Research Article

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The Influence of Capital Structure and Profit Management on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies)

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Abstract: *This research aims to describe the influence of capital structure and profit management on income tax on the Indonesian Stock Exchange (empirical study of property sub-sector companies). The research method used is a descriptive method with a quantitative approach. The type of data used in this research is secondary data, where data is obtained by not making direct observations on the research object. The method used to support this research is a quantitative method and, in this research, a multiple linear regression model is used. The adjusted R square coefficient of determination, namely the Capital Structure Variable (X1), the Earnings Management Variable (X2), can explain the Income Tax Variable (Y) of 38.0%. Capital Structure has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies). Profit Management has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies). Capital Structure and Profit Management simultaneously have a significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).*

Keywords*: capital structure, profit management, income tax.*

Introduction

A country's main income comes from various sectors, one of which comes from the tax sector. In various countries, tax revenues are very important for national development activities and are a source of funds for public welfare. Taxes are one source of state income that comes from the people. By paying taxes, the government can carry out development programs that the people can enjoy. Most corporate taxpayers still identify the obligation to pay taxes as a cost because financially, taxes are a transfer of resources from the business sector or business world to the public sector or government which results in a reduction in taxpayers' purchasing power (Santoso and Ning, 2018:69).

Tax is a mandatory contribution to the state which is liable by an individual or entity which is coercive based on law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people (Law on General Provisions and Tax Procedures (UU KUP) number 28 of 2007 Article 1 paragraph 1). The role of taxpayers in jointly carrying out tax obligations and rights for state financing and national development can be realized by obediently paying taxes (Saputra and Asyik, 2017: 94).

A way to minimize the tax burden that is commonly used by companies that is still permitted, in accordance with tax regulations, is by playing with the level of debt use. Capital can be obtained through two sources, namely the company's internal source which comes from net cash flow from business results and the company's external source through issuing new shares or seeking liabilities through creditors, either from financial institutions or by issuing bonds on the capital market. The real problem will arise after the company funds funds for capital, namely how the composition of capital or more often known as the company's capital structure. So the property sector is one that supports (the economy). To get there, what can be expected is that the industry can still grow even though expectations cannot be too high. The real and estate industry sector is estimated to increase from year to year. This is inseparable from a number of

government policies which have had a positive impact on optimism regarding the national economic growth target. Economic conditions are expected to stabilize in early 2024 if the government remains consistent in implementing existing policies.

Capital structure is a combination of internal financing and external financing of the company. Internal sources of funds, which can be obtained from the company as retained earnings, while external funds come from outside the company, such as long-term debt, will be linked to the company's debt policy. In this research, capital structure is proxied by the Debt Equity Ratio (DER), which is the ratio of the company's total debt to the total equity or capital owned by the company. Based on the phenomenon of development of property company capital structures for the 2022-2023 period. In 2022 there will be a quite drastic increase, namely 0.48 from 2021. But in 2023 there will be a decrease of 0.4. The data shows that the capital structure of property companies is fluctuating due to the large use of debt. This can be seen from the average annual capital structure which is more than 1, which means the company uses more debt than its own capital. An unstable capital structure can affect the company's liquidity or ability to fulfill its obligations and of course will create risks if debts mature at the same time so that the company's possibility of making a profit is also smaller. A company with an optimal capital structure will certainly make investors more interested in investing, conversely, if the optimal capital structure is not optimal then investors will look for another company with better capital structure conditions to invest their capital. Thus, companies must be able to maintain their capital structure in order to increase profits and reduce risks so that they can attract investors with the condition of the financial statements.

Earnings management is an effort made by management to intervene in the preparation of financial reports to increase or decrease profits by manipulating the numbers in the financial reports and applying accounting methods or procedures used by the company with the aim of benefiting itself, quality profits are profits that can reflect the continuation of profits (sustainable earnings) in the future, which are determined by the accrual and cash components and can reflect the company's actual financial performance. The higher the quality of the company's profits, the more interested investors will be in becoming one of the owners of the company. The term earnings management is used to refer to accounting practices that do not violate the rules.

