrary to the theory where it is said that the higher the level of profitability of a company, the higher the corporate income tax that will be imposed by the company, and vice versa (Kismanah 2020).

In 2020 – 2021, PT Ace Hardware Indonesia Tbk experienced a decrease in operating costs of IDR 367.12 billion and a decrease in corporate income tax of IDR 14.17 billion. Meanwhile, in 2021 – 2022, PT Erajaya Swasembada Tbk experienced an increase in operating costs of IDR 451.04 billion, which was followed by an increase in corporate income tax of IDR 500.42 million. This is contrary to the theory that the greater the level of operational expenses, the smaller the tax level that will be borne by the company, and vice versa (Kismanah 2020).

Based on what has been explained, research on the impact of profitability and operational costs on Corporate Income Tax is still needed because there is a discussion regarding the relationship between the three. The purpose of this study is to identify the factors that affect Corporate Income Tax.

## **Literature Review**

### *Profitability*

According to Saogo, Rasmin & Ananda (2024) Profitability is a financial ratio to determine the company's capacity with the aim of obtaining profits based on the capital needed to obtain the profit. Profitability represents the company's performance in obtaining profits. Corporate profit is one of the key measures in measuring the success and performance of a business. This reflects the amount of money left over after all expenses and expenses have been deducted from income. Profit is not only a financial indicator, but also an important signal about a company's ability to make a profit from its operations (Sari, Laynita & Ananda 2023). According to research Utami, Nunuk Tri & Ananda (2023) The higher the profit of an entity, the better, illustrating that the company has a decent presentation in creating profits both in terms of agreements and personal capital.

Profitability is also the ability of a company to balance its working capital with available cash. The measure of the form of percentage, which is based on the ability to earn profits, is used in finding the value of a company in order to generate profits. The goal of management is to determine profitability by utilizing the profitability ratio in determining the potential profit for the company. When a company's management performs better in managing its operations, its profitability increases. Businesses with low profit margins cannot pay dividends because they have high investment requirements that significantly reduce their company's revenue (Alisha, Viola & Ananda 2023).

Research conducted by Hendrik, Ardins Christian Selfhana & Ward (2021), Naibaho and Sudjiman (2019), Winda & Sari (2023), Nursasmitaa (2021) and Anggraeni, Novita Ayudiya & Arief (2022) states that profitability has a positive influence on corporate income tax. The magnitude or size of the upper level of operational costs will affect the amount of debt value that must be paid. If the number of operational benefits increases, the amount of costs that must be

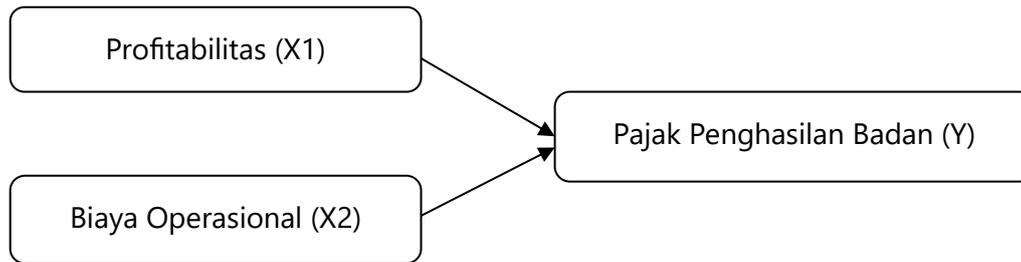
borne will be higher, and vice versa, if the number of operational benefits decreases, the estimated amount that must be paid will be lower. Sales in the company are greatly influenced by consumers, because of the presence of consumers, the company makes profits, so the company is obliged to improve services to consumers. The same is true for companies that are responsible for taxation. This means that the company pays taxes according to the earnings. This research is in line with Aprianto & Solehayana (2022) If the level of productivity increases, the burden that will be borne will be even greater. In contrast to companies whose productivity has a lower level, because corporate income tax is calculated based on the size or small level of income earned by the company.

