

Effect of Income and Expense on Tax with Profit before Tax as Intervening Variable (Empirical Study on Banking Companies Listed on the Indonesia Stock Exchange)



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ABSTRACT: This study aims to determine the effect of income and expense on tax with profit before tax as intervening variable, empirical study on Banking Companies Listed on the Indonesia Stock Exchange. The research method used in this research is quantitative research with descriptive research type. The technique of collecting data is done with documents. The population in this study were 27 companies consisting of 3 years of data. Sample selection using purposive sampling method with certain criteria so that the number of samples taken is 39 samples. Method of data analysis using multiple linear regression analysis method. The results showed that income did not significantly effect tax, expense did not significantly effect tax, profit before tax did significantly effect tax. Profit before tax is a variable that mediates the relationship between income and expense on tax.

KEYWORDS: Income, Expense, Profit Before Tax, Tax

INTRODUCTION

The increasingly fierce business competition from year to year is the reason for every company, both large and small scale companies to continue to create new innovations that can help maximize company profits. This also applies to Banking Companies that continue to offer convenience for their customers to conduct financial transactions and continue to improve the quality of service, one example of which is the mobile banking facility that allows customers to perform multiple transactions without having to queue at the bank. Indeed, a business can run well if the services/products offered are in accordance with the wishes of potential customers at competitive prices, of course.

In order to realize good service quality, a management system is needed that can plan, execute and supervise the implementation of the plan. With the implementation of the right strategy and carried out with proper supervision, this can maximize the company's profits to maintain the business continuity of the company.

Banking Companies as one of the financial institutions that have an important role in moving the economy of a banking country also make every effort to increase profits. Banks that have interest as their main income are required to be able to compete to cover all existing operational expenses and maintain business continuity.

In addition to maintaining the business continuity of printing profits that continue to increase, Banking Companies listed on the Indonesia Stock Exchange are also carried out to attract investors. The growth of stock investors in Indonesia increased by 8% in 2019 to May 2020. This shows the increasing interest of the Indonesian people towards investing in companies listed on the Indonesia Stock Exchange. With the increasing public interest in investment, the Indonesia Stock Exchange's supervision of listed companies has become more stringent.

Supervision is generally carried out by the Indonesia Stock Exchange and investors on the companies they invest in through data transparency and the obligation to publish quarterly financial reports that can be viewed by investors on the idx.co.id website. This makes financial reports something very crucial and important for companies listed on the Indonesia Stock Exchange.

The financial statements, apart from being a measure of company performance, also function for the government to calculate taxes that must be paid by business actors to the state.

According to Law No. 16 of 2009 Article 1 paragraph 1, tax is a mandatory contribution to the state owed by an individual or entity that is coercive under the law, without getting direct compensation and is used for the needs of the state for the greatest prosperity of the people.

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According to Sumarsan (2017:3), taxes are the transfer of wealth from the people to the state treasury to finance public saving which is the main source for financing public investment.

An income statement that can reflect a company's profit becomes the government's reference in determining/calculated income tax (PPH) payable from a company. Even though Indonesia adopts a self-assessment system in which the taxpayer calculates the tax that must be paid by himself, the government still needs to supervise the calculations made by the taxpayer so that in the calculation and reporting of the annual notification letter (SPT) a company must attach a financial report as a basis for reporting. government in supervising taxpayer compliance.

According to the Dictionary of Economics and Business (Waluyo and Hastuti, 2015:495), revenue is an increase in an organization's assets or a decrease in its obligations during an accounting period, especially those from operating assets. Income can also be said as income arising from the activities of the company which is known by different names such as sales, fees, interest, dividends, royalties and rent.

Revenue in general is an increase in nominal assets caused by the implementation of activities by an entity which is known by a different designation for each entity such as sales, service income, interest, dividends, royalties and rent. In accordance with the above formula in general, commercial income should have a positive influence on taxes, which if income increases then taxes will also increase and vice versa if income decreases, taxes will also decrease. This is in line with Yasinta's research (2017) which concludes that income has a positive and significant effect on taxes.

Based on data, Bank Rakyat Indonesia Agroniaga, Tbk (AGRO) in 2019 there was an increase in income that was not accompanied by an increase in taxes. Bank Mestika Dharma, Tbk (BBMD) in 2018 experienced a decrease in income which was not accompanied by a decrease in taxes, in 2019 there was an increase in income which was not accompanied by an increase in taxes. Bank Mayapada Internasional, Tbk (MAYA) In 2018 there was an increase in income which was not accompanied by an increase in taxes. The above phenomenon is in accordance with the research of Wagini et al. (2019) Income directly has a negative and insignificant effect on taxes.

The true cost is a sacrifice that can be assessed in units of money that must be spent to achieve a certain goal such as to obtain an income, maintain an income so that it can continue to be obtained. In accordance with the above tax calculation formula, in general, the burden should have a negative effect on taxes, which if the burden increases, the tax will decrease and vice versa if the burden decreases, the tax will increase. This is in line with Yasinta's research (2017) which concludes that the burden has a negative and significant effect on taxes.

