

**THE EFFECT OF PROFITABILITY, LIQUIDITY, AND SOLVENCY ON
CORPORATE INCOME TAX****Uzroul Markhamah¹⁾, Ahmad Nur Aziz²⁾**¹Tax Management, Economics and Business, Universitas PGRI Madiun
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email: ahmadnuraziz@unipma.ac.id***Abstrak***

Penelitian ini bertujuan untuk membuktikan secara empiris pengaruh profitabilitas, likuiditas dan solvabilitas terhadap pajak penghasilan badan pada perusahaan manufaktur sub sektor industri dasar dan kimia yang terdaftar pada Bursa Efek Indonesia Tahun 2020-2024. Sampel dalam penelitian ini ada 28 perusahaan manufaktur sub sektor industri barang konsumsi dengan jumlah data dalam periode selama tahun pengamatan 2020 sampai dengan 2020 secara keseluruhan adalah sebanyak 125 data. Hasil penelitian menunjukkan bahwa (1) Terdapat pengaruh profitabilitas terhadap PPh badan terutang. (2) Terdapat pengaruh likuiditas terhadap PPh badan terutang namun, arahnya negatif. (3) Terdapat pengaruh solvabilitas terhadap PPh badan terutang.

Kata Kunci: Profitabilitas, Likuiditas, Solvabilitas, PPh Badan

Abstract

This study aims to empirically prove the effect of profitability, liquidity and solvency on corporate income tax in manufacturing companies in the basic and chemical industry sub-sectors listed on the Indonesia Stock Exchange in 2020-2024. The sample in this study was 28 manufacturing companies in the consumer goods industry sub-sector with a total of 125 data in the observation period from 2020 to 2020. The results of the study indicate that (1) There is an effect of profitability on corporate income tax. (2) There is an effect of liquidity on corporate income tax, but the direction is negative. (3) There is an effect of solvency on corporate income tax.

Keywords: Profitability, Liquidity, Solvency, Corporate Income Tax

A. INTRODUCTION

COVID-19 pandemic has not only caused a health crisis, but also a chain effect that affects the social, economic, and financial crises (Rusmini et al., 2023). However, over time Indonesia's economic conditions have continued to grow from year to year through high domestic demand and the recovery of the service sector. The manufacturing industry is able to provide the largest value-added contribution to Indonesia's Gross Domestic Product (GDP).

State revenue comes from tax revenue and non-tax revenue. In general, tax revenue comes from non-oil and gas income tax revenue, which is still dominated by Corporate Income Tax (PPh), Individual Income Tax, and Final Income Tax. Corporate income tax is a tax imposed on income earned by corporate taxpayers domiciled in Indonesia (Ditasari & Zahri, 2021). Manufacturing companies are one of the corporate taxpayers that make a large contribution and have the potential to increase tax revenue in Indonesia.

Changes in global economic conditions, fluctuations in raw material prices, and fiscal policies set by the government have affected financial performance and corporate income tax liability (Mas'udin, 2017). Financial performance can be assessed from a company's financial statements which are analyzed using financial ratios. Generally, financial ratios can be measured using Profitability Ratios, Liquidity Ratios, Solvency Ratios (Harahap, 2016).

Profitability ratio can be measured using Return On Asset (ROA). ROA measures the company's ability to utilize its assets to generate profits (Faisal et al., 2018). The higher the ROA, the better the company is in using its assets to determine whether the financial performance of the company is good or bad. Profitability affects the corporate income tax payable. The higher the profit earned, the higher the amount of corporate income tax will also be (Widanto & Pramudianti, 2021).

Liquidity ratios can be measured using the current ratio (Current Ratio). Current Ratio is calculated by current assets with current liabilities. The greater the current ratio, the greater the company's ability to meet its short-term obligations (Sanjaya & Ariesa, 2020). Anam dan Zuardi (2018) revealed that liquidity affects corporate income tax. The higher the level of liquidity (current ratio), the lower the amount of corporate income tax from the mining sector, and vice versa.

