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THE EFFECT OF DIFFERENCES IN TAX BOOKS ON INCREASES IN CORPORATE INCOME

Rini Tri Hastuti[1*], Augustpaosa Nariman[2], Ardhiansyah[3], Monica Agatha[4]

[1,2,3,4] Faculty of Economics and Business Universitas Tarumanagara, Jakarta, Indonesia
Email: rinih@fe.untar.ac.id, augustpaos@fe.untar.ac.id, ardiansyah@fe.untar.ac.id, monica.125190119@stu.untar.ac.id

*Corresponding Author

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ABSTRACT

The goal to be achieved by conducting this research is to find out whether differences in tax books have an effect on profit growth proxied by fixed differences and temporary differences with the research subjects, namely corporations with the consumer goods industry sector listed on the IDX in the 2019-2021 range. The sample selection was carried out by purposive sampling method and then 34 corporations that met the criteria were selected. The research data was processed using multiple linear regression analysis using the Eviews 12 program. From the research that has been done, it can be concluded that fixed differences and also temporary differences which are proxies for differences in tax books have no effect on profit growth. The results of this research have implications that the increase in income generated by corporations from time to time is a pure result of the operational performance of corporations and is not affected by differences in tax books.

Keywords*: *Profit growth, Fixed Differences, Temporary Differences

1. INTRODUCTION

A business needs information so that the business being run can be carried out well. This information can be in financial and non-financial form (Brolin & Rohman, 2014) [1]. Financial information can be found in financial reports, and one of the information seen in these financial reports is regarding corporate income (Subandar, Indrayono & Budianti, 2018) [2]. The parties who need information regarding income consist of internal and external parties. Examples of internal and external parties in question include management, creditors, investors and the government. Corporate management uses it to predict various possibilities that may occur in the future and as material for evaluating operational activities so that management is able to plan and see the prospects for corporate performance better. Creditors use it to assess a corporation's ability to pay loans and interest. Investors use it to evaluate corporate performance from time to time so that investors can find out the level of corporate sustainability and the amount of dividend distribution (Valerian & Kurnia, 2018) [3].

For the government, the agency referred to in this case is the Directorate General of Tax, the income reported by corporations will be the basis for determining the imposition of tax. However, there are transactions that can be recognized commercially but cannot be recognized commercially and vice versa, so corporations need to calculate financial statements in two versions, namely in accordance with Commercial Financial Standards and in accordance with tax regulations. These activities produce different income, namely commercial income and tax income. This is known as the tax book difference. Tax book differences arise due to two things, namely permanent differences and temporary differences. Due to the emergence of permanent and temporary differences, commercial financial reports need to be corrected for tax. By carrying out corporate tax reconciliation there is no need to make double records (Mochtar, 2022)[4].

Tax corrections are divided into two types, namely positive corrections and negative corrections. Positive corrections result in an increase in taxable income which then has an impact on increasing the value of income tax payable. Meanwhile, negative corrections result in a decrease in taxable income which then results in a decrease in the value of income tax payable. The amount of income tax owed that must be paid by the corporation will have an effect on the net income generated (Subandar, Indrayono & Budianti, 2018)[2], which means that if the corporation pays a large amount of tax, the corporation will generate a small net income, but if the tax If the payment is small, the corporation will generate a large net income (Irwansyah, Situmorang & Widyowati, 2021) [5].

Profit growth

The increase in income is a very important piece of information for users of financial reports to know. Usually, an increase in income is used to predict and show future business results and corporate financial conditions (Putri & Sary, 2017) [6] An increase in income is an increase or decrease in income over a certain period of time. A positive increase in income shows that the corporation has succeeded in processing and utilizing its resources to generate income and shows good corporate performance, and vice versa (Valerian & Kurnia, 2018) [3].

Permanent Differencess

Permanent Differencess is a difference that occurs due to differences in the recognition of income and costs according to commercial and tax, namely there are income and costs that are recognized according to commercial but cannot be recognized according to tax or vice versa.

Temporary Difference

Temporary Differencess occurs due to differences in the timing of recognition of income and costs between commercial and taxation which results in delays in recognition of income or costs (Mochtar, 2022) [4].

The relationship between permanent differences remains with profit growth

Rosanti and Zulaikha 2013 [7], revealed that fixed differences are a proxy for differences in tax books resulting in positive or negative tax corrections. Negative tax correction is the cause of tax income decreasing so that the tax costs that must be paid decrease. The lower the tax costs, the higher the net income. Therefore, it can be concluded that the difference still influences the profit growth

The relationship between temporary differences and profit growth

Valerian & Kurnia, 2018 [3], stated that temporary differences are one of the causes of higher commercial income than tax income or vice versa. Temporary differences which are a proxy for book tax differences result in positive or negative tax corrections. Negative tax correction is the cause of tax income decreasing so that the tax costs that must be paid decrease. The lower the tax costs, the higher the net income, so it can be concluded that the temporary difference has the effect of profit growth.

