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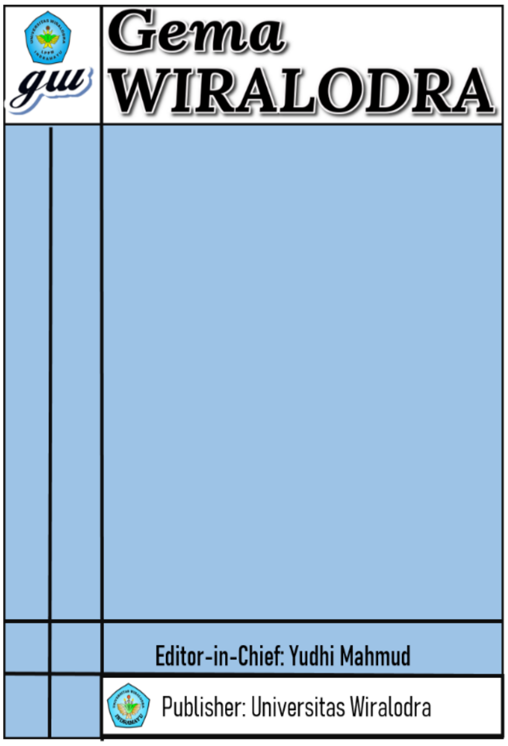

Effect of Capital Structure, Profitability, and Operational Costs on Corporate Income Tax Payable

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Orginal Article

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Abstract
Previous or relevant research is fundamental in a study or scientific article. Previous or relevant research strengthens the theory and phenomenon of the relationship or influence between variables. This article reviews the factors that affect corporate income tax payable, namely capital structure, profitability, and operating costs, a study of the Tax Accounting literature. This article aims to build a hypothesis on the influence between variables to be used in further research. This literature review article results are: 1) capital structure influences the corporate income tax payable; 2) profitability affects the corporate income tax payable; and 3) operating costs affect the Corporate Income Tax Payable.
Keyword: corporate income, tax payable, capital structure, profitability, operating costs

1. Introduction

The optimism reflected in the 2023 state revenue target of IDR 2.463 trillion indicates the condition of the Indonesian economy, which is recovering. The contribution to state revenues is mainly obtained from tax revenues projected to grow by 5% from 2022 to IDR 2,021.2 trillion (Tim Kementerian Keuangan, 2023). Tax revenues consist of income tax (PPh), value-added tax (PPN), land and building tax (PBB), and other taxes, where one of the most significant contributors is Corporate Income Tax deposits (Jubaedah et al., 2022).

From the history of achieving Corporate Income Tax receipts in Indonesia from 2018 to 2022, it is known that only in 2022 has the realization of Corporate Income Tax payments exceeded the set target.

Figure 1
Historical Data on Corporate Income Tax Receipts (In Trillion Rupiah)

PPh Badan	2018	2019	2020	2021	2022
Target	269.36	311.55	224.54	215.09	257.38
Realisasi	254.02	256.74	158.04	198.55	340.81
Capaian	**94.31%**	**82.41%**	**70.38%**	**92.31%**	**132.42%**

Source: Directorate General of Taxes Performance Report 2018-2022

Various factors influence the fluctuation in revenue. This paper will present several articles that discuss matters that affect the corporate income tax payable from the perspective of an entity or company. This aims to make it easier for lecturers, students, researchers, and other functional staff to find relevant articles to strengthen the theory under study, see the relationship or influence between variables, and determine hypotheses. This article will discuss the effect of capital structure, profitability, and operating costs on corporate income tax payable, a *literature review study* in tax accounting.

Based on the background, the problems that will be discussed can be formulated in order to build hypotheses for further research, namely:
1) Does the capital structure affect the corporate income tax payable?
2) Does profitability affect the Corporate Income Tax payable?
3) Do operating costs affect the corporate income tax payable?

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2. Method

The method of writing scientific articles is a qualitative method and library *research.* Examine the theory and the relationship or influence between variables from books and journals offline in the library and *sourced* from *Mendeley, Scholar Google,* and other online media. In qualitative research, a literature review must be used consistently with methodological assumptions. This means that it must be used inductively so that it does not direct the questions posed by the researcher. One of the main reasons for conducting qualitative research is that it is exploratory (Ali & Limakrisna, 2013).

3. Discussion

Based on relevant theoretical studies and previous research, the discussion of *this literature review article* in the tax accounting concentration is:

Effect of capital structure on Corporate Income Tax payable

The capital structure proxied by *the Debt to Asset Ratio (DAR)* and *the Debt to Equity Ratio (DER)* hurts corporate income tax payable to companies (Nursasmita, 2021). The results of this study are supported by (Dongoran, 2022) stating that capital structure harms corporate income tax payable to Liquid 45 (LQ45) companies listed on the IDX for the 2016-2020 period.

Rodoni in Dongoran (2022) states that according to *the pecking order theory*, if internal financial conditions are insufficient, the company will sequentially use internal funding first, issue debt, and finally issue shares. It can be concluded that companies tend to take on debt compared to issuing shares when the company's financial condition could be better. With the increasing amount of debt the company owns, it will impact increasing loan interest expenses, reducing the taxable income and corporate income tax owed.

