The Effect of Deferred Tax and Tax to Book Ratio on Company Financial Performance
(An Empirical Study of Manufacturing Companies in The Food and Beverages Sub-Sector Listed on The Indonesian Stock Exchange for The Period 2017-2021)

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ABSTRACT

Company performance is a description of a company whether the company has carried out procedures in accordance with applicable regulations. One tool that can be used to measure company performance is financial ratios. BenefitFinancial ratio analysis in looking at a company will provide an overview of the company's condition and can be used as a predictive tool for the company in the future. The financial ratio indicator used is the profitability ratio, one of which is return on assets. There are several components that can affect the company's performance improvement, namely deferred taxes. Deferred tax affects company performance. The higher the deferred tax expense, the higher the company performance, while the tax to book ratio affects company performance.This study aims to determine the effect of deferred tax and tax to book ratio on the financial performance of manufacturing companies in the food and beverages sub-sector which are listed on the Indonesia Stock Exchange. The population of this study is the food and beverages sub-sector manufacturing companies listed on the Indonesia Stock Exchange as many as 26 companies. Based on the sampling technique using purposive sampling from 26 companies, 12 companies were obtained that matched the predetermined criteria. The type of research used is quantitative data in the form of secondary data obtained from annual financial reports for 5 years of the object of observation. The data analysis technique used is classical assumption testing analysis including normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Keywords: Deferred Tax,Tax to Book Ratio, Company Financial Performance

INTRODUCTION

The source of state revenue that plays an important role in increasing the welfare and prosperity of the people is tax. There are various types of taxes, such as income tax (PPh), value added tax (VAT), land and building tax (PBB) and so on. In calculating the size of the tax burden to be paid, the financial statements are the basis for calculating the tax. In accounting, the basis for imposing income tax sometimes creates problems, this is due to differences in standards or rules between commercial/accounting financial reports and fiscal/tax financial reports. Commercial financial/accounting reports are made for the purpose of assessing performance company and can provide useful information to both internal and external parties. Meanwhile, fiscal financial reports are made to calculate the amount of liability that must be paid by the company or the basis for tax calculations. The form of adjustment between the differences in the two financial statements is a fiscal reconciliation. Fiscal reconciliation is carried out with the aim of assessing net income in accordance with tax regulations.

In principle, deferred tax is the impact of future income tax caused by temporary (time) differences between accounting and taxation treatments. The impact of income tax in the future

that needs to be recognized, calculated, presented and disclosed in financial reports, both balance sheets and profit and loss (Apriliyanni,Sofianty, & Heliana, 2016). Based on the theories previously presented that there is a deferred tax component which is the impact of temporary (time) differences, namely differences in accounting treatment with taxation and fiscal losses presented in the financial statements, deferred tax has an influence on the company's financial performance because income tax one of the components in the company's income statement whose impact can reduce profits. Another component that can affect the company's performance is the tax to book ratio. The tax to book ratio is considered to affect the company's performance. The tax to book ratio is the ratio between taxable profit (taxable profit) and accounting profit (Harmana & Suardana, 2014). In the tax to book ratio, the closer the fiscal profit is to the accounting profit, the better the company's tax planning will be (Harmana & Suardana, 2014). Conversely, a large difference between taxable profit and accounting profit will increase the deferred tax expense (Marpaung & Tjun, 2016). Financial ratios that are generally used to measure the financial performance of companies in this study is the profitability ratio. Profitability ratios can be measured using return on assets.

