

## Income Tax In Manufacturing Companies On The Indonesia Stock Exchange Viewed From Variables

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### **Abstract**

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*This study aims to determine the effect of cost of production, profitability, inventory, net sales and operating costs on corporate taxpayer income tax in manufacturing companies in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange (IDX) in 2017-2020. This type of research is quantitative. Sampling used a purposive sampling technique and a sample of 30 manufacturing companies in the basic and chemical industries were listed on the Indonesia Stock Exchange (IDX) for 2017-2020. The data analysis method was performed by panel data regression analysis with the help of the Eviews 10 statistical tool. The regression model used was the random effect model using the classical assumption test, hypothesis test, and r-squared test. The results showed that the cost of production, profitability, net sales, operating costs have a positive effect on corporate income tax. While inventory has no positive effect on corporate income tax. The R2 value indicates that the contribution of all independent variables in explaining the dependent variable is 87.54%, while the remaining 12.46% is explained by other variables not measured in this regression model.*

**Keywords:** *Cost of Production, Profitability, Inventory, Net Sales Operating Costs, Corporate Taxpayer Income Tax*

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### **INTRODUCTION**

Taxes are the largest state revenue used for government spending and development. Tax revenue is used as a tool for the government in achieving its goal of obtaining revenue, both direct and indirect, from the public to finance routine expenditures and national development. Tax allocations are not only given to people who pay taxes but also to the interests of people who do not pay taxes. This is also evidenced by the data on the realization of state revenue in the table below. The Ministry of Finance recorded the realization of the 2020 State Budget, the realization of tax revenue was recorded at IDR 1,621.40 trillion with an achievement of only 72.62% compared to the realization in 2019. This realization was IDR 1,950.36 trillion with only achieving 90.10% of the APBN target.

This shortfall factor contributed to the swelling realization of budget financing of IDR 945.8 trillion or an increase in the budget deficit to 6.1% of the Gross Domestic Product (GDP). Another factor is the handling of the Covid-19 pandemic and economic recovery which requires huge costs (Kemenkeu.go.id, n.d.). The type of tax that is the obligation of every individual or corporate taxpayer is income tax. Income tax is a tax imposed on a tax subject for income received or earned in a tax year, if the subjective tax liability begins or ends in a tax year (Suandi, 2010). To measure the corporate income tax expense, it can be determined from all income derived from a company.

The biggest contraction in the realization of 25/29 corporate income tax revenue in 2020 only grew 0.62% which touched IDR 158.25 T compared to the same period in 2019 which grew to 1.1%. It can be seen that the realization has decreased significantly from previous years which were able to grow up to 22%. then the realization of Corporate Income Tax will contract in economic growth in 2020 which will become the basis for calculating business entity profits. The moderately contracted body income tax was caused by several factors. First, the slowdown in the profitability of business entities in 2019 as the basis for 2020 tax calculations. Second, tax incentives in the form of installment cuts of 30% to 50%. Third, a reduction in corporate income tax rates from 25% to 22% (Ministry of Finance.go.id, n.d.).

Actions to minimize the amount of tax to be paid are carried out by PT. Indopoly (IPOL) experienced a decline in its capital structure, with sales down 11.69% followed by net profit compared to the same period last year, which was \$113.61 million. Apart from that, in 2020, stocks in the basic industrial and chemical sectors also underwent a significant correction, causing the average performance of issuers to decline. For example, JPFA, which earned Rp. 36.96 trillion in revenue, decreased by 4.91% from the previous year's Rp. 38.87 trillion. In addition, ESSA recorded net income of US\$ 175.51 million in 2020, down 20.9% from the previous year's actual revenue which reached US\$ 221.91 million. From the statement above it can be seen that the realization of net income receipts from several companies that experienced a decline could affect the payment of income tax remitted to the state (Konta.co.id, n.d.).