Based on the explanation above, it can be concluded that this result is consistent with this study, if the company has an increase in profitability, then directly the tax burden that will be borne by the company will also increase. From these conditions, the income tax imposed will be even greater. Some of these assumptions, the researcher proposes a hypothesis that will be empirically proven: H1 = Profitability has a positive effect on corporate income tax

### *Operational Costs*

Operational costs are the company's obligation to incur costs on an ongoing basis that are not directly related to the product but are related to daily activities (Naibaho and Sudjiman 2019). Operational costs are costs that have a significant impact on the achievement of the company's goals, namely generating operating profits. In short, the goods produced by the company through a rigorous manufacturing process must get into the hands of consumers through carefully considered and attractive activities. Without targeted operational activities, the goods produced will not provide any benefits to the company. In general, operational costs are divided into 2 parts, namely marketing costs and general administration costs (Savitri 2016) . Research conducted Winda & Sari (2023), Aprianto & Solehayana (2022), Nursasmitaa (2021), Anggraini, Dina & Kusufiyah (2020)and Kismanah (2020) It shows that operational costs have a positive effect on corporate income tax. The greater the operational costs incurred by a company to create a product or profit, the greater the trade profit obtained by the company in that period. With the increase in trading costs, the operational costs incurred by the company can be guaranteed, in the form of large trade profits so that the cost burden incurred is also large. If these costs are higher, then the sales tend to be higher. Therefore, with the increase in sales, the profits received tend to increase as well, which means that the income tax paid by the company also increases. This is supported Aprianto & Solehayana (2022) Good operational administration can increase the company's profits so that the amount of costs owed becomes large, but if the operations carried out by toll administration become wasteful, then indeed even though the company has a high salary, the burden of costs owed is not good because of the company's high operational costs.

Based on the above statement, it can be concluded that if the operational costs incurred by the company are larger, the income tax rate that will be borne by the company will decrease. Some of these assumptions, the researcher proposes a hypothesis that will be empirically proven: H2 = Operational Costs Have a Positive Effect on Corporate Income Tax.



**Figure .1**  
**Conceptual Framework**

## **Research Methodology**

### *Population and Sample*

According to Sahir (2021) Population refers to the overall group of people, events, or interests that you want to investigate. The population used in this study is Retail Trading Companies listed on the Indonesia Stock Exchange in the observation period of 2019 – 2023. The technique used in sampling in this study is the *purposive sampling*. There are several criteria used in selecting the sample, namely Retail Trading Companies listed on the Indonesia Stock Exchange, Retail Trading Companies that provide or have published complete financial statements, and Retail Trading Companies that do not suffer losses in the 2019 – 2023 period.

### *Variable Operational Definition*

#### *Profitability*

The formula used in measuring profitability is based on research conducted previously by Prativi (2016) Profitability itself is measured from the net profit generated by a company. Net profit shows what goals a company achieves over a year or a certain period and can be used as a tool to measure the profitability of a company.

Formula : Profitability = Net Profit

#### *Operational Costs*

The formula used to measure operational costs is based on research previously conducted by Hendrik, Ardins Christian Selfhana & Ward (2021) Operational Costs are all costs incurred by the company related to the company's operations outside of the production process activities.

Formula : Sales Costs + Administrative and General Fees

#### *Corporate Income Tax*

The formula for calculating corporate income tax is based on research previously conducted by Hendrik, Ardins Christian Selfhana & Ward (2021) Regulations regarding Income Tax contained in article 2 paragraph 1 interpret that income tax is a tax that must be paid by taxpayers on all income earned both from within and outside the country.

Formula : Fiscal Profit x Corporate Income Tax Rates

*Analysis Techniques*

The data analysis technique used is a descriptive analysis technique. There are classical assumption tests such as normality tests, multicollinearity tests, and heteroscedasticity tests. The feasibility test of the model includes the T test and the determination coefficient test (R2 Test). Hypothesis testing was carried out by multiple linear regression method. The formulation of the multiple linear regression equation is systematically formulated as follows:

$$PPh = \alpha + \beta_1 LB + \beta_2 BO + e$$

**Results And Discussion**

*Descriptive Statistics*

Before analyzing the research variables, the SPSS 21 statistical formula was first tested. First, a description of the data of each research variable is carried out to provide an overview of each variable studied. Table 2 Descriptive analysis of the research sample data further analyzed shows that the standard deviation of the profitability variable (X1) is 1.81713. The operational cost variable (X2) is given a standard deviation of 1.81329. Meanwhile, the corporate income tax variable (Y) reached a standard deviation of 1.73976.

