

The Influence of Tax Management and Debt on Profitability on Consumer Goods Companies Listed on The Indonesian Stock Exchange for The Period 2019-2022

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ABSTRACT

The purpose of this study was to determine the effect of tax management and debt on profitability in consumer goods companies listed on the Indonesian Stock Exchange (IDX) in 2019-2022. The population of study is all consumer goods companies listed on the Indonesian stock exchange in 2019-2022, namely 41 companies. The sampling method used purposive sampling so that a sample of 29 companies was obtained. Data analysis used multiple regression analysis using the SPSS version 24 program. The results showed that tax management has no significant effect on profitability. Then debt has a positive and significant effect on the profitability. Finally, it was found that tax management and debt simultaneously affect the profitability of consumer goods companies listed on the Indonesia Stock Exchange for the period 2019-2022.



INTRODUCTION

The high target of the State Revenue and Expenditure Budget (APBN) from the tax sector set by the government, encourages companies to carry out tax management. The large number of companies that want to suppress their tax obligations causes a difference between the calculation of the tax burden set by the rates in the law and what is reported in the company's financial statements (Hati et al., 2018). Tax management is the process of organizing a taxpayer's business whose ultimate goal is to cause tax debt, both PPh and other taxes, to be in a position as minimal as possible, as long as this is still within the applicable tax regulations (Khoiriyah & Kartika., 2020). All companies, regardless of size, need to take tax management seriously because it can have a significant impact on a company's financial performance and reputation. That's why effective tax management is so important in today's business world.

The consumer goods sector company is one of the companies with a fairly high debt ratio in Indonesia. This is as stated by PT Indo Premier Sekuritas analysts that the three sectors that have high debt ratios are consumer, construction, and banking, but the banking sector gets an exception, because it has a business model in the form of savings and loans. Funds from customers or third party funds (DPK) are counted as debt. As a result, the bank's Debt to Equity Ratio (DER) is high, but this condition is very reasonable. The continuous increase in debt to consumer goods companies is also revealed in Aulia et al. (2021) that in 2017-2019 the liabilities of consumer goods companies have increased every year. Among them namely, PT. Martina Berto Tbk. Experiencing an increase in liabilities of 0.35%, Unilever Indonesia Tbk. experienced an increase in liabilities of 1.16%, and the largest increase in liabilities was obtained by PT. Prasadha Aneka Niaga Tbk. 1.47%. Increasing liabilities that continuously increase can endanger the company and will have an impact on decreasing

the company's stock price. Upaya manajemen perusahaan dalam memaksimalkan laba, antara lain dapat dilakukan dengan tax avoidance dan mengatur rasio hutang. This can increase the net profit available to the company. Some companies may use aggressive tax avoidance strategies to reduce their tax liability. This can increase the net profit in the financial statements. However, actions of this kind often come to the attention of tax authorities and can carry reputational risks.

Profitability is the ability of a business entity to make a profit (Sianturi & Rinendy., 2023). If profitability is negative, then it displays a business entity that is experiencing losses, but if profitability is positive, then it can be said that the company is making a profit (Zhandra, 2021). The use of debt on a reasonable scale can help companies expand operations and invest in projects that can increase revenue and profits. This can increase long-term profitability. Debt is an amount of money given to the company to be used as capital which will then be paid in the future (Saptiani & Fakhroni., 2020). Based on the existing phenomena, the authors are interested in conducting research on the variable profitability as the dependent variable, while for the independent variables, the authors are interested in using the variables Tax Management and Debt.

LITERATURE REVIEW

Tax Management

Kohlhase and Pierk (2020) When a multinational corporation (MNC) is subject to the world's taxation system to reduce taxes on its overseas subsidiaries, the parent company will generally be subject to additional taxes so foreign income is returned. Given the additional home country taxation after repatriation, worldwide tax systems can reduce incentives for multinational corporations to manage the taxes of their overseas subsidiaries. In contrast, if the parent company is subject to the territorial taxation system, that is, the tax management behavior of overseas subsidiaries does not affect the domestic tax obligations of the parent company, and the MNC can fully benefit from tax deductions when repatriating overseas earnings.