The phenomenon in manufacturing companies in the food and beverages sub-sector that experienced a decline in company performance, namely PT Mayora Indah Tbk (MYOR). This occurred when PT Mayora Indah Tbk (MYOR) recorded revenue of IDR 24.47 trillion in 2020, down 2.2% from December 2019 of IDR 25.03 trillion. Sales in 2020 decreased by IDR 549.7 billion when compared to 2019. Sales in 2020 decreased by IDR 549.7 billion when compared to 2019. This decline occurred again in the first quarter of 2021, the company's gross profit fell 24.02 percent from IDR 2.17 trillion to IDR 1.65 trillion. Mayora's operating profit also fell from IDR 996.13 billion in January-March 2021 to IDR 441.53 billion in the first 3 months of 2022. Mayora recorded a profit for the year attributable to owners of the parent entity of IDR 306.0 billion. This net profit fell 62.81 percent YoY from the previous IDR 822.87 billion.

Based on the background and phenomena described above, the researcher will conduct research on the title "The Effect of Deferred Tax and Tax to Book Ratio on Company Financial Performance (Empirical Study of Manufacturing Companies in the Food and Beverages Sub Sector Listed on the Indonesia Stock Exchange Period 2017 - 2021).

METHOD

The type of research used is based on the type of data, namely using quantitative data which is secondary data obtained from the annual financial reports of manufacturing companies listed on the Indonesia Stock Exchange in the food and beverages sub-sector.In a study the research object is called the research variable. Nuryaman and Christina (2015: 5). The objects in this study include variables: (1) deferred tax (2) tax to book ratio, and (3) return on assets.

The population is a generalization area consisting of: objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiyono, 2014: 80). The population in this study are all manufacturing industry companies in the food and beverages sub-sector which are listed on the Indonesia Stock Exchange in 2017 -2021, totaling 26 companies.

The sampling technique in this study used purposive sampling with the following criteria:
1. Manufacturing companies in the food and beverage sub-sector that are not listed on the IDX in 2017 – 2021
2. Companies that do not publish audited financial statements using the financial year ending December 31 and are expressed in Rupiah (Rp) for 2017-2021.
3. Companies that do not earn consecutive profits in 2017-2021
4. The company does not include deferred tax expense for 2017-2021
5. The company does not include the amount of taxable profit in the company's 2017-2021 financial statements

The data collection method used by the author is library research. The author seeks information that is relevant and relevant to the theme being researched by reading and reviewing literature such as books, journals and previous research.

Data Analysis Technique
Classic Assumption
Normality test

According to (Sunyoto, 2012) "The regression equation is said to be good if it has independent variable data and dependent variable data whose distribution is close to normal or not normal at all." The classical assumption test for normality can be done in several ways, namely Kolmogrov Smirnov with decision making based on a significance level of 5% = 0.05. The data is normally distributed if the significance is > 0.05 otherwise if the significance level is <0.05 then the data is said to be not normally distributed. Besides that, it can also be done by normal testing probability plots, namely if the real data line follows the diagonal line, and vice versa if the real data line moves away from the diagonal line, it indicates that the data is not normally distributed.

Multicollinearity Test

The statistical tool that is often used to test multicollinearity disorder is Tolerance value (α) and variance inflation factor (VIF). If using an alpha of 10% or 0.10 then

1) The independent variable experiences multicollinearity if: count < and VIF count > VIF$\alpha\alpha$

2) The independent variable does not experience multicollinearity if: count > and VIF count < VIF$\alpha\alpha$

Heteroscedasticity test

The heteroscedasticity test used in this study is to use a scatterplot graphic between the Z prediction (ZPRED), which is the independent variable (X = Y axis prediction results) and the residual value (SRESID), which is the dependent variable (Y axis = Y prediction -Y real).

The basis for decision making is (Sunyoto, 2012)

1) Homoscedasticity occurs if in the scatterplot the data processing results between ZPRED and SRESID spread below and above the origin (number 0) on the Y axis and do not have a regular pattern.

2) Heteroscedasticity occurs if the scatterplot has regular patterns, either narrowing, widening or wavy.

Autocorrelation Test

According to Danang Sunyoto (2012; 138-139), a good regression equation is one that does not have autocorrelation problems, if autocorrelation occurs, the equation becomes bad for predictions.