The factor that affects the amount of income tax payable by a company is the cost of production. The calculation of the cost of production is carried out by adding up all the elements of production costs, while the cost of production per unit is determined by dividing the total production cost by the volume of production produced or expected to be produced. In calculating the cost elements into the cost of production, there are two approaches, namely full costing and variable costing. Another factor is profitability. (Salamah et al., 2016) argues that profit is a benchmark used by investors in assessing the success of a company to improve and maintain the

continuity of the company. The company's ability to obtain sales profit can be measured by the profitability ratio. If a company's operating income does not change over a long period of time, but its gross profit margin decreases over the same period due to higher selling, administrative and general costs compared to the level of sales (Jimmy & Raisa, 2019).

In addition, inventory can also affect corporate income tax. Inventories are defined as goods owned by a company for sale or will be used for further processing into finished goods which will be output and generate income (Soemarso, 2007). Net sales is also one of the indicator factors. Sales are complementary activities or supplements to purchases to enable transactions to occur (Assauri, 2013). Sales are recognized as revenue when the product has been sold to customers and the public. Net sales are the amount received from sales after deducting the value of the goods returned and reserves for falling prices (Budi, 2009).

Another indicator that can affect corporate income tax is operational costs. The total selling costs or marketing and administrative and general costs are the company's operational costs or the company's commercial costs (Mulyadi, 2010). The company's operational costs are costs that continue to be incurred by entities that are not directly related to the product but are related to daily activities. The company's operational costs are related to corporate income tax because in the Tax Law paragraph 1 of Law no. 36 of 2008 states that "expenses that are allowed to be deducted in calculating the income of domestic taxpayers are expenses related to business activities".

This study has a research gap because there are contradictions in the results of this study. This can also be seen from research (Bertilia Lina Kusrina, 2021) showing that the ratio of profitability and operating costs has an influence on corporate income tax. Meanwhile, the research conducted (Jimmy & Raisa, 2019) shows that profitability and operating costs do not negatively affect corporate income tax. So it means that there is no level of aggressiveness in paying taxes to mining companies. Other research conducted by (Ainia & Ernandi, 2018) shows that inventory variables, cost of production, asset depreciation have an effect on corporate income tax. In addition, research (Yasinta et al., 2017) shows that net sales and commercial expenses have a significant effect on income tax payable in manufacturing companies. Whereas in research (Anggraini & Kusufiyah, 2020) the results show that there is no significant effect between the Operating Profit Ratio (OPR) as a proxy for profitability on income tax. However, the results of the Debt to Equity Ratio (DER) and operational costs have a significant effect on corporate income tax.

The main objective of this research, of course, is to examine the relationship between company expenses and assets in determining the income tax to be paid by the company. With the

government's policy, it is hoped that companies will pay taxes in accordance with applicable regulations because the new policy has lowered the tax rate for companies, which of course is also beneficial for the company. From the similarity of historical data, the researchers assume that the cost of production, net sales, and inventories can also be applied to basic and chemical industrial companies.

## METHODS

This research is a quantitative type of research with an approach whose purpose is to provide a systematic, factual, and accurate description of the problems/phenomena studied. The data used is secondary data in the form of financial statements of manufacturing companies in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange for 2017-2020. The data source obtained is accessed by the author through the website [www.idx.co.id](http://www.idx.co.id).

The population in this study are 80 companies listed on the Indonesia Stock Exchange for the 2017-2020 period. The samples selected in this study were 30 companies using purposive sampling method. Purposive sampling is a sample determination technique with certain considerations (Sugiyono, 2019). The goal is that the writer can determine a representative sample (represent). The criteria used to determine the existing sample are: [1] manufacturing companies in the basic and chemical industry sectors listed consecutively on the Indonesian Stock Exchange for the 2017-2020 period, [2] companies issuing financial reports in Rupiah during the period research and [3] companies that did not suffer losses during the study period.