**Table. 2**  
**Results of Descriptive Analysis**  
**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	38	21.78	28.88	26.1758	1.81713
Biaya_Operasional	38	24.29	30.62	27.9413	1.81329
Pajak_Penghasilan_Badan	38	21.13	27.57	24.9517	1.73976
Valid N (listwise)	38				

Source : Output of SPSS 21, Secondary Data processed, 2024

*Normality Test*

A data normality test was carried out to determine whether the bound variable and the free variable in a regression model were distributed normally or not (Sahir 2021). According to Cahyono (2015) There are two ways to test data normality, namely using the Kolmogorov Smirnov test and Shapiro Wilk. The results of the normality test in this study are presented in the following table:

**Table. 3**  
**Normality Test Results**  
**Tests of Normality**

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Mr.	Statistic	df	Mr.

Standardized Residual	.127	38	.125	.947	38	.069
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a. Lilliefors Significance Correction

Source : Output of SPSS 21, Secondary Data processed, 2024

Based on Table 3, the results of the Kolmogorov-Smirnov residue analysis showed a significance value of 0.125 greater than 0.05, and the results of Shapiro-Wilk residue analysis showed a significance value of 0.069 greater than 0.05. Therefore, because the significance value is greater than 0.05, it can be concluded that the data used to calculate the research variables has been distributed normally.

**Multicollinearity Test**

According to Sahir (2021) The multicollinearity test stage to check whether there is a correlation between bound or free variables in the regression model. A good model has no correlation between independent variables. The results of the multicollinearity test in this study are presented in the following table:

**Table. 4**  
**Multicollinearity Test Results**

Model	t	Mr.	Collinearity Statistics	
			Tolerance	BRIGHT
1 (Constant)	-1,320	,195		
Profitability	27,120	,000	,217	4,603
Biaya_Operasional	3,813	,001	,217	4,603

a. Dependent Variable: Pajak\_Penghasilan\_Badan

Source : Output of SPSS 21, Secondary Data processed, 2024

From the results of the data output in Table 4, it is found that the VIF value of the profitability and operational cost variables is less than 10 ( $< 10$ ), this means that there is no multicollinearity.

**Heteroscedasticity Test**

Heteroscedasticity test to detect variant unevenness between observation residues. This test is carried out with the Glejser test (Sahir 2021). The test results are as follows:

**Table. 5**  
**Heteroscedasticity Test Results**

Model	t	Mr.
1 (Constant)	2,630	,013

	Profitability	,388	,700
	Biaya_Operasional	-1,245	,222

a. Dependent Variable: ABS\_Res

Source : Output of SPSS 21, Secondary Data processed, 2024

Based on table 5, it shows that the profitability variable (X1) has a significance value of 0.700 (>) greater than 0.05, and the operational cost variable has a significance value of 0.222 greater (>) than 0.05. It can be concluded that there is no heteroscedasticity because all independent variables have a significance value greater than 0.05, so it can be said that the Classical Assumption Test is fulfilled.

*T-Test*

According to Sahir (2021) The t-test aims to measure the influence of independent variables (X) individually on dependent variables (Y). The results of the T test in this study are presented in the following table:

**Table 6**  
**T Test Results**

	Model	t	Mr.
1	(Constant)	-1,320	,195
	Profitability	27,120	,000
	Biaya_Operasional	3,813	,001

a. Dependent Variable:  
Pajak\_Penghasilan\_Badan

Source : Output of SPSS 21, Secondary Data processed, 2024

To find t the table by utilizing the number of samples (n) = 38, the total independent variables (k) = 2, the significance level (a) = 0.05. So it is known that the value of free degree (db) = n-k-1, which is 38 – 2 – 1 = 35, using the t distribution table and the significance level of 0.05 obtains the t-value of the table of 2.0301, then it is known that the results of the t test are as follows:

- 1) The profitability variable, a significant value of 0.000 is smaller than the probability value of 0.05 (0.000 < 0.05) then H1 is acceptable, the profitability variable t is calculated at 27.120 based on t table 2.0301, so t is calculated greater (>) than t table. Therefore, it can be concluded that the profitability variable has a positive influence on Corporate Income Tax.
- 2) The variable of operational costs, the value of sig 0.001 is smaller than the probability value of 0.05 (0.001 < 0.05) then H2 is acceptable, the variable of operational costs t is calculated at 3.813 where t table is 2.0301, so t is greater (>) than t table. Therefore, it can

be concluded that the variable of operational costs has a positive influence on Corporate Income Tax.