One measure in determining whether there is an autocorrelation problem is the Durbin-Watson (DW) test with the following conditions:

1) There is a positive autocorrelation if the DW value is below -2 (DW < -2)

2) There is no autocorrelation if the DW value is between -2 and +2 or -2 DW +2$\leq\leq$

3) There is a negative autocorrelation if the DW value is above +2 or DW > +2

Multiple Regression Analysis

The regression equation interpreted in this study is as follows:

Y = β0 + β1X1 + β2X2 + Є

Information :

β0 = constant

β1 & β2 = regression coefficient

Y = company performance

X1 = deferred tax

X2 = tax to book ratio

Є = errors

Hypothesis test
Partial testing (t test)

By significant level:

1) H1 if Sig < 0.05 then partially Deferred Tax affects the company's financial performance. If Sig. > 0.05, partially Deferred Tax has no effect on the company's financial performance

2) H2 if Sig. <0.05, so partially the Tax to book ratio affects the company's financial performance. If Sig. > 0.05, so partially the Tax To Book Ratio has no effect on the company's financial performance

Testing Simultaneously / Simultaneous Testing

By significant level:
1) H1 if Sig. < 0.05, then simultaneously Deferred Tax and Tax to Book Ratio affect the company's financial performance.
2) H2 if Sig. > 0.05, then simultaneously Deferred Tax and Tax to Book Ratio have no effect on the company's financial performance.

RESULT and DICUSSION

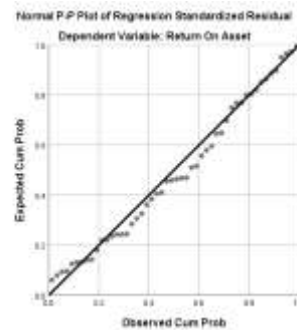## Multicollinearity Test

Classic Assumption

Image 1
Graph of Normal Probability Plot-Return On Assets (ROA)
Source: SPSS Version 25 Output Results

From the results of the normal output probability plot, it can be seen that the dots spread around the diagonal line and their distribution follows the diagonal line. So it can be concluded that the residual values are normally distributed.

Table 1 Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0.088	0.007		13.158	0.000		
	Deferred Tax	-7.985	2.316	-0.451	-3.448	0.001	0.982	1.018
	Tax To Book Ratio	-6.053E-05	0.000	-0.047	-0.358	0.722	0.982	1.018

Based on the output above, in the collinearity column a tolerance value is obtained with a value of 0.982 for Deferred Tax (X1) and 0.982 for Tax To Book Ratio (X2). In addition, it can be obtained the Variance Inflation Factor (VIF) values of 1.018 Deferred Tax values and 1.018 Tax To Book Ratio

values. It can be concluded that all tolerance values are > 0.10 and the Variance Inflation Factor (VIF) value is < 0.10, so this regression model has no correlation or relationship between independent variables or multicollinearity symptoms do not occur.
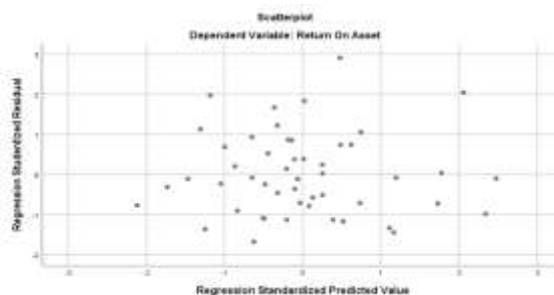

Figure 2

Heteroscedasticity Test

The figure shows that the data points are spread above and below or around the number 0, the points do not cluster and do not form a pattern. So it can be concluded that the regression model does not show symptoms of heteroscedasticity.

Autocorrelation Test

Table 2
Autocorrelation Test Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.459[a]	0.211	0.177	0.043195821436	1.235

a. Predictors: (Constant), Tax To Book Ratio, Deffered Tax
b. Dependent Variable: Return On Asset

From the table above, a Durbin-Watson value of 1.235 is obtained, which means that the DW number is between -2 to +2, so it can be concluded that the regression model of this study has no autocorrelation.

