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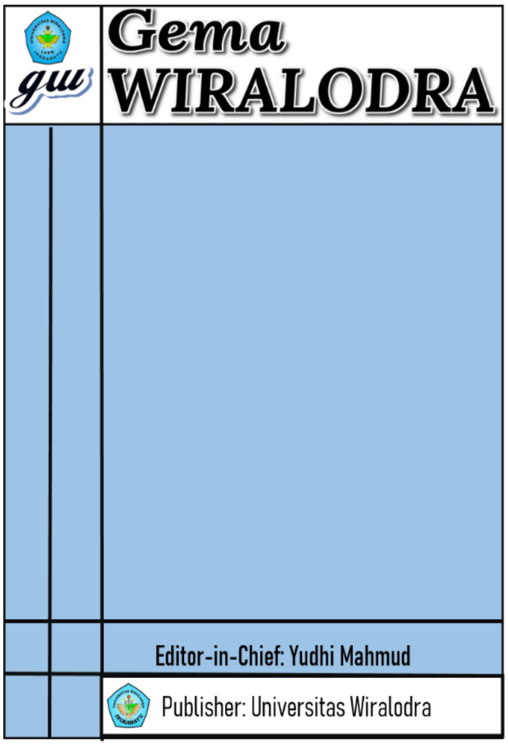

Factors affecting corporate income tax payable: solvability, debt-to-equity ratio, and profit management

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Orginal Article

Factors affecting corporate income tax payable: solvability, debt-to-equity ratio, and profit management

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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 influencing corporate income tax payable, namely Solvability, Debt to Equity Ratio, and Earnings Management, a literature study on tax accounting. This article aims to build a hypothesis on the influence between variables to be used in further research. The results of this literature review article are: 1) Solvability affects corporate income tax payable; 2) Debt to Equity Ratio affects the Income Tax Payable; and 3) Profit Management has a significant effect on Corporate Income Tax Payable.
Keywords: Corporate Income Tax**,** Solvency, Debt to Equity Ratio, Profit Management

1. Introduction

In the current era of globalization, many countries, including Indonesia, face a developing and dynamic economy. Along with the times, to meet the needs of society, a country does not only make natural resources the primary source of income. One form of the government's efforts to obtain state revenue is by carrying out economic development in the industrial sector and receiving taxes paid by taxpayers in Indonesia, which is one of the financial contributors in Indonesia.

Taxes have made a significant contribution over the last few years, which can be used to finance national activities and national development to improve the country's economy. Tax revenue reached IDR 1,147.5 trillion or 89.4% of the 2017 State Budget target (www.kemenkeu.go.id). This is because relatively high corporate or corporate income will result in high-income tax. The bigger the business, the more taxes it generates. Because they can generate high income, they can generate high taxes, especially for businesses that have gone public such as companies in the mining sector and other areas of the economy. Their taxes can reach billions or even trillions of rupiah in one accounting period. However, over time, the corporate income tax can be reduced by paying interest on the company's debts to third parties. Therefore, debt is one of the most important things to ensure the business survives. Even debt, both in the short and long term, can be a component of the company's funding or capital.

According to (Nanda, 2019), the income tax law in Indonesia regulates income tax on tax subjects relating to income received or earned in a tax year. So that the tax subject is subject to income tax if he receives or earns income. In this case, there are several ways for companies to legally minimize the tax burden. One of them is by strengthening solvency or the level of use of debt which is calculated by solvency, debt-to-equity ratio, and earnings management in order to obtain maximum profit.

This article will discuss the factors that influence corporate income tax payable. This aims to make it easier for lecturers, students, researchers, and other functional staff to find relevant articles to strengthen the theory under study in order to see the relationship or influence between variables and determine the hypothesis. This article discusses the effect of solvency, debt-to-

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equity ratio, and earnings management 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 to build hypotheses for further research, namely:

1) Does Solvability affect the corporate income tax payable?
2) Does Debt to Equity affect the corporate income tax payable?
3) Does earnings management affect the corporate income tax payable?

2. Method

Qualitative methods and library research are used as methods for writing scientific articles. Research on theories and relationships or effects between variables in books and journals both offline in libraries and online through Mendeley, Google Scholar, and other online media. Good review literature does not just summarize various scientific sources, but good review literature is scientific work that is able to analyze, synthesize and evaluate critically to provide a clear picture and information on a topic/problem/method (Hart, 2018).

3. Discussion

Based on relevant theoretical studies and previous research, the discussion of this literature review article is in the concentration of Corporate Income Tax Payable.

Effect of Solvency on Corporate Income Tax Payable

(Anam. Chairul & Zuardi, 2018) researching to determine the effect of the solvency ratio on corporate income tax payable, this study used a purposive sampling technique and data collection techniques using secondary data types. The study population is all companies in the mining sector listed on the Indonesia Stock Exchange (IDX) from 2011 to 2016. The trial results show that the solvency ratio affects corporate income tax payable in the mining sector.