Sample Selection Process Based on Criteria

No	Descriptions	Number of companies
1.	All primary and chemical industrial manufacturing companies were listed on the Indonesia Stock Exchange during 2017-2020.	80
2.	Primary industry and chemical companies that were delisted in 2017-2020.	(3)
3	Companies that experienced losses during 2017-2020.	(24)
4	Primary industrial and chemical manufacturing companies that do not present reports in Rupiah	(14)
5	Primary and chemical industry companies that just went IPO during 2017-2020.	(9)
Number of samples during the year of observation		30
Number of years of observation		4
Number of observations		120

Source: Processed Data, 2022

Of the total number of companies in the basic and chemical industry sectors on the IDX in 2017-2020, there were 30 companies that met the predetermined criteria in sample selection so that the number of observations (n) in this study was 120 samples. The data analysis method in this study was processed using a statistical data processing program known as eviews.

Operational Variables are used in selecting types and indicators of the variables involved in this study. Thus, operational variables have the goal of determining the measurement scale of each variable, this can test the hypothesis using tools that can be done properly.

Variable	Variable Definition	Measurement
<b>Dependent Variable (Y)</b>		
<b>Corporate Income Tax (PPh)</b>	<i>Corporate income tax</i> is the tax payable by an entity domiciled in Indonesia on income derived from business activities during the tax year period. To calculate the corporate income tax of a company, it is necessary to make fiscal corrections in advance on commercial, financial reports (Widanto & Pramudianti, 2021).	Value of corporate income tax on the annual report
<b>Independent Variable (X)</b>		
<b>Cost of Production (X1)</b>	Winwin and Ilham (2008) state that production costs are the cost of goods completed during one period.	HPP value in the annual report (Ainia & Ernandi, 2018)
<b>Profitability (X2)</b>	Harahap (2015: 149) profitability ratios describe the company's ability to earn profits through all existing capabilities and sources such as sales activities, cash, capital, number of employees, number of branches, and so on.	ROA= profit after tax / Total assets (SUMARTA & INTAN, 2021)
<b>Inventories (X3)</b>	Inventories are material deposits in the form of raw materials, work in process, and finished goods, and inventory control is the activity of maintaining the amount of inventory at the desired level.	Inventory value in the annual report (Ainia & Ernandi, 2018).
<b>Net Sales (X4)</b>	Net sales are the amount received from sales after deducting the value of the goods returned and allowance for price declines.	Gross sales - Sales returns - Sales discounts (Yasinta et al., 2017)
<b>Operating Costs (X5)</b>	Murhadi (2013: 37) states that operational costs are as follows: Operating expenses (operating expense) are costs associated with company operations which include selling and administrative expenses, advertising costs, depreciation and amortization expense, as well as repairs and maintenance expenses	Operational Costs = Selling Costs + Administrative and General Costs (Arianti, 2020)

## RESULT AND DISCUSSIONS

### Descriptive statistics

The descriptive statistical analysis of the variables in this study are as follows:

Descriptive Statistics Analysis					
	N	Minimum	Maximum	Mean	Std. Deviation
PPH	120	20675000.00	1355866000000.00	128156813857.7333	259716964471.18973
HPP	120	1.232.809.000.00	33818151000000.00	4229893023181.1255	8018533376050.82900
PROF	120	.00	.26	.0555	.04739
PERS	120	5238377000.00	6247684000000.00	949313344307.8416	1548727856863.37570
PB	120	88010862980.00	53957604000000.00	6180070861744.9590	11522741023208.33600
BO	120	7718920824.00	6620904000000.00	688200856129.6082	1370569825912.01680

Valid N 120

(listwise)

Source: Processed Data, 2022

Based on the table above, it is known that the company with the lowest corporate income tax value is the Alakasa Industrindo Tbk company in 2018 with a value of 20,675,000, the company with the highest corporate income tax value, namely the Charoen Pokphand Indonesia company in 2018 with a value of 1,355,866,000,000, the mean (average) value of Corporate Income Tax from all companies in the basic and chemical industry sector is 128,156,813,857.73 and std. deviation (standard deviation) of 259,716,964,471.19. For the lowest Cost of Production (HPP) value, namely the Company Alakasa Industrindo Tbk in 2020 with a value of 1,232,809,000, the company with the highest Cost of Production (HPP) value, namely the Company Charoen Pokphand Indonesia Tbk in 2020 with a value of 33,818,151,000.000, the mean (average) value of Cost of Production (HPP) of all companies in the basic and chemical industry sector is 4,229,893,023,181.12 and std. deviation (standard deviation) of 8,018,533,376,050.82.