However, research (Simanjuntak et al., 2023), (Hazanah & Hasanuh, 2022), and (Sumarta & Intan, 2020) found that capital structure has no effect on corporate income tax payable. This can be explained by the argument that the Directorate General of Taxes in Article 2 paragraph (1) of the Minister of Finance Regulation Number 169/PMK.010/2015 has regulated that the ratio between money and capital used for the calculation of Income Tax is set at a maximum of four to one (4:1). Therefore, an increase in the company's DER does not necessarily affect corporate income tax due to the DER limit of 4:1. If the company records a DER > 4. The difference in borrowing costs must be subject to positive fiscal correction and cannot be calculated based on PPh calculations.

Effect of profitability on corporate income tax payable

The study results conclude that profitability, as explained by the *gross and operating profit ratios,* affects the corporate income tax payable (Salamah et al., 2016). Several studies that support the link between profitability and corporate income tax payable include (Nursasmita, 2021), (Dongoran, 2022), (Winda & Sari, 2023), (Simanjuntak et al., 2023), (Anggraeni & Arief, 2022), and (Sumarta & Intan, 2020).

The results of this study indicate that companies that earn high profits will also perform better income tax compliance (Dongoran, 2022). Efforts to add sales volume or efficiency to operational costs will increase operating profit, positively correlating to the increase in Corporate Income Tax remitted to the state.(Salamah et al., 2016)

Research results with different conclusions are conveyed by (Andoko & Angeline, 2023)stating that profitability proxied by *the Operating Profit Ratio* is negatively correlated *(inverse)* and insignificant to corporate income tax payable. This was due to a (negative) fiscal correction which reduced the net budgetary income of the infrastructure and transportation services companies that were the study's sample.

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Effect of operating costs on corporate income tax payable

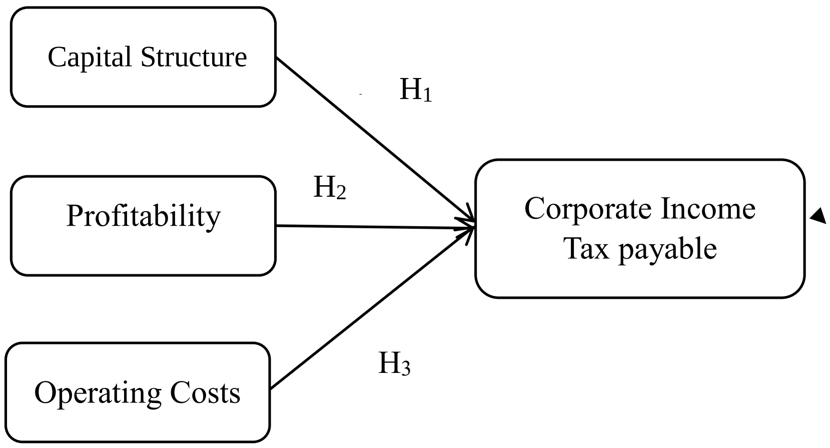
Research shows that operating expenses *(operating expenses)* affect the corporate income tax payable (Hazanah & Hasanuh, 2022). Operational costs are a deduction in calculating fiscal profit. Still, on the other hand operational costs will be correlated with the sales volume accompanied by profits earned at a specific time (Salamah et al., 2016). So, it can be concluded that the higher the total costs will tend to increase sales volume which has an impact on growing profits and corporate income tax payable (Nursasmita, 2021). The results of this study are in line with research conducted by (Nursasmita, 2021), (Salamah et al., 2016), (Andoko & Angeline, 2023), and (Anggraeni & Arief, 2022).

Different conclusions were generated from research conducted by (Dongoran, 2022)and (Sumarta & Intan, 2020), which concluded that operational costs did not affect corporate income tax. The results of this study are explained by using agency theory, in which agents will prioritize the interests of owners who want large profits by minimizing costs caused by operating activities, especially the corporate income tax burden payable (Dongoran, 2022).

Conceptual framework

Based on the formulation of the problem, theoretical studies, relevant previous research and discussion of the influence between variables, the framework for thinking of this article is processed as below.

Figure 2
Conceptual framework



Conceptual framework picture above, capital structure, profitability, and operating costs affect the Corporate Income Tax payable. Apart from these three exogenous variables that affect corporate income tax payable, many other variables influence them, including:

a) Earnings Management: (Anggraeni & Arief, 2022)
b) Net Sales: (Sumarta & Intan, 2020)
c) Liquidity Ratio: (Sumarta & Intan, 2020)
d) Deferred Tax : (Hani, 2007)

4. Conclusion

Based on the theory, relevant articles, and discussion, hypotheses can be formulated for further research: (1) the capital structure affects the corporate income tax payable, (2) profitability affects the corporate income tax payable, and (3) operating costs affect the Corporate Income Tax payable. Based on the conclusions above, this article suggests that many other factors affect the corporate income tax payable, apart from the capital structure, profitability, and operating

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costs at all types and levels of organizations or companies. Therefore, further studies are still needed to look for other factors affecting the corporate income tax payable apart from the variables examined in this article. Other factors such as earnings management, net sales, liquidity ratios, deferred taxes.

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