Solvency ratio is the ability of a company to pay all its debts on time. Solvency ratio can be measured by Debt to Total Asset Ratio (DAR). DAR is calculated by dividing total liabilities by total assets. The higher this ratio, the greater the risk for creditors and shareholders (Faisal et al., 2018). According to Yusrizal et al (2023) Solvency affects the tax burden, companies that have high solvency illustrate that the company's condition is not good.

To deepen the understanding of the relationship between profitability ratios measured using ROA, liquidity measured using CR, and solvency measured using DAR on corporate income tax payable, the author analyzes a five-year trend graph of basic and chemical industry manufacturing sector companies showing the development of Return on Assets (ROA), Current Ratio (CR), and Debt to Assets Ratio (DAR) values on corporate income tax payable from 2020 to 2024. The observation results show that there is a mismatch between the ideal conditions according to theory and the empirical conditions that occur.

With the discrepancy between the ideal conditions according to theory and the empirical conditions that occur, the researchers conducted further research on the effect of profitability, liquidity, and solvency on corporate income tax payable. The purpose of this study is to examine and analyze the effect of profitability, liquidity, and solvency on corporate income tax payable on basic and chemical industry companies listed on the IDX.

B. METHOD

This research uses a quantitative approach. This research was conducted because of the differences in the results of previous studies. This study uses data sourced from the company's financial statements which can be accessed through the official IDX and company websites. The population and samples used in this study were 73 basic and chemical industry sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. The sampling technique used in this study was purposive sampling. The selected sample is adjusted to certain criteria set in accordance with the research objectives or problems.

Table 1. Sampling Criteria

Description	Total
Population of manufacturing companies in the basic and chemical industry sector listed on the IDX	73
Sampling based on criteria (purposive sampling):	(3)

1. Companies that do not publish financial reports consecutively from 2020-2024	(29)
2. Companies that experience losses from 2020-2024	(13)
3. Companies that do not report financial statements in units of rupiah (Rp)	
Sample	28
Total sample (28 x 5)	140

There are 28 samples of basic and chemical industry sector companies with 140 sample data that will be used in this study. This study consists of 4 variables including, 3 independent variables and 1 dependent variable. The operational definition of each variable in this study is described as follows:

Profitability (X1)

The profitability ratio serves to measure how efficient management is in managing the company in order to generate profits from its operational activities. Profitability can be calculated using the following formula:

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$$

Liquidity (X2)

Liquidity is the ability of a company to meet its short-term obligations in a timely manner, which can be seen from the ratio between current assets and current debt. Liquidity can be calculated using the following formula:

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Solvency (X3)

Solvency is the company's ability to pay off all its obligations, both short-term and long-term, referred to as the ability to fulfill obligations as a whole. Solvency can be calculated using the following formula:

$$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Corporate Income Tax (Y)

Based on Law Number 36 of 2008 concerning Income Tax, Income Tax is a tax imposed on tax subjects on income received or earned in the tax year. Corporate Income Tax is a tax imposed on income received or earned by the Agency.

Descriptive Statistical Analysis

Descriptive statistics are statistical methods used to analyze data by presenting or describing the data that has been collected, without drawing conclusions or generalizations that apply widely (Sugiyono, 2022).

Classical Assumption Test

a. Normality Test

Normality test is used to assess whether in the regression model, confounding or residual variables follow a normal distribution (Ghozali, 2021). The normality test can also be done using the Kolmogorov-Smirnov method. The test criteria with the normality test according to Ghozali (2021) are:

- 1) If the significance value > 0.05 then the data is normally distributed
- 2) If the significance value < 0.05 then the data is not normally distributed

b. Multicollinearity Test

The multicollinearity test is carried out to ascertain whether there are independent variables that are interrelated in a model (Sujarweni, 2019). Multicollinearity can be determined by looking at the Variance Inflation Factor (VIF) and Tolerance values. According to Ghozali (2021) the criteria for multicollinearity are as follows:

- 1) If the VIF value < 10 and Tolerance > 0.10 , it is stated that there is no multicollinearity
- 2) If the VIF value > 10 and Tolerance < 0.10 , it is stated that multicollinearity occurs

c. Autocorrelation Test

The autocorrelation test is used to determine whether or not there is a correlation between confounding variables in a certain period and the previous variable (Sujarweni, 2019). To detect autocorrelation using the Durbin Watson value with criteria if:

- 1) D-W number below -2 means there is positive autocorrelation
- 2) D-W number between -2 and +2 means there is no autocorrelation
- 3) D-W number above +2 means there is negative autocorrelation

d. Heteroscedasticity Test

Heteroscedasticity test tests the occurrence of differences in residual variances of an observation period to another observation period (Sujarweni, 2019). If the significance value between the independent variable and the absolute value of the residual > 0.05 , it can be concluded that heteroscedasticity does not occur.

e. Multiple Linear Regression Analysis

Multiple linear regression analysis is used to determine the effect of profitability, liquidity, and solvency on corporate income tax payable. The formula for multiple linear regression analysis method in this study is as follows:

$$Y = \alpha + \beta_1ROA + \beta_2CR + \beta_3DAR + e$$

T Test

The t test is an individual partial regression coefficient test used to determine whether the independent variable partially affects the dependent variable (Sujarweni, 2019). The basis for decision making is as follows:

- 1) If significant < 0.05 then H_a is accepted (effect)
- 2) If significant > 0.05 then H_a is rejected (no effect)

Coefficient of Determination (R^2)

The Coefficient of Determination (R^2) is used to determine the percentage change in the dependent variable caused by the independent variable (Sujarweni, 2019). The R^2 value is 0-1. If R^2 is close

to 1, it indicates that the independent variable can provide information in explaining the dependent variable. Conversely, if the R^2 value is close to 0, it explains that the independent variable provides limited information in explaining the dependent variable (Ghozali, 2021).

C. RESULT AND DISCUSSIONS

Descriptive Statistical Analysis

Table 2 descriptive statistical analysis results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	125	0.002	0.200	0.05694	0.042081
CR	125	1	15	3.33	3.207
DAR	125	0.026	0.663	0.32454	0.162198
PPh	125	119	921865	116340.55	191161.919
Valid N (listwise)	125				

Source: research results SPSS Output 25

The descriptive statistical test results show that ROA has a minimum value of 0.002, a maximum value of 0.2, a mean value of 0.05 and a standard deviation of 0.042. CR has a minimum value of 1, a maximum value of 15, a mean value of 3.33 and a standard deviation of 3.207. DAR has a minimum value of 0.026, a maximum value of 0.663, a mean value of 0.32 and a standard deviation of 0.162.

Classical Assumption Test

a. Normality Test

Table 3 Normality test result
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		125
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.49789001
Most Extreme Differences	Absolute	0.075
	Positive	0.044
	Negative	-0.075
Test Statistic		0.075
Asymp. Sig. (2-tailed)		0.080 ^c

Source: research results SPSS Output 25

The normality test results show an Asym Sig (2-tailed) value of 0.080. The results of the normality test are greater than 0.05, so it can be concluded that the data in this study are normally distributed or have met the criteria for normality assumptions.

b. Multicollinearity Test

Table 4 Multicollinearity test result

Model		Coefficients ^a	
		Tolerance	VIF
1	ROA	0.874	1.144
	CR	0.314	3.187
	DAR	0.340	2.945

a. Dependent Variable: PPh

Source: research results SPSS Output 25

The results of the multicollinearity test show a profitability tolerance value of 0.874 and a VIF value of 1.144, a liquidity tolerance value of 0.314 and a VIF value of 3.187, and a solvency tolerance value of 0.340 and a VIF value of 2.945. So it can be concluded that the tolerance value > 0.10 and the VIF value < 10 so it can be concluded that each variable has no correlation or multicollinearity.