Multiple Linear Regression Analysis

Table 3
Multiple Linear Regression Analysis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.088	0.007		13.158	0.000
	Deffered Tax	-7.985	2.316	-0.451	-3.448	0.001
	Tax To Book Ratio	-6.053E-05	0.000	-0.047	-0.358	0.722

From the output above, the multiple linear regression equation is obtained as follows:

$$Y = 0.088 - 7.985X_1 - 6.053E\text{-}5X_2 + \varepsilon$$

The multiple linear regression equation can be explained as follows:
a. Scorea constant of 0.088, meaning that if the independent variable, namely Deferred Tax and Tax To Book Ratio, is constant or has a value of X = 0, then the dependent variable, namely Return On Assets, has a positive value of 0.088.
b. Scorethe coefficient of the independent variable Deferred Tax (X1) is -7.985. This means that if there is an increase in deferred tax by one unit, the value of the dependent variable Return On Assets (ROA) will also increase by -7.985.
c. Scorethe coefficient of the independent variable Tax To Book Ratio (X2) is -6.053E-5. This means that if there is an increase in the Tax To Book Ratio by one unit, the value of the dependent variable Return On Assets (ROA) will also increase by -6.053E-5

T Test (Partial)

Table 4
T Test Results (Partial)

Unstandardized Coefficients[a]						
Model	Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1 (Constant)	0.088	0.007		13.158	0.000	
Deffered Tax	-7.985	2.316	-0.451	-3.448	0.001	
Tax To Book	-6.053E-05	0.000	-0.047	-0.358	0.722	

a. Dependent Variable: Return On Asset

From the table above, the analysis of the T testthe significance value of the deferred tax variable is 0.001 so that 0.001 <0.05 means that the deferred tax variable affects company performance.The significance value of the Tax To Book Ratio variable is 0.722 so that it is 0.722 meaning that the Tax To Book Ratio variable has no influence on company performance.

F Test (Simultaneous)

Table 5
F Test Results (Simultaneous

ANOVA[a]						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1 Regression	0.023	2	0.012	6.285	.004[b]	
Residual	0.088	47	0.002			
Total	0.111	49				

a. Dependent Variable: Return On Asset

b. Predictors: (Constant), Tax To Book Ratio, Deffered Tax

From the table above, a significance value of 0.004 <0.05 is obtained, which means that there is a significant influence between Deferred Tax and Tax To Book Ratio on the Company's Financial Performance.

Coefficient of Determination

Table 6
Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.459[a]	0.211	0.177	0.043195821436

a. Predictors: (Constant), Tax to Book Ratio, Deffered tax

From the output above the R value of 0.459 means that the correlation between the independent variables of Deferred Tax and Tax To Book Ratio on company performance is 0.459. So it can be concluded that there is a very close relationship because the value of R is close to one.

R Square or R Square is obtained by 0.211 or 21.1%, meaning that the effect of the independent variable Deferred Tax and Tax To Book Ratio on company performance is 21.1%,

while the remainder is (100% - 21.1% = 78.9%) influenced by other variables not included in this study.

CONCLUSION

Based on the results of research on the effect of deferred tax and the tax-to-book ratio on the financial performance of manufacturing companies in the food and beverages sub-sector listed on the Indonesia Stock Exchange for the 2017-2021 period, an interpretation of each variable can be obtained as follows:

1. Deferred taxes have an effect on the financial performance of food and beverages sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period, this statement is supported by a significance value of 0.001 <0.05.

2. *Tax to book ratio*has no effect on the financial performance of manufacturing companies in the food and beverages sub-sector listed on the Indonesia Stock Exchange for the 2017-2021 period. This is evidenced by a significance value of 0.722 > 0.05.

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