Kohlhase and Pierk (2020) investigate the tax management behavior of foreign subsidiaries depending on whether they are owned by a parent company located in a country that has a Multinational tax system or is territorial (hereinafter referred to as Multinational holding subsidiary versus territorial holding subsidiary). Indirectly these two methods of calculating subsidiary taxes can have a different effect on the tax burden that will be imposed, which will indirectly affect the company's profit. Therefore, the company should implement tax management.

Taxes are a very important source of income for national development activities that are ongoing and sustainable. Taxes are also useful for increasing the welfare of the State because the greater the amount of tax received, the better the State's finances (Djuniar, 2019). There are different interests between the government as a tax collector and companies as tax collectors, where the government tries to get the maximum tax revenue from each company, while on the other hand, companies try to pay as little tax as possible to get the maximum profit (Afifah and Hasymi, 2020). Many governments provide tax incentives to encourage certain behaviors. An example is a tax deduction for investing in renewable energy or a tax cut for education. Good tax management includes identifying and utilizing these tax incentives. For multinational corporations, tax management often involves managing tax obligations across multiple jurisdictions. This can be very complex and involves a good understanding of international tax regulations.

It is important to comply with all applicable tax regulations. This includes submitting tax returns on time and in the correct form. Tax violations can result in significant sanctions and fines. Many individuals and companies work closely with tax professionals or tax consultants to assist them in effective tax management. Tax professionals have in-depth knowledge of tax regulations and can provide valuable advice.

Therefore, the company is proposed to implement a good tax management system, because tax management is one of the management strategies to control, plan, and organize aspects of taxation from a side that can benefit the company's business value while continuing to carry out tax obligations according to regulations and laws. invitation. It is always important to ensure that the tax management carried out is legal and in accordance with the applicable tax laws in the company's territory.

Debt

Debt is an obligation obtained from other parties outside the company, where this obligation will be fulfilled in accordance with the value and added value on the day determined based on the agreement of both parties, both the debtor and the creditor. Debt can come in many forms, including loans, bonds, credit card debt, mortgages, or other obligations. There are two types of debt, there are short-term debt and long-term debt. Short-term debt is debt that matures within a 1 year period, where this short-term debt has lower interest than long-term debt which can increase a company's profitability (Nurlita & Pratiwi, 2020).

Debt and credit history (track record of paying debts) can affect an individual's or business's ability to obtain further loans in the future. Good credit can help in obtaining lower interest rates and better terms, while bad credit can limit access to finance. Debt is often subject to interest, which is an additional fee that the borrower must pay to the creditor in return for using the borrowed money. Interest rates can be fixed or floating (variable) depending on the type of loan.

Debt for companies has a fixed burden, namely interest expenses, interest expenses arising from loans from third parties, or creditors who have no relationship with the company can be used as a deduction from taxable profits. so that the use of debt will provide a positive relationship to tax avoidance by a company. But even so, debt will also have a negative effect on the profits that the company gets, because if the debt owned by the company is higher, then the interest expense will also be higher, which will directly reduce the company's profits (Rahmawati & Nani 2021).

Profitability

Profitability is a company's ability to earn profits (Rahmawati and Nani, 2021). Profitability can reflect the company's ability to generate profits by describing the company's ability, and profitability can be a measurement of management performance in managing company wealth as seen from company profits. This study uses ROA to measure the level of company profitability because ROA shows the company's effectiveness in managing company assets both from its own capital and from loan capital, investors will see how effective the company is in managing assets.

Keep in mind that ROA can vary significantly between different industries and business sectors. For example, a business with a more asset-intensive operational model such as manufacturing and transportation may have a lower ROA than a technology business that is more innovative and intellectually focused. Therefore, when comparing ROA, it is important to do it with similar businesses or the same sector.