The factors that determine the tax payable are as follows: capital aspects, company size, revenue effectiveness, liquidity aspects and operational cost efficiency. In this study, researchers used several factors that influence taxes payable, such as capital structure and earnings management. In a company, capital structure indicates how the company finances its operational activities or how the company finances its assets. Companies need funds originating from their own capital and foreign capital. The capital structure reflects the way the company's assets are spent, thus the financial structure is reflected in the overall liabilities on the balance sheet. The financial structure also reflects the balance between total foreign capital (both short term and long term) with the amount of own capital. Taxation can be a motivation to carry out profit management, namely by reducing taxable income in order to reduce taxes.

Earnings management is an attempt to change, hide and manipulate the numbers in financial reports by playing with the accounting methods and procedures desired by the company. Information gaps sometimes encourage managers to behave opportunistically in disclosing information about the company. This information should be able to help communication between managers and investors, shareholders and the public. However, earnings management practices undermine the value of this information and lead the use of financial statements to inaccurate economic decisions. This practice impacts the reliability and credibility of accounting information.

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Literature Review

Income tax

According to Mardiasmo (2018: 60), "Income tax is a tax imposed on individuals, companies or other legal entities on the income they earn." One of the income taxes according to (Herryanto & Toly, 2018) in their article is as follows: Income tax (PPh) is a tax imposed on the income of individuals, companies or other legal entities on income received or earned during the tax year. Meanwhile, according to (Suandy, 2017:59), the definition of income tax is as follows: Income tax is a tax imposed on income, which can be imposed periodically and repeatedly within a certain period of time, both tax period and tax year.

Capital Structure

According to Zainul (2018:69) the meaning of Capital Structure is as follows: "Capital structure is a long-term source of funds embedded in a company with a term of more than one year." According to Sudana (2019:189) the meaning of Capital Structure is as follows: "Capital structure is related to the long-term expenditure of a company which is measured by the comparison between long-term debt and its own capital." According to Sugeng (2017:189) the meaning of Capital Structure is as follows: "Capital structure is a relatively large amount of funds that is tied to a long period of time, so it is more strategic for the company."

Profit management

Tiaras & Wijaya, (2017:383) define earnings management as an effort carried out by a company to obtain a large profit or income that is in accordance with the company's wishes and achieve the company's goals. Hasty and Herawaty (2017:4) define earnings management as a manager's behavior in managing profits using certain methods. According to Ernayani (2020:144) defines earnings management as the act of changing information in financial reports by deliberately increasing or decreasing the quality of earnings, which is carried out by managers based on fluctuations in reported profits so that profits in the company are at a level considered normal by the company or in other words Otherwise, the company's reported profit looks stable.

Method

The research method used is a descriptive method with a quantitative approach. This descriptive method involves collecting data to test hypotheses or answer questions about people's opinions on an issue or topic. Quantitative research is research that is based on collecting and analyzing data in the form of numbers (numerics) to explain, predict and control phenomena of interest. (Sutanto Leo, 2013) Quantitative research emphasizes analysis on numerical data processed using statistical methods. With quantitative methods, the significance of the relationship between variables will be obtained.

The type of data used in this research is secondary data, where data is obtained by not making direct observations on the research object. The data sources used in the research were obtained from the official website of the Indonesian Stock Exchange, namely www.idx.co.id and the Indonesian Capital Market Directory (ICMD).

The method used to support this research is a quantitative method and in this research a multiple linear regression model is used. The multiple linear regression model is a statistical testing model that aims to analyze the influence of independent variables on the dependent variable.

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Results and Discussion

Classic assumption test

One of the tests that must be passed in multiple linear regression analysis is the classical assumption test. Ghazali (2012: 89) said that the classical assumption test was carried out so that the multiple linear regression model met the BLUE (Based Linear Unbiased Estimator) criteria. The testing stages in the classical assumption test are as follows:

Normality test

The normality test is used to test whether the regression model has a normal distribution or not. The assumption of normality is a very important requirement in testing significance, the significance used is α = 5% of the regression coefficient. Ghazali (2012:92) states that a good regression model is a regression model that has a normal or close to normal distribution, so it is feasible to carry out statistical testing.
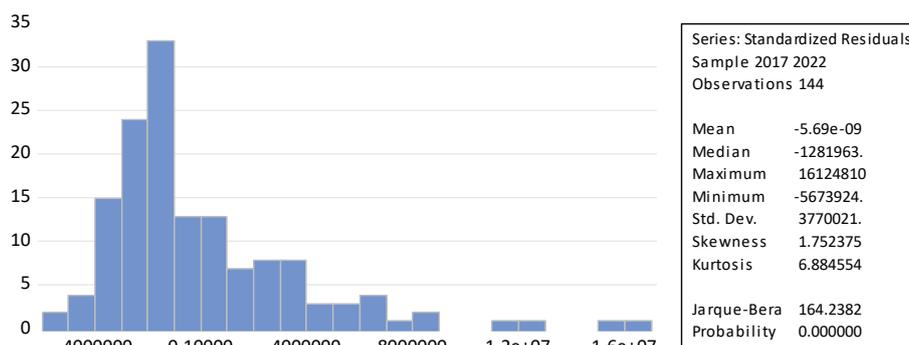

Figure 1. Normality Graph

Based on the picture above, it can be seen that the Jarque-Bera test value is 164.2382 and the Probability value is 0.000000, which is below the standard error tolerance value (5%). Therefore, it can be concluded that normally distributed residuals can be rejected, in other words, the assumption of normally distributed residuals is not fulfilled.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an inequality in the variance and residuals from one observation to another. If the variance of the residuals from one observation to another remains then it is called homoscedasticity, and if it is different it is called heteroscedasticity (Ghozali, 2012: 101). A good regression model is one that is homoscedastic or does not have heteroscedasticity.

Table 1. Heteroscedasticity Test Results

Dependent Variable: ABS_RES
Method: Panel EGLS (Cross-section random effects)
Date: 06/07/24   Time: 11:07
Sample (adjusted): 2020 2023
Periods included: 3
Cross-sections included: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	525580.7	134541.6	3.906455	0.0002
STRUKTUR_MODAL__X1_	3.819003	6.449769	0.592115	0.5557
MANAJEMEN_LABA__X2_	4.335557	5.864301	0.739314	0.4622

Effects Specification			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			994174.5	1.0000

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Based on the table above, it can be seen that all independent variables in the Glajser test are above 0.05. However, the correlation between the profitability and liquidity variables experiences multicollinearity problems because the correlation matrix is smaller than 0.05.

Multicollinearity Test

The Multicollinearity Test aims to test whether in the regression a correlation is found between the independent variables (Independent).

Table 2. Multicollinearity Test Results

	STRUKTUR_MODAL__X1_	MANAJEMEN_LABA__X2_	PAJAK_PENGHASILAN__Y_
STRUKTUR_MODAL__X1_	1.000000	0.954535	0.992160
MANAJEMEN_LABA__X2_	0.954535	1.000000	0.948057
PAJAK_PENGHASILAN__Y_	0.992160	0.948057	1.000000

Based on table 4.2 above, it shows that in this model there are no symptoms of multicollinearity. By looking at the output between the independent variables in the regression, there is no output that exceeds 0.8.

Autocorrelation Test

The autocorrelation test aims to test in a model whether or not there is a correlation between confounding errors in period t and errors in period t-1. Ghozali (2012: 124) states that a good regression model is a model that does not contain autocorrelation.

Table 3. Autocorrelation Test Results

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 6
Note: non-zero cross-section means detected in data
Cross-section means were removed during computation of correlations

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	423.6553	276	0.0000
Pesaran scaled LM	6.284626		0.0000
Pesaran CD	3.934939		0.0001

The autocorrelation test can be seen from the Durbin Watson value in this research. The Durbin Watson value in this research is423.6553and the number of samples (n), the number of independent variables is 2 (k=2), then the Durbin-Watson, DW value423.6553greater than the upper limit (du) 1.6000 and less (dl) 1.3908, with a table value at a significance level of 5%, it can be concluded that there is no autocorrelation in this regression model, or the calculation can be concluded that the DW value lies at test area. with an upper limit value (du) of 1.6000 and a lower limit (dl) of 1.3908.

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Estimatemultiple linear regression

The method used to support this research is a quantitative method and, in this research, a multiple linear regression model is used.

Table 4. Estimation Resultsmultiple linear regression

Dependent Variable: PAJAK_PENGHASILAN__Y_
Method: Panel EGLS (Cross-section random effects)
Date: 06/07/24   Time: 10:45
Sample: 2020 2023
Periods included: 4
Cross-sections included: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1820249.	491646.7	3.702351	0.0003
STRUKTUR_MODAL__X1_	4.173525	1.090570	38.26919	0.0000
MANAJEMEN_LABA__X2_	1.925968	7.143575	3.696084	0.0004

Based on the table above, the regression equation model that can be prepared in this research is as follows: Income Tax =18,20+4.17Capital Structure +1.92Profit Management + e.