The company with the lowest Profitability (PROF) value is the Semen Baturaja Company (persero) Tbk in 2018 with a value of 0.001377, the company with the highest Profitability (PROF) value is the Mark Dynamics Indonesia Tbk Company in 2018 with a value of 0.257499, the mean value (average -average) Profitability (PROF) of all companies in the basic and chemical industry sector is 0.055461 and std. deviation (standard deviation) of 0.047395. The company with the lowest Inventory value (PERS) is Alakasa Industrindo Tbk Company in 2020 with a value of 5,238,377,000, the company with the highest Inventory value (PERS), namely Japfa Comfeed Indonesia Tbk. in 2018 with a value of 6,247,684,000,000, the value mean (average) inventory (PERS) of all companies in the basic and chemical industry sector of 949,313,344,307.84, and std. deviation (standard deviation) of 1,548,727,856,863.38.

The company with the lowest Net Sales (PB) value is Beton Jaya Manunggal Tbk Company in 2017 with a value of 88,010,862,980, the company with the highest Net Sales (PB) value is Charoen Pokphand Indonesia Tbk in 2018 with a value of 53,957,604,000,000, the mean value (average) Net Sales (PB) of all companies in the basic and chemical industry sector is 6,180,070,861,744.96 and std. deviation (standard deviation) of 11,522,741,023,208.33. The company with the lowest Operating Cost (BO) value is Beton Jaya Manunggal Tbk Company in 2017 with a value of 7,718,920,824, the company with the highest Operating Cost (BO) value is Semen Indonesia (Persero) Tbk in 2019 with a value of 6,620,904,000.000, the mean (average) Operating Costs (BO) of all companies in the basic and chemical industry sector is 688,200,856,129.60, and std. deviation (standard deviation) of 1,370,569,825,912.01.

### **Classic assumption test**

The results of the normality test can be shown in the following table:

Normality Test Results	
<b>Jarque-bera</b>	1,947196
<b>Probability</b>	0,377722

Source: Processed Data, 2022

Based on the results of the Jarque-Bera test in the table above, it can be seen that the Jarque-Bera value is 1.947196 with a probability of 0.377722 greater than the significant alpha level of 0.05 (5%). It can be concluded that the data in this study are normally distributed.

#### Multicollinearity Test Results

	<b>HPP</b>	<b>PROF</b>	<b>PERS</b>	<b>PB</b>	<b>BO</b>
<b>PROF</b>	0.043109	1.000000	-0.021674	0.030552	0.005835
<b>PERS</b>	0.835094	-0.021674	1.000000	0.858898	0.876816
<b>PB</b>	1.000000	0.030552	0.858898	1.000000	0.886813
<b>BO</b>	0.877138	0.005835	0.876816	0.886813	1.000000

Source: Processed Data, 2022

Based on the results of the multicollinearity test from the table above, it can be seen that the correlation between the independent variables, namely Cost of Production (HPP), Profitability (PROF), Inventory (PERS), Net Sales (PB) and Operational Costs (BO) was the highest, only reaching 0.877138, namely between the Cost of Production (HPP) and Operational Costs (BO), the value of 0.877138 is less than the value of 0.9 so it is decided that there is no multicollinearity. These results inform that this model is free from multicollinearity symptoms.

#### Heteroscedasticity Test Results

##### Heteroskedasticity Test: Glejser

<b>Obs*R-squared</b>	5.292715	<b>Prob. Chi-Square(5)</b>	0.3812
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Source: Processed Data, 2022

Based on the results of the glejser heteroscedasticity test in table 4.4 above, it can be seen that the Obs\* R-squared value is 5.292715 with a Chi-Square probability value of 0.3812 which is greater than the alpha rate of 0.05 (5%) so it can be concluded that there is no heteroscedasticity.