From the description above, it can be described that the framework used in this study is as follows:

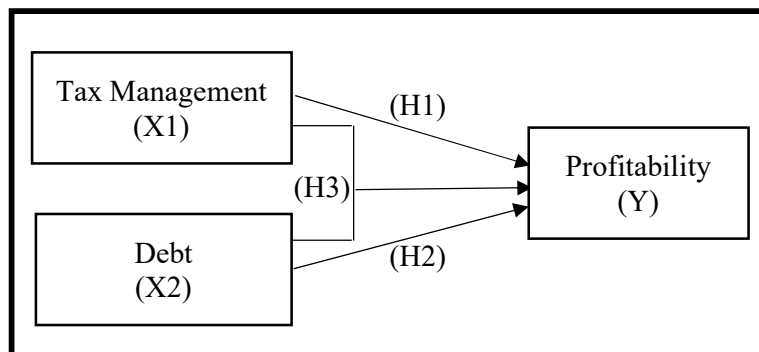


Figure 1
Research Framework

The hypotheses proposed in this study include:

H1: Tax Management has a significant effect on Profitability

H2: Debt has a significant effect on Profitability

H3: Tax Management and Debt have a significant effect simultaneously on Profitability

RESEARCH METHODS

This approach used a quantitative approach with a deductive process that studies something by looking at general or specific patterns. In quantitative research, researchers are value-free individuals, do not bring the values they already have, and are based on universal law. The population in this study are all consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) in 2019-2022. The sampling method in this study used a purposive sampling method, which is a sampling technique that uses certain considerations and limitations so that the selected sample is relevant to the research objectives.

This study uses two studies in data collection through library research and field studies. The data analysis method used in this study is descriptive statistics and multiple regression analysis. Analysis of the data obtained in this study used the SPSS Version 24 application program.

RESULTS AND DISCUSSION

Secondary information is collected from the annual reports of Consumer Goods companies listed on the IDX for the 2017-2021 period. An overview of the procedures involved in determining the study sample size is provided in the table below:

Table 1. Sampling Criteria

No	Sampling Criteria	Total
1	Consumer Goods companies listed on the IDX for the period 2017 - 2021	41
2	Sort incomplete Consumer Goods company financial statements	(12)
Number of Observations (29 x 4 years of observations)		116

Source: SPSS data processing results 24

This analysis was conducted to determine the minimum, maximum, average (mean), and standard deviation values of the research data. Table 2 displays the results of the descriptive statistical tests performed on all variables:

Table 2. Descriptive Statistics

	N	Descriptive Statistics			
		Minimum	Maximum	Mean	Std. Deviation
TM	116	,00	2,37	,2670	,29251
DEBT	116	,03	9,04	,3344	,85014
PROFT	116	-,81	,00	-,2161	,15943
Valid N (listwise)	116				

Source: SPSS data processing results 24

Description:

TM : Tax Management

DEBT : Debt

PROFT : Profitability

Tax Management is proxied by the TA variable which is the result of calculating profit before tax divided by tax expense. Debt is proxied by Debt divided by Equity (DER), and profit is proxied by net income divided by total asset. The mean value of TM is 0.2670 then the maximum value is 2.37 with a minimum value of 0.00. The standard deviation value is 0.29251. Debt (TC) The average value of debt is 0.3344 with a maximum value of 9.04 and a minimum value of 0.03. Then for the standard deviation value of Debt is 0.85014. Furthermore, the Profitability) has an average value of -0.2161 with a maximum value of 0.00 in this study and a minimum value of -0.81 in this study. The standard deviation value shows 0.15943.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		103
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,09607534
Most Extreme Differences	Absolute	,052
	Positive	,044
	Negative	-,052
Test Statistic		,052
Asymp. Sig. (2-tailed)		,200 ^{c,d}

Source: SPSS data processing results 24

Based on the results of the normality test conducted using the SPSS 24 program, the probability of a *Asymp. Sig (20-tailed)* is greater than the significance level, which is $0.200^{c,d} > 0.05$. These results indicate that the null hypothesis (H0) is accepted, which means that the residuals have a normal distribution. So it can be concluded that the data in the research model either the dependent variable, the independent variable, or both are normally distributed.