Permanent differences are differences in recognition of income or costs according to commercial and tax regulations which give rise to positive or negative tax corrections. Negative tax correction is the cause of tax income decreasing so that the tax costs that must be paid decrease. The lower the tax costs, the higher the net income. Therefore, it can be concluded that the difference still has an effect on profit growth. This research determines

certain subjects as the main topic of discussion. The subjects discussed in this research are corporations in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2019-2021. Based on this explanation, the following hypothesis can be formulated:
Ha1: Permanent differences have an effect on profit growth in corporations in the consumer goods industry sector

Temporary differences are differences in the timing of recognition of income or costs according to commercial and taxation regulations. This difference is one of the reasons commercial income is higher than tax income or vice versa, resulting in positive or negative tax corrections. Negative tax correction is the cause of tax income decreasing so that the tax costs that must be paid decrease. The lower the tax costs, the higher the net income, so it can be concluded that the temporary difference has the effect of profit growth. This research determines certain subjects as the main topic of discussion. The subjects discussed in this research are corporations in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2019-2021. Based on this explanation, the following hypothesis can be formulated:
Ha2: Temporary differences have an effect on profit growth in corporations in the consumer goods industry sector.

The following is an illustration of the framework of thought in this research:

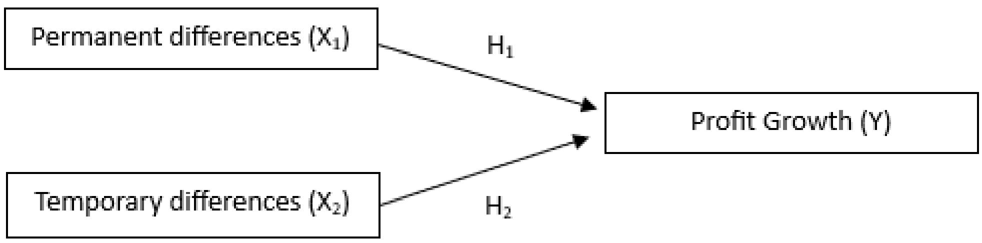

Figure 1. Framework

2. RESEARCH METHODS

The methodology for this research is quantitative research, namely research using data in the form of numbers (numerics) Hardani 2020 [8]. In this research, secondary data was obtained from the annual financial reports of consumer goods industry corporations for the 2019-2021 period via the Indonesian Stock Exchange and IDN Financials websites. The technique used in selecting the sample was purposive sampling, with the following criteria: 1) Corporations in the consumer goods industry sector that are listed on the Indonesian Stock Exchange and classified on the shareok website for 2019-2021. 2) Corporations publish financial reports at the end of the year, namely as of December 31 and audits have been carried out during 2019-2021 consecutively. 3) The financial statements of the corporation are expressed in Rupiah. 4) Corporations have positive income in the 2018-2021 range. 5) Completeness of information from financial reports that will be used to carry out calculations related to the variables studied. Determining the following criteria resulted in a total of 102 data used sourced from 34 selected corporations.

Company data selection method is non-probability sampling with purposive sampling technique. The panel data regression model is used for hypothesis testing. Using EViews 12

Software. The tests conducted in this study consisted of descriptive statistical analysis, adjusted R^2 test, multiple linear regression analysis, and t test.

Table 1. Summary table of operationalization of variables and instruments

Variabel	**Rumus**	**Skala**
Profit growth (Y)	$\Delta NI = \frac{NI_{it} - NI_{i(t-1)}}{NI_{i(t-1)}}$	Ratio
Permanent differencess (X_1)	$Permanent\ Differences = \frac{the\ amount\ of\ permanent\ difference}{Total\ Assets}$	Ratio
Temporary differencess (X_2)	$Temporary\ Differences = \frac{the\ amount\ of\ temporary\ differences}{Total\ Assets}$	Ratio

The research carried out several tests consisting of descriptive statistical analysis, the three tests that are useful for determining the best model to be used in the research, namely the Chow test, Hausman test and Lagrange multiplier test, multiple linear regression analysis, coefficient of determination test, and t test.

3. RESULTS AND DISCUSSIONS

Based on this test, the dependent variable in the form of income increase received an average value of 0.427197, a middle value of 0.105647, a maximum value of 13.19232, and a minimum value of -0.970303. The standard deviation value of the increase in income is 1.623597. The independent variable still has an average value of -0.003072, a middle value of -0.000590, a maximum value of 0.062496, and a minimum value of -0.068887. The standard deviation value of the fixed difference is 0.016260. The temporary difference independent variable has an average value of -0.001637, a middle value of 0.000151, a maximum value of 0.037205, and a minimum value of -0.043997. The standard deviation value obtained from this independent variable is 0.012373.