Determination Test

The coefficient of determination is used to see how much the independent variable contributes to the dependent variable.

Table 5. Determination Test

R-squared	0.210309	Mean dependent var	9.578958
Adjusted R-squared	0.380024	SD dependent var	21.87834
SE of regression	9.212013	Sum squared resid	94176.49
F-statistic	0.747284	Durbin-Watson stat	1.693488
Prob(F-statistic)	0.525127		

Based on table 4.5, it can be seen that the adjusted R square value is 0.380 or 38.0%, this shows that thedeterminationcarried out to determine good accuracy in the analysis as indicated by the magnitude of the adjusted R square coefficient of determination, namely the Capital Structure Variable (X1), Profit Management Variable (X2), which can explain the Income Tax Variable (Y) of 38.0%, the remaining 62, 0% (100% - 38.0%) is explained by other variables outside this research model.

t Test (Partial)

This research uses the t test as a hypothesis tester. The t test is used to see the influence of the independent variable on the dependent variable partially.

Table 6. T Test Results (Partial)

Dependent Variable: PAJAK_PENGHASILAN__Y_
Method: Panel EGLS (Cross-section random effects)
Date: 06/07/24   Time: 10:45
Sample: 2020 2023
Periods included: 4
Cross-sections included: 24

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1820249.	491646.7	3.702351	0.0003
STRUKTUR_MODAL__X1_	4.173525	1.090570	38.26919	0.0000
MANAJEMEN_LABA__X2_	1.925968	7.143575	3.696084	0.0004

Based on the test results using the Eviews 12 application, it is known that the calculated value of Capital Structure is38.26919with a significance of 0.0000. The ttable value in this study calculated with df = 40-k (38) is 2.0243 with a significance of 0.05. So it can be seen that Capital Structure has a positive and significant effect on Income Tax. This is shown by the results of the tcount value (38.26919) > ttable (2.0243) and the significant value is 0.0001 < 0.05. So it can be concluded that the Capital Structure variable has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).

Based on the test results using the Eviews 12 application, it is known that the calculated value of Profit Management is2.696084with a significance of 0.0004. The ttable value in this study calculated with df = 40-k (38) is 2.0243 with a significance of 0.05. So it can be seen that Profit Management has a positive and significant effect on Income Tax. This is shown by the results of the tcount value (2.696084) > ttable (2.0243) and the significant value is 0.0004 < 0.05. So it can be concluded that the Profit Management variable has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).

F Test (Simultaneous)

The F test or simultaneous test is basically carried out to find out whether all the independent variables included in the model have a joint influence on the dependent variable.

Table 7. F Test Results (Simultaneous)

Weighted Statistics			
R-squared	0.892433	Mean dependent var	2777995.
Adjusted R-squared	0.850907	S.D. dependent var	5972944.
S.E. of regression	1972819.	Sum squared resid	5487.740
F-statistic	584.9031	Durbin-Watson stat	1.462503
Prob(F-statistic)	0.000000		

Based on the test results using the Eviews 12 application, it is known that the calculated F value is584.9031with a significance of 0.00000. The ftable value in this study calculated with df = 40-k-1 (37) is 3.25 with a significance of 0.05. So, it can be seen that Capital Structure and Profit Management have a positive and significant effect simultaneously on Income Tax. This is shown by the results of the tcount value (584.9031) > ttable (3.25) and the significant value is 0.00000 < 0.05. So it can be concluded that the

Capital Structure and Profit Management variables simultaneously have a significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).

Conclusion

Based on the results of the research and discussion in the previous chapter, it can be concluded as follows:

1. The adjusted R square coefficient of determination, namely the Capital Structure Variable (X1), the Earnings Management Variable (X2), can explain the Income Tax Variable (Y) of 38.0%.
2. Capital Structure has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).
3. Profit Management has a positive and significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).
4. Capital Structure and Profit Management simultaneously have a significant effect on Income Tax on the Indonesian Stock Exchange (Empirical Study of Property Sub-Sector Companies).

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