Table 4. Multicollinearity Test Results

	Variable	VIF	Description
Model 1	Tax Management	1.004	Multicollinearity Does Not Occur
	Debt	1.004	Multicollinearity Does Not Occur

Source: SPSS data processing results 24

The VIF value in Table 4, namely the Tax Management and Debt variables, is less than 10. So it can be assumed that there is no multicollinearity problem in model 1.

Table 5. Heteroscedasticity Test Results

Variable	Sig
Tax Management	0.750
Debt	0.808

Source: SPSS data processing results 24

Based on the results of table 5, the value of all variables is greater than the significant value (> 0.5). it can be concluded that each variable tested does not experience heteroscedasticity problems.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,301 ^a	,091	,072	,09703	1,145

Source: SPSS data processing results 24

Table 6 shows the Durbin Watson (DW) value of 1.145. With a sample size of 116, the Durbin Watson (DW) values were obtained, namely $du = 1.634$ and $4-du = 2.366$. These results indicate that the Durbin Watson (DW) value is smaller than the du and $4-du$ values. So it can be concluded that there is autocorrelation.

Table 7. Determination Coefficient Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,301 ^a	,091	,072	,09703	1,145

Source: SPSS data processing results 24

From the table above, the R Square value is 0.091 or 9.1%. This means that the Tax Management and Debt can affect Profitability by 9.1%, while the remaining 90.9% is influenced by other variables outside of this study.

Table 8. F Test (Simultaneous)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,094	2	,047	4,977	,009 ^b
	Residual	,942	100	,009		
	Total	1,035	102			

a. Dependent Variable: PROFT
b. Predictors: (Constant), TM, DEBT

Source: SPSS data processing results 24

Based on the table above, the statistical F value is 4,977 with a significant value of 0,009^b. This shows that the significant value is 0.009^b < 0.05. So it can be said Tax Management and Debt can affect Profitability.

Table 9. T Test (Partial)

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients		
	B	Std. Error		Beta	t	Sig.
1 (Constant)	-,196	,013			-14,723	,000
TM	,053	,031		,163	1,706	,091
DEBT	,030	,011		,264	2,761	,007

a. Dependent Variable: PROFT

Source: SPSS data processing results 24.

From the table above, tax management obtained a significant value of 0.091 > 0,05, which means tax management has no influence on profitability. but at an alpha rate of 10%, tax management has a significant effect on profitability. Then the coefficient value is 0.030 which means it has a positive influence, and a significant debt is 0.007. This shows that the sig value is 0.007 < 0.05, which means debt has a positive effect on profitability.

DISCUSSION

Efficient tax management, such as careful tax planning and a good understanding of applicable tax rules, can help companies optimize their profitability in the context of existing tax regulations. Thus, tax is an important factor that must be considered in financial planning and business strategy. However, the results of this study describe other results, where the coefficient value is 0.053 which means it has no positive influence, and a significant Tax Management is 0.091. This shows that the sig value is 0.091 < 0.1, which means that tax management affect profitability (H1 is accepted). Afifah and Hasymi (2020) profitability has a significant negative effect on tax management, the results of this study are the author's reference for inverting research variables. Where the dependent variable used by Afifah and Hasymi (2020) is Tax Management, while the dependent variable used by the author is Profitability. So the authors draw conclusions based on the results of the research conducted, that tax management can be a factor that has a large effect on profitability because taxes do significantly affect the value of the profits earned by the company.