c. Heteroscedasticity Test

Table 5 Heteroscedasticity test result

		Coefficients^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.986	0.394		2.503	0.014
	ROA	-0.080	0.104	-0.072	-0.764	0.447
	CR	-0.356	0.201	-0.279	-1.767	0.080
	DAR	-0.158	0.213	-0.112	-0.741	0.460

a. Dependent Variable: ABRESID

Source: research results SPSS Output 25

The results of the heteroxidacity test tested with the Glejser test show that the significance value of all variables is higher than 0.05. So it can be concluded that there is no heteroxidacity in the regression model used.

d. Autocorrelation Test

Table 6 Autocorrelation test result

Model Summary^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.629 ^a	0.395	0.380	1.51635	0.891

a. Predictors: (Constant), DAR, ROA, CR

b. Dependent Variable: PPh

Source: research results SPSS Output 25

The results of the autocorrelation test tested with Durbin-Watson show a D-W value of 0.891 where this D-W value is between -2 and +2. So it can be concluded that there is no autocorrelation in the regression model used.

e. Multiple Linear Regression

Coefficients^a

**Table 7 Multiple
results**

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	15.557	0.624	
	ROA	1.161	0.165	0.533
	CR	-0.659	0.319	-0.261
	DAR	0.744	0.337	0.268

a. Dependent Variable: PPh

Source: research results SPSS Output 25

linear regression test

The constant value is 15.557, profitability is 1.161, liquidity is -0.659, and solvency is 0.744. Based on the results of the multiple linear regression test above, the equation is obtained as follows:

$$\text{Corporate income tax} = 15,557 + 1,161\text{ROA} + (-0,659\text{CR}) + 0,744\text{DAR} + 0,624$$

T Test

Table 8 The result of the t test

Coefficients ^a			
Model		t	Sig.
1	(Constant)	24.946	0.000
	ROA	7.046	0.000
	CR	-2.068	0.041
	DAR	2.207	0.029

a. Dependent Variable: PPh

Source: research results SPSS Output 25

The profitability variable (X1) shows a significance value of $0.000 < 0.05$. Then these results indicate that the profitability variable (X1) has an effect on the income tax variable (Y). The liquidity variable (X2) shows a significance value of $0.041 < 0.05$. Then these results indicate that the liquidity variable (X2) has an effect on the income tax variable (Y). The solvency variable (X3)

shows a significance value of $0.029 < 0.05$. Then these results indicate that the solvency variable (X3) has an effect on the income tax variable (Y).

Coefficient of Determination (R^2)

Table 9 The result of the coefficient of determination

Model Summary ^b			
Model	R	R Square	Adjusted R Square
1	0.629 ^a	0.395	0.380

Source: research results SPSS Output 25

The Adjusted R Square value is close to 1, namely 0.380. So it can be concluded that there is an influence between the independent variable and the dependent variable with a percentage of 38% while the remaining 62% is influenced by other independent variables not examined in this study.

D. CONCLUSION

Based on the results of research on the effect of profitability, liquidity, and solvency on corporate income tax in basic industry and chemical sector companies listed on the Indonesia Stock Exchange, it can be concluded as follows:

1. Profitability has a positive and significant effect on corporate income tax in basic and chemical industry sector companies for the period 2020-2024.
2. Liquidity has a negative and significant effect on corporate income tax on basic and chemical industry sector companies for the period 2020-2024.
3. Solvency has a positive and significant effect on corporate income tax on basic and chemical industry sector companies for the period 2020-2024.

E. SUGGESTIONS

This study has limitations because it only uses three variables. Therefore, it is recommended for future researchers to add other variables. In addition, the use of a qualitative approach or longitudinal study in a longer period can also provide a more in-depth picture of the pattern of financial influence on corporate tax obligations.

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