From the data, it can be seen that at Bank Danamon, Tbk (BDMN) in 2019 there was an increase in expenses that was not accompanied by a decrease in taxes. Bank Ganeshha, Tbk (BGTG) in 2019 there was an increase in expenses that was not accompanied by a decrease in taxes. Bank Sinarmas, Tbk (BSIM) in 2019 there was an increase in expenses that was not accompanied by a decrease in taxes. This is in line with the research of Wagini, et al. (2019) Direct or indirect costs have a positive and significant impact on taxes.

From the data, it can be seen that at Bank Permata, Tbk (BNLI) in 2018 there was a decrease in income and an increase in expenses which should have reduced taxes, but the 2018 tax has actually increased compared to 2017.

Research related to taxes is considered still interesting to study this is because the results of previous studies produced different results such as in research on the relationship between income and taxes and the relationship between expenses on taxes which according to research by Wagini, et al. (2019) income has no significant negative effect on taxes. According to Dharmayanti (2018), income has a significant positive effect on taxes. According to Nurjanah (2008), income does not have a direct effect on taxes. According to Wagini, et al. (2019), expenses have a significant positive effect on taxes. According to Kusumadewi (2008), the burden has a significant negative effect on taxes. According to Nurjanah (2008), the burden does not have a direct effect on taxes.

The amount of profit from one period to period shows the ups and downs of the company's management performance. Profit before tax is net income before deducting income tax (Hery, 2017:42). Based on research by Wagini, et al. (2019), profit before tax has a contribution to influence the tax rate.

This study uses net income before tax as an intervening variable to test whether net income before tax can intervene in the relationship between income and expenses on taxes because the profit before tax calculation formula is a reference that will be multiplied by the tax rate to produce a nominal tax. Wagini, et al. (2019) has conducted research on the effect of income and expenses on taxes with profit before tax as an intervening variable and the results of this study are earnings before taxes can intervene in the relationship between income and expenses on taxes.

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This study aims to determine the effect of income and expense on tax with profit before tax as intervening variable, empirical study on Banking Companies Listed on the Indonesia Stock Exchange.

RESEARCH METHODS

The research method used in this research is quantitative research with descriptive research type. Quantitative research is empirical research in which the data is in the form of something that can be calculated. Quantitative research pays attention to the collection and analysis of data in numerical form (Pandiangan, 2018). The technique of collecting data is done with documents.

The population in this study were 27 companies consisting of 3 years of data. According Pandiangan et al. (2018) in Sugiyono, sampling is the selection of samples based on certain characteristics that are considered to have relevance to the characteristics of the population that have been known previously. Library research is a form of research that uses library facilities by examining theoretical discussions from various books, articles, and scientific works related to writing (Pandiangan, 2018). Sample selection using purposive sampling method with certain criteria so that the number of samples taken is 39 samples.

Method of data analysis using multiple linear regression analysis method. Multiple linear regression analysis is an analysis to determine the effect of more than one independent variable on one dependent variable (Tobing et al., 2018).

RESULT

Descriptive Statistics

The results of descriptive statistical research are intended to explain the minimum, maximum, average and standard deviation values for each of the variables in this study. The higher the standard deviation value, the greater the distance between the data points and the average value. The results of descriptive statistical tests on each variable are presented in table 4.1 below:

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Income	39	-.112	.402	.06431	.102882
Expense	39	-.156	.422	.06797	.123021
Profit Before Tax	39	-.891	.543	.04495	.266579
Tax	39	-.891	.537	.03697	.267030
Valid N (listwise)	39				

Source: SPSS Processing Data Output (2020)

From the results of Table 1 descriptive statistics above, we can know that the lowest income value in the 2017-2019 period was -0.112 this happened at PT. Bank Danamon Indonesia Tbk. (BDMN) 2017. The highest income in the 2017-2019 period was 0.402 this increase occurred at PT. Bank BTPN Tbk. (BTPN) in 2019. The average income value is 0.06431, meaning that from the total 39 samples tested during the 2017-2019 period, there was an average increase in income of 0.06431. The standard deviation of income is 0.102882, which means that during the research period the distribution of income variable data is 0.102882 times.

From the results of Table 1 descriptive statistics above, we can know that the lowest load value in the 2017-2019 period was -0.156 this happened at PT. Bank Danamon Indonesia Tbk. (BDMN) 2017. The highest expense in the 2017-2019 period was 0.422 this increase occurred at PT. Bank Ganesha Tbk. (BGTG) in 2017. The average load value is 0.06797, meaning that from a total of 39 samples tested during the 2017-2019 period, there is an average load increase of 0.06797. The standard deviation of the load is 0.123021, which means that during the research period the data spread of the load variable is 0.123021 times.