Autocorrelation test shows the following results:

##### Autocorrelation Test Results

##### Breusch-Godfrey Serial Correlation LM Test:

<b>Obs*R-squared</b>	3.421895	<b>Prob. Chi-Square(2)</b>	0.1807
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Source: Processed Data, 2022

Based on the results of the autocorrelation test in the table above, the Obs\*R-squared value is 3.421895 with a Chi-Square probability of 0.1807 greater than a significant alpha rate of 0.05, so it can be concluded that there is no autocorrelation.

### Panel Data Regression Analysis

Linear regression analysis of panel data in this study uses the Random Effect method. The choice of the random effect method as the panel data analysis method in this study was previously tested through the Chow test and Hausman test first, so that finally the random effect method was the most appropriate for testing panel data in this study. The estimation results of the panel data regression model are as follows:

#### Panel Data Regression Test Results Random Effect Method

**Dependent Variable: PPH**

**Method: Panel EGLS (Cross-section random effects)**

**Date: 05/16/22 Time: 16:39**

**Sample: 2017 2020**

**Periods included: 4**

**Cross-sections included: 30**

**Total panel (balanced) observations: 120**

**Swamy and Arora estimator of component variances**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.586772	1.002821	-1.582308	0.1163
HPP	0.287974	0.081514	3.532799	0.0006
PROF	10.61327	1.013017	10.47690	0.0000
PERS	0.047016	0.094894	0.495465	0.6212
PB	0.198546	0.081344	2.440824	0.0162
BO	0.400082	0.082209	4.866647	0.0000

Source: Processed Data, 2022

Based on the results of panel data regression processing using the random effect model in the table above, the regression equation is obtained as follows:

$$PPHit = -1.586772 + 0.287974HPP1it + 10.61327PROF2it + 0.047016PERS3it + 0.198546PB4it + 0.400082BO5it + eit$$

Information:

PPHit = Corporate Tax Payer Income Tax

b0 = Constant

b1, b2, b3, b4 = Regression Coefficient

HPPit = Cost of Production

PROFit = Profitability

PERSIT = Preparation

PBit = Net Sales



BOit = Operational Cost

one = Error

The results of the regression equation and the interpretation of the panel data regression analysis are: the value of the constant is negative, namely -1.586772. If the cost of production, profitability, inventory, net sales and operating costs are 0, it means that there is an underpayment of tax and must be remitted by the company to the DGT. SPT underpayment occurs if the amount of tax payable is greater than the tax credit. The regression coefficient of the cost of goods manufactured variable (HPP) is 0.287974, meaning that for every increase in the cost of goods manufactured (HPP) by 1 unit, it will increase the income tax of corporate taxpayers by 0.287974 units, assuming other independent variables have a fixed value.

The regression coefficient of the profitability variable (prof) is 10.61327, meaning that for every increase in profitability (prof) by 1 unit, it will increase the income tax of corporate taxpayers by 10.61327 units, assuming the other independent variables have a fixed value. The regression coefficient of the inventory variable (Pers) is 0.047016, meaning that every increase in inventory (Pers) by 1 unit will increase the income tax of corporate taxpayers by 0.047016 units, assuming that the other independent variables are of a fixed value. The regression coefficient of the variable net sales (pb) is 0.198546, meaning that for every increase in net sales (pb) by 1 unit, it will increase the corporate taxpayer's income tax by 0.198546 units, assuming that the other independent variables have a fixed value. The regression coefficient of the operating expenses variable (bo) is 0.400082, meaning that for every increase in operating costs (bo) by 1 unit, it will increase the corporate taxpayer income tax by 0.400082 units, assuming that the other independent variables are of a fixed value.

### Determination Coefficient Test

The coefficient of determination ( $R^2$ ) or goodness of fit is a value that expresses the proportion or percentage of the total variation in the dependent variable (Y) that can be explained by the explanatory variables ( $X_1, X_2, X_3, \dots, X_n$ ) together. The Coefficient of Determination ( $R^2$ ) has a fundamental weakness where there is a bias towards the number of independent variables included in the model. Therefore, in this study, the adjusted r-squared ranged from zero to one was used. If the adjusted r-squared value is closer to one, the better the model's ability to explain the dependent variable.