The results of the study show that if the solvency ratio increases by 1% and other variables are held constant, the corporate income tax payable in the mining industry will increase by 0.025 or 2.5%, and vice versa. The corporate income tax payable, which is caused by the large percentage of the liquidity ratio, will also increase or decrease. The solvency level of mining companies remained around 0.82, indicating that most of their funding comes from debt. This allows companies to obtain low corporate income tax, even though there are companies with negative solvency rates. . This negative number comes from very low capital or even minus, and the overall debt obtained is high. Therefore, a negative figure in the solvency ratio comes from capital, resulting in a negative ratio and this can have a very bad impact on the company. So, it can be concluded that the higher the level of solvency (debt to equity ratio), the higher the amount of corporate income tax paid by companies from the mining sector, and vice versa. However, research by (Fatma, 2021) shows different research results, namely, solvency does not affect corporate income tax payable.

Debt to Equity Ratio to Corporate Income Tax Payable

Digdowiseiso (2021) by using secondary data types derived from annual reports from LQ45 companies listed on the Indonesia Stock Exchange from 2015 to 2019 with 50 financial reports. Generates a hypothesis that the Debt to Equity Ratio 9DER) has a positive effect on corporate income tax payable. Based on the results of the analysis of data testing that has been carried out, it is known that the Debt to Equity Ratio (DER) results have a sig value of 0.000 <0.05 so this shows that H0 is rejected and H1 is accepted. This condition indicates that the Debt to Equity Ratio (DER) has a positive and significant effect on corporate income tax payable.

The results of this study are in line with research conducted by those (Fatma, 2021)who stated in their research that the Debt to equity ratio has a negative and significant effect on

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corporate income tax payable. If the funds provided by investors are higher, the ratio level will also increase, the difference is the interest costs of the loan with the dividends paid by the company to investors. Supported by the theory of capital structure, namely the theory of trade off has an impact or benefit to reduce taxes (Irfani, 2020, p. 32). The results of this study are inconsistent with the results of research conducted by (Nim, 2015)which states that the Debt to Equity Ratio has no significant effect on the variable Income Tax (PPh) Payable.

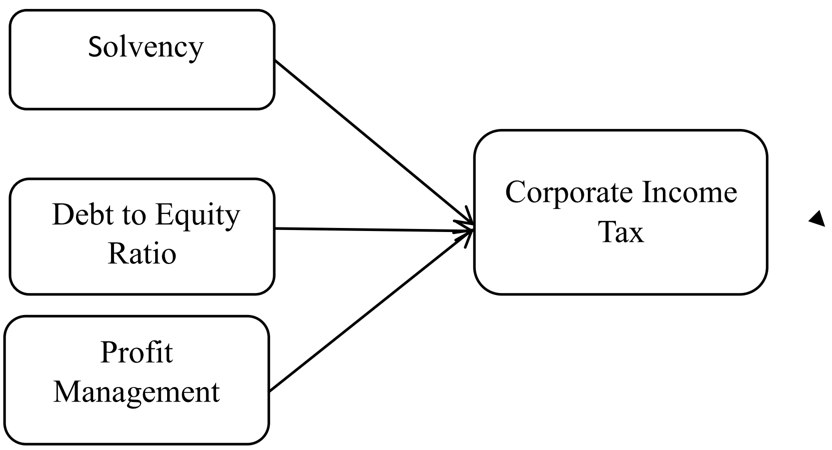
Effect of Profit Management on Corporate Income Tax Payable

Nim (2015) by using a descriptive research method with a quantitative approach, the sampling technique used a purposive sampling technique with the criteria of property and real estate companies listed on the IDX during the 2013-2014 period. To get the results of the study, that the earnings management variable partially has the direction of the regression coefficient and the resulting significance value is smaller than the supposed significance level (0.442 <2.200), so that the hypothesis can be rejected, namely the earnings management variable does not have a significant effect on the variable Corporate Income Tax payable, however This study supports research conducted by (Anggraeni & Arief, 2022) which states that earnings management does not significantly influence the company's debt agency income.

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 about this article is processed as follows.

Figure 1
Conceptual framework



Conceptual framework picture above, Solvability, Debt to Equity Ratio, and Profit management effect on Corporate Income Tax Payable. Apart from these three exogenous variables that affect corporate income tax payable, there are several other variables that influence them, namely:

a) Gross Profit Margin : (Sa'adah & Tyas, 2020; Vindasari, 2019)
b) Operating costs: (Vindasari, 2019)
c) Return on Assets: (Digdowiseiso, 2021)
d) Current Ratio : (Sa'adah & Tyas, 2020)

4. Conclusion

Based on the theory, relevant articles and discussion, hypotheses can be formulated for further research: (1) Solvency has an effect on Corporate Income Tax Payable; (2) The Debt to

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Equity Ratio affects the Corporate Income Tax Payable; (3) Profit Management has an effect on Corporate Income Tax Payable.

Based on the conclusions above, the suggestion in this article is that there are still factors such as earnings management, the debt to equity ratio does not fully have a significant effect on Corporate Income Tax. Therefore further studies are still needed to find out what factors only those that can affect Corporate Income Tax outside of the variables examined in this article. These other factors can be in the form of Gross Profit Margin, Operating Costs, Return on Assets, and Current Ratio.

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