From the results of Table 1 descriptive statistics above, we can know that the lowest tax value in the 2017-2019 period is -0.891 this occurs at PT. Bank Ganesha Tbk. (BGTG) 2018. The highest tax in the 2017-2019 period was 0.537 this increase occurred at PT. Bank BTPN Tbk. (BTPN) in 2018. The average tax value (Y) is 0.03697, meaning that from a total of 39 samples tested during the 2017-2019 period, there was an average tax increase of 0.03697. The standard deviation of the tax is 0.267030, which means that during the research period the spread of tax variable data is 0.267030 times.

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From the results of Table 1 descriptive statistics above, we can know that the lowest profit before tax in the 2017-2019 period is -0.891 this happens at PT. Bank Ganesha Tbk. (BGTG) 2018. The highest profit before tax in the 2017-2019 period was 0.543 this increase occurred at PT. Bank Pan Indonesia Tbk. (PNBN) in 2018. The average value of profit before tax is 0.04495, meaning that from the total 39 samples tested during the 2017-2019 period, there is an increase in the average profit before tax of 0.04495. The standard deviation of income is 0.266579, which means that during the research period the data distribution of the profit before tax variable is 0.266579 times.

Regression Test Results

The results of the first stage of the test were carried out to test the effect of the independent variables on the intervening variables, namely income and expense on profit before tax.

Table 2. Stage 1 Individual Significant Test

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.006	.013		.431	.669
	Income	6.044	.268	2.332	22.534	.000
	Expense	-5.139	.224	-2.371	-22.911	.000

a. Dependent Variable: Profit Before Tax

Source: SPSS Processing Data Output (2020)

The results of the second stage of the test were carried out to test the effect of the independent variables on the intervening variables, namely income, expense, and profit before tax on tax.

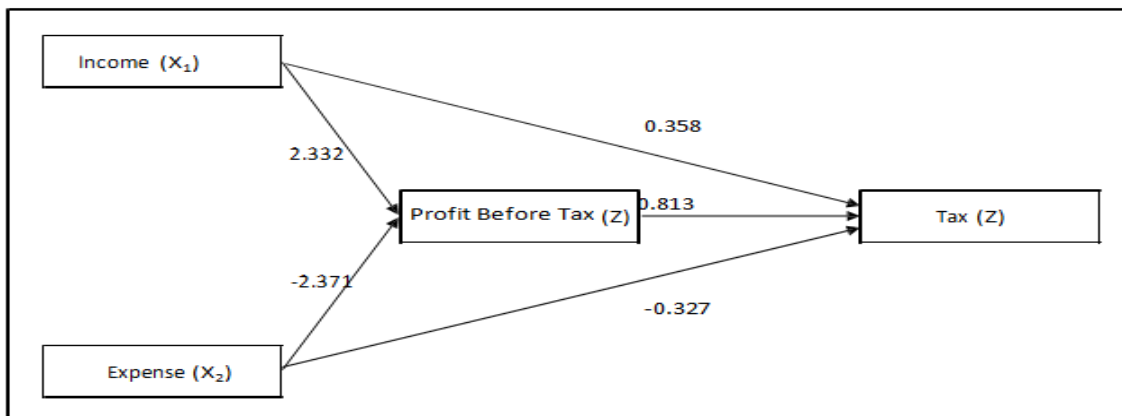
Table 3. Stage 2 Individual Significant Test

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	-.011	.017		-.666	.510
	Income	.929	1.334	.358	.696	.491
	Expense	-.710	1.133	-.327	-.626	.535
	Profit Before Tax	.814	.213	.813	3.816	.001

a. Dependent Variable: Tax

Source: SPSS Processing Data Output (2020)

Figure 1. Conclusion of Regression Test Results



Source: SPSS Processing Data Output (2020)

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The results showed that income did not significantly effect tax, expense did not significantly effect tax, profit before tax did significantly effect tax. Profit before tax is a variable that mediates the relationship between income and expense on tax because the dependent variable through the intervening variable is greater than the direct effect between the independent variable and the dependent variable.

CONCLUSION AND SUGGESTION

The results showed that income did not significantly effect tax, expense did not significantly effect tax, profit before tax did significantly effect tax. Profit before tax is a variable that mediates the relationship between income and expense on tax because the dependent variable through the intervening variable is greater than the direct effect between the independent variable and the dependent variable.

Based on the conclusions above, the researcher gives some suggestions as follows:

1. For Banking Companies, it is advisable to keep trying to increase revenue because income affects profit before tax.
2. For Banking Companies, it is advisable to keep pressing the number of expenses even though expenses do not have a significant effect on profit before tax
3. For Banking Companies, it is recommended that they continue to try to increase their profit before tax even though not everyone thinks that paying taxes is profitable, but paying corporate taxes has helped build the country.
4. For Further Researchers, it is recommended to add other variables for future research in order to produce better research.

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