Tax management is a very important effort for companies in increasing profits and optimizing their financial performance. Here are some reasons why tax management is important in increasing company profits: Tax Savings: Good tax management enables companies to identify legitimate tax saving opportunities and minimize their tax liability. By optimizing its tax structure, a company can reduce its tax burden, which will increase its net profit. Increased Financial Efficiency: By managing taxes efficiently, companies can allocate more resources into their core business activities. This can help increase productivity and profitability. Mitigating Tax Risk: Changes in tax regulations and

complex tax provisions can create significant tax risks. Good tax management can help identify and manage these risks, preventing sanctions, fines or tax litigation that can harm the company. Increased Competitiveness: Companies that are efficient in their tax management can have a competitive advantage. They can offer their customers more competitive prices or invest more in research and development to improve their product or service. Access to Additional Capital: Companies with good tax records can more easily access additional capital from lenders or investors. They tend to get lower interest rates and more financial support because they have a good reputation for tax compliance. Reputation Improvement: Ethical tax management and good tax compliance can improve a company's reputation in the eyes of shareholders, customers and other interested parties. This can create trust and loyalty, which in turn can increase long-term profits. Investing in Growth: The tax savings earned through efficient tax management can be reallocated into the business to fund expansions, innovations or acquisitions that can increase revenues and profits

However, keep in mind that tax management must be carried out correctly and within the limits of applicable law. Practices that are illegal or violate tax ethics can have serious consequences, including legal penalties and damaged reputations. Therefore, it is important to work with competent tax professionals and understand the applicable tax regulations

The coefficient value is 0.030 which means it has a positive influence, and a significant debt is 0.007b. This shows that the sig value is $0.007 < 0.05$, which means debt has a positive effect on profitability (H2 is accepted). This research is in accordance with the research conducted by Rosita and Gantino (2017), where the results of previous research show that there is an effect of debt on profitability. This is also in line with Owusu and Alhassan's (2021) Debt management has a direct impact on bank performance as a whole. However, there are research results that state the opposite, such as the results of research conducted Nurlita and Pratiwi (2020), debt has no effect on profitability.

The statistical F value is 4,977 with a significant value of 0,009b. This shows that the significant value is $0.009b < 0.05$. So it can be said that Tax and Debt Management can affect Profitability (H3 is accepted). Tax management can affect the value of profitability because it can reduce the company's burden on taxes, as reported Setiawati (2023) emphasis on net profit as a result of an increase in income tax expense as of September 30, 2022, of IDR 64 billion and actuarial losses related to employee benefit experience which were recorded in other comprehensive income of IDR 3.8 billion. In addition, there was also an increase in related income tax expenses of IDR 178 million. Debt can also be a factor that can affect company value. Because debt also has risks for a company. Short-term debt has relatively fluctuating interest costs, companies use too much short-term debt, which can cause liquidity difficulties which will have an impact on bankruptcy. Short-term debt liquidity is worse than long-term debt. Debt for companies has a fixed burden, namely interest expenses, interest expenses arising from loans from third parties, or creditors who have no relationship with the company can be used as a deduction from taxable profits. So that the use of debt will provide a positive relationship to tax avoidance by a company. But even so, debt will also have a negative effect on the profits that the company gets, because if the debt owned by the company is higher, the interest expense will also be higher, which will directly reduce the company's profits (Rahmawati and Nani, 2021).

CONCLUSION

Based on the results of the tests conducted, the first hypothesis, tax management has an effect on profitability, the second hypothesis, namely Debt has a significant influence on profitability. Then the third hypothesis is also known that tax management and debt simultaneously have a significant influence on profitability. The test results also found that the data in the research model were the dependent variable and the independent variables were normally distributed. This study only examines consumer goods companies that are listed on the Indonesia Stock Exchange (IDX) as a research sample, so the number of samples obtained is not large, and cannot represent all companies in Indonesia. There is only one of the two independent variables that have a significant influence on profitability, meaning that profitability is influenced by factors other than the two variables. This research is limited to a period of five years. As for suggestions in this study, namely, the next

researcher is expected to be able to add to the sample not only companies listed in the Indonesia Stock Exchange (IDX) but all companies listed on the LQ 45 index so that they can represent all companies in Indonesia. Further researchers are expected to be able to add variables and other factors that are not used in this study and need to be investigated further regarding other factors that influence firm value to support future research. For further research, it is expected to add to or extend the research period.

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