Table 2. Descriptive Statistical Analysis Test Results

Date: 06/08/23 Time: 11:34
Sample: 2019 2021

	PL	PP	PT
Mean	0.427197	-0.003072	-0.001637
Median	0.105647	-0.000590	0.000151
Maximum	13.19232	0.062496	0.037205
Minimum	-0.970303	-0.068887	-0.043997
Std. Dev.	1.623597	0.016260	0.012373
Skewness	5.412511	-0.472368	-0.044265
Kurtosis	39.96546	7.666257	5.127651
Jarque-Bera	6305.411	96.33255	19.27264
Probability	0.000000	0.000000	0.000065
Sum	43.57405	-0.313334	-0.166974
Sum Sq. Dev.	266.2429	0.026702	0.015463
Observations	102	102	102

From the results of the multicollinearity test carried out, it was found that the coefficient of the fixed and temporarily different variables was <0.8, namely 0.107387, meaning that there was no relationship or correlation between the independent variables. Then, in the heteroscedasticity test carried out, it was found that the probability of the fixed difference variable was 0.9249 and the temporary difference was 0.8893, where the probability value was > 0.05, so it could be concluded from these two variables that heteroscedasticity did not occur.

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Table 3. Results of Multiple Linear Regression Analysis

Dependent Variable: PL
Method: Panel Least Squares
Date: 06/08/23 Time: 11:35
Sample: 2019 2021
Periods included: 3
Cross-sections included: 34
Total panel (balanced) observations: 102

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.415211	0.166030	2.500819	0.0140
PP	-5.441369	10.07802	-0.539924	0.5905
PT	2.889019	13.24317	0.218152	0.8278

$$\Delta NI = 0.415211 - 5.441369PP + 2.889019PT + \varepsilon$$

Based on the multiple linear regression equation above, the constant value (α) has a value of 0.415211 which shows that there is a relationship if the independent variable, namely permanent differences and temporary differences, is 0, then the dependent variable, namely profit growth, will have a value of 0.415211.

Based on the multiple linear regression equation above, the permanent difference variable has a value of -5.441369, which can be concluded that there is a negative relationship between permanent differences and profit growth. The results of this negative relationship indicate that if the permanent difference variable increases by one unit, it will reduce the value of profit growth by 5.441369, assuming the other variables are constant.

Based on the multiple linear regression equation above, the temporary difference variable has a value of 2.889019, which can be concluded that there is a positive relationship between temporary differences and profit growth. The results of this positive relationship show that if the temporary difference variable increases by one unit, it will increase the value of profit growth by 2.889019, assuming the other variables are constant.

The next test is the coefficient of determination test which aims to find out how much the independent variable is able to explain the dependent variable. If the value of the Adjusted R-squared is close to 0, it means that the ability of the independent variable to explain the dependent variable is still very limited, and conversely, if the value of the Adjusted R-squared is close to 1, it means that the ability of the independent variable to explain the dependent variable is getting bigger.

Table 4. Coefficient of Determination Test Results.

Root MSE	1.613035	R-squared	0.003197
Mean dependent var	0.427197	Adjusted R-squared	-0.016941
S.D. dependent var	1.623597	S.E. of regression	1.637292
Akaike info criterion	3.852935	Sum squared resid	265.3919
Schwarz criterion	3.930140	Log likelihood	-193.4997
Hannan-Quinn criter.	3.884198	F-statistic	0.158736
Durbin-Watson stat	1.766814	Prob(F-statistic)	0.853438

From the results contained in the table above, it is found that the Adjusted R-squared has a value of -0.016941, meaning that the ability to increase income in this research cannot be explained by fixed or temporary differences.

The final test is the t test. The purpose of carrying out the t test is to test the effect of each independent variable or partially on the effect of the dependent variable. Testing was carried out with a significance level of 5% or 0.05. If the probability shows a value <0.05, then the independent variable can partially affect the dependent variable, and vice versa.

Table 6. t -Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.415211	0.166030	2.500819	0.0140
PP	-5.441369	10.07802	-0.539924	0.5905
PT	2.889019	13.24317	0.218152	0.8278

The t-test results above show that the probability values of the fixed difference and temporary difference are > 0.05, namely 0.5905 and 0.8278. In conclusion, these two variables cannot partially affect the profit growth.

Based on the research results obtained, it can be concluded that differences in tax books which are proxied in different terms still have no effect on profit growthwhich is different from Ha1, so this hypothesis is rejected. This research has the same results as the results of research conducted by Sulistyowati and Hendrawati (2020) [9], but contradicts the research of