*R2 Determination Test*

The determination coefficient ( $R^2$ ) is used to assess the extent to which the model can explain variations in dependent variables Sahir (2021). The results of the  $R^2$  determination coefficient test in this study are presented in the following table:

**Table. 7**  
**R2 Determination Test Results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.996a	.992	.991	.16084

a. Predictors: (Constant), Biaya\_Operasional, Profitabilitas

Source : Output of SPSS 21, Secondary Data processed, 2024

Based on table 7, the output results in this study show that the coefficient value of the independent variable is 99.1%, while the remaining 0.9% is caused by other factors outside this study

*Multiple Regresion Linear Analysis*

According to Sahir (2021) The purpose of multiple regression analysis is to measure the intensity of the relationship between two or more variables. The results of the multiple linear analysis in this study are presented in the following table:

**Table 8**  
**Multiple Linear Regression Analysis Test Results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Mr.
		B	Std. Error	Beta		
1	(Constant)	-.542	.411		-1.320	.195
	Profitability	.847	.031	.884	27.120	.000
	Biaya_Operasional	.119	.031	.124	3.813	.001

a. Dependent Variable: Pajak\_Penghasilan\_Badan

Source : Output of SPSS 21, Secondary Data processed, 2024

From table 8, the multiple linear equation can be arranged as follows: Corporate Income Tax =  $-0.542 + 0.847 LB + 0.119 BO + e$ . The regression coefficient in profitability is 0.847, which shows a positive direction, explaining that if the profitability variable increases resulting in

corporate income tax, there will be an increase of 0.847 with the budget of other independent variables constant. The regression coefficient in operating costs is 0.119, which shows a positive direction, showing that if the variable of operational costs increases, then the corporate income tax (PPh) will also increase by 0.119 with other independent variables estimated to be stable.

### *Discussion*

#### *Effect of Profitability on Corporate Income Tax*

The results of the regression test in the study stated that the acquisition of a significance value of 0.000 for profitability was less than the significance level ( $\alpha=5\%$ ). The results of the first hypothesis test (H1) are acceptable. The profitability study explained in net profit has a significant influence on the positive relationship with corporate taxes in retail trading companies listed on the Indonesia Stock Exchange from 2019 to 2023. Profitability affects the application of corporate income tax on retail trading businesses. Profitability measures a company's performance in generating profits, and an increase in profits indicates superior ability and performance. The higher the profit target level, the better the company's performance will be.

This condition is in line with research conducted by Anggraeni, Novita Ayudiya & Arief (2022), Hendrik, Ardins Christian Selfhana & Ward (2021), Naibaho and Sudjiman (2019), Winda & Sari (2023), Nursasmitaa (2021) which explains that the high level of profit earned by a company, the higher the level of income tax burden.

#### *Effect of Operational Costs on Corporate Income Tax*

The results of the regression test in the study stated that the acquisition of a significance value of 0.001 for operational costs was less than the significance level ( $\alpha=5\%$ ). The results of the first hypothesis test (H2) are acceptable, meaning that operational costs have a positive effect on corporate income tax in retail trading companies listed on the Indonesia Stock Exchange in 2019-2023. Changes in operating costs affect the amount of corporate taxes. Operational costs can reduce tax profits, so the higher the operating costs, the greater the tax reduction.

This condition is in line with research conducted by Winda & Sari (2023), Naibaho and Sudjiman (2019), Nursasmitaa (2021), Anggraini, Dina & Kusufiyah (2020), Kismanah (2020) which explains that operational costs are closely tied to income tax because of the deduction of taxable income, such as sales expenses, administrative and promotional costs. The higher the profit obtained by the company, the higher the company's operational costs and this will also affect the amount of tax that will be paid.

## **Conclusion And Recommendation**

### ***Conclusion***

Based on the results of the research and discussion above, it can be concluded as follows:

- a) The Profitability variable has a positive and significant effect on corporate income tax in retail trading companies listed on the Indonesia Stock Exchange in 2019 – 2023.
- b) The Operational Cost Variable has a positive and significant effect on corporate income tax on retail trading companies listed on the Indonesia Stock Exchange in 2019 – 2023

### ***Recommendation***

From the conclusion of the results of the study, some suggestions that can be given to the relevant parties in the study are as follows:

- a) Use measurements that are valid and have been used by previous research, such as using nominal or monetary units. If the data is not normally distributed in the normality test, a data transformation can be performed to normalize the distribution.
- b) Using research sample data of at least 100 (one hundred) data, this is because the more data collected, the more representative the sample being studied, the level of uncertainty decreases.
- c) Identify outliers first by using a boxplot or scatter plot. If the outlier is not logically justified, consider removing or adjusting the value.

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