### Determination Coefficient Test Results

R-squared	Mean dependent var
0.875362	14.34567

Source: Processed Data, 2022

Based on the results of the table above, the adjusted r-squared value is 0.875362, this shows that the contribution of all independent variables in explaining the dependent variable is 87.54%, while the remaining 12.46% (100 – 87.54) is explained by other variables outside the research model. This means that there are other factors that can affect corporate income tax.

## Discussion

Based on the statistical tests that have been carried out, the results are:

### Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.586772	1.002821	-1.582308	0.1163
HPP	0.287974	0.081514	3.532799	0.0006
PROF	10.61327	1.013017	10.47690	0.0000
PERS	0.047016	0.094894	0.495465	0.6212
PB	0.198546	0.081344	2.440824	0.0162
BO	0.400082	0.082209	4.866647	0.0000

Source: Processed Data, 2022

The first hypothesis put forward in this study is the cost of production on corporate income tax. Whereas the Cost of Production (HPP) has a tcount of 3.532799 > ttable of 0.081514 and a probability value of 0.0006 < 0.05 so it can be concluded that the cost of production variable affects the income tax of corporate taxpayers, so that Ho is rejected and Ha is accepted. In addition, the cost of production variable has an effect with a coefficient value of 0.287974 which has a positive direction towards corporate taxpayer income tax.

This explains that the cost of production has a positive effect on corporate income tax. The higher the cost of production, the higher the corporate taxpayer income tax that must be paid to manufacturing companies in the basic and chemical industrial sectors listed on the IDX for 2017-2020. Cost of production, which is a collection of costs incurred in procuring raw materials or processing them into finished goods ((Ainia & Ernandi, 2018). These costs consist of raw material costs, direct labor costs and factory overhead costs.

The company always adheres to the principle of maximum results with minimum production costs. However, to maintain consumer interest, companies need to pay attention to the quality of their products. According to the theory put forward by (Sugiyono, 2019) states that the level of profit obtained by the company can also be determined by the volume of production produced. the greater the volume of production achieved, the higher the cost of production. The greater the production volume achieved, the greater the profit obtained. When a company increases its production volume, it requires a lot of production costs or production costs will increase. If production costs increase, the implications for the number of products produced will also increase, so that the finished product or additional products will result in an increase in the

resulting profit. So indirectly production costs increase resulting in increased profits for the company. With the increase in company profits, of course the income tax that must be paid by the company will also increase. This theory is also in line with agency theory, where the principal is the party that gives the mandate to another party, namely the agent to carry out all activities on behalf of the principal in his capacity as a decision maker (Meckling, 1976). The agency theory states that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), namely the manager, in the form of a cooperation contract called the "nexus of contract". an agency where the shareholders as the principal want the maximum and fastest return on investment, one of which is reflected in the increase in the portion of dividends from each share owned. The agent always tries to minimize any potential tax payments in order to increase the company's net profit. The greater the profit generated by the company will certainly increase the tax that will be paid by the company (Sumarta & Intan, 2021). This is in line with research conducted by (Ainia & Ernandi, 2018) and (Putri, 2021) stating that the cost of production affects the income tax of corporate taxpayers.

The second hypothesis proposed in this study is the profitability of corporate income tax. The results of the analysis show that Profitability has a  $t$ count of  $10.47690 > t_{table} 1.013017$  and a probability value of  $0.0000 < 0.05$  so it can be concluded that the Profitability variable (PROF) affects corporate income tax, so  $H_0$  is rejected and  $H_a$  is accepted. In addition, the profitability variable has an effect with a coefficient value of  $10.61327$  which has a positive direction towards corporate taxpayer income tax. These results explain that profitability has a positive effect on corporate income tax. The higher the level of profitability, illustrating high corporate profits, the higher the corporate taxpayer income tax that must be paid to manufacturing companies in the basic and chemical industrial sectors listed on the IDX in 2017-2020.

Companies with a low level of profitability illustrate the low profits generated by the company, so that in calculating taxable profits, companies with low profitability will pay lower income tax because corporate income tax will be charged according to the amount of taxable income received by the company. This is stated in law No. 36 of 2008 article 1 which explains that income tax is charged to tax subjects who earn or earn income in a tax year.

Return on Assets (ROA) in this study provides an adequate measurement to measure the effectiveness of a company in carrying out operating activities by managing its assets to earn income. The higher the return on assets (Return On Assets) means the higher the amount of net profit generated from every rupiah of funds embedded in total assets. The resulting profit becomes the basis for calculating the taxes that must be paid by the company. The greater the profit earned by the company, the greater the tax that must be borne by the company. This theory is also in line

with agency theory, where the principal is the party that gives the mandate to another party, namely the agent to carry out all activities on behalf of the principal in his capacity as a decision maker (Meckling, 1976). The agency theory states that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), namely the manager, in the form of a cooperation contract called the "nexus of contract". an agency where the shareholders as the principal want the maximum and fastest return on investment, one of which is reflected in the increase in the portion of dividends from each share owned. The agent always tries to minimize any potential tax payments in order to increase the company's net profit. The greater the profit generated by the company will certainly increase the tax that will be paid by the company (Sumarta & Intan, 2021). This is in line with research conducted by (Salamah et al., 2016), (Arianti, 2020), (Anggraini & Kusufiyah, 2020), (Widanto & Pramudianti, 2021), whose research results found that profitability affects corporate income tax.

The third hypothesis proposed in this study is the supply of corporate income tax. The results of the analysis show that Inventory has a tcount of 0.495465 > ttable of 0.094894 and a probability value of 0.6212 > 0.05 so it can be concluded that the Inventory variable (PERS) has no effect on corporate income tax, so  $H_0$  is accepted and  $H_a$  is rejected. In addition, the inventory variable has an effect with a coefficient value of 0.047016 which has a positive direction towards corporate taxpayer income tax. This shows that inventory has no effect but has a positive direction on corporate income tax. Inventory is a form of investment where profit (profit) can be expected through the sale of this inventory at a later date, so that in most companies a minimum amount of inventory must be maintained to ensure the continuity and stability of sales (Tengah et al., 2020). Inventory cannot have a good impact on tax planning carried out by companies, this is supported by the political cost theory put forward by (Tengah et al., 2020) meaning that when companies are able to achieve high profits, which means good company value is in the spotlight of the government to make decisions such as imposing taxes on the company. This means that companies with a high level of inventory intensity will not be more aggressive towards taxes and cause companies to tend to pay taxes.

This theory is also in line with agency theory, where the principal is the party that gives the mandate to another party, namely the agent to carry out all activities on behalf of the principal in his capacity as a decision maker (Meckling, 1976). The agency theory states that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), namely the manager, in the form of a cooperation contract called the "nexus of contract". an agency where the shareholders as the principal want the maximum and fastest return on investment, one of which is reflected in the increase in the portion of dividends

from each share owned. The agent always tries to minimize any potential tax payments in order to increase the company's net profit. The greater the profit generated by the company will certainly increase the tax that will be paid by the company (Sumarta & Intan, 2021). The results of this study are not in line with research conducted by (Ainia & Ernandi, 2018) and (Ferry Candra Setiawan, 2016) stating that there is an effect of inventory on corporate income tax.

The fourth hypothesis proposed in this study is net sales to corporate income tax. The results of the analysis show that net sales have a  $t$ count of 2.440824 >  $t$ table of 0.081344 and a probability value of 0.0162 < 0.05 so it can be concluded that the variable Net Sales (PB) affects corporate income tax, so  $H_0$  is rejected and  $H_a$  is accepted. In addition, the net sales variable has an effect with a coefficient value of 0.198546 which has a positive direction towards corporate taxpayer income tax. This explains that net sales have a positive effect on corporate income tax. Every company engaged in sales certainly hopes to get a profit or profit from every sales activity. Sales are complementary activities or supplements to purchases to enable transactions to occur. The general goal of sales is to get the maximum possible profit and maintain or even try to increase it for a long time.

In the book Analysis of Financial Statements by (Ainia & Ernandi, 2018) which says that if sales increase, it is likely that profits will increase as well, and vice versa if sales decrease, profits are likely to be low. That is, sales have an influence on profits in a company which will affect the taxes that will be remitted to the government. This theory is also in line with agency theory, where the principal is the party that gives the mandate to another party, namely the agent to carry out all activities on behalf of the principal in his capacity as a decision maker (Meckling, 1976). The agency theory states that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), namely the manager, in the form of a cooperation contract called the nexus of contract. an agency where the shareholders as the principal want the maximum and fastest return on investment, one of which is reflected in the increase in the portion of dividends from each share owned. The agent always tries to minimize any potential tax payments in order to increase the company's net profit. The greater the profit generated by the company will certainly increase the tax that will be paid by the company (Sumarta & Intan, 2021). This is in line with research conducted by (Yasinta et al., 2017) and (SUMARTA & INTAN, 2021) showing that net sales have a significant and positive effect on income tax payable in manufacturing companies.

The fifth hypothesis proposed in this study is Operational Costs on corporate income tax. The results of the analysis show that operational costs have a  $t$ count of 4.866647 >  $t$ table 0.082209 and a probability value of 0.0000 < 0.05 so it can be concluded that the variable Operating Costs

(BO) affects corporate income tax, so  $H_0$  is rejected and  $H_a$  is accepted. In addition, the operational cost variable has an effect with a coefficient value of 0.400082 which has a positive direction towards corporate taxpayer income tax. This study found that operational costs have a positive influence on corporate income tax payable. If the value of operational costs increases, the value of corporate income tax payable will also increase. Companies in their business activities incur costs as support, one of which is operational costs. Operational costs are costs incurred by the company related to its operational activities with a certain amount.

The operational costs incurred by the company will affect the tax burden because one of the elements that is used as a deduction is the cost of selling, promotion, and administration. The amount of operational costs shows the size of the company because operational costs are related to the elements of depreciation costs for assets, labor salary costs, and other costs that are included in the Tax Deductible (Laksono, 2019). Operating costs are a deduction from gross income that can be charged in the current fiscal year. Operational costs will affect the amount of tax to be paid because operational costs are a deduction from taxable income and are related to the amount of profit generated by the company (Dyah Ayu Linda Puspitasari, 2019). This theory is also in line with agency theory, where the principal is the party that gives the mandate to another party, namely the agent to carry out all activities on behalf of the principal in his capacity as a decision maker (Meckling, 1976). The agency theory states that there is a working relationship between the party giving the authority (principal), namely the investor, and the party receiving the authority (agency), namely the manager, in the form of a cooperation contract called the nexus of contract. an agency where the shareholders as the principal want the maximum and fastest return on investment, one of which is reflected in the increase in the portion of dividends from each share owned. The agent always tries to minimize any potential tax payments in order to increase the company's net profit. The greater the profit generated by the company will certainly increase the tax that will be paid by the company (Sumarta & Intan, 2021). This research is in line with research conducted by (Salamah et al., 2016), (Dyah Ayu Linda Puspitasari, 2019), (Laksono, 2019), (Arianti, 2020), (Nursasmita et al., 2021), stating that in operational cost variables have a positive and significant impact on corporate income tax.

## CONCLUSION

This study aims to determine the effect of cost of production, profitability, inventory, net sales and operating costs on corporate taxpayer income tax in manufacturing companies in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange (IDX) for the 2017-2020 period with a sample of 30 companies. Based on the discussion in the previous chapter, the results of the research show that the hypothesis is that the cost of production, profitability, net sales and

operating costs have a positive effect on corporate income tax in manufacturing companies in the basic industrial and chemical sectors for the 2017-2020 period. Meanwhile, inventory has no effect but in a positive direction on corporate income tax in manufacturing companies in the basic and chemical industry sectors for the 2017-2020 period. The R<sup>2</sup> value indicates that the contribution of all independent variables in explaining the dependent variable is 87.54%, while the remaining 12.46% is explained by other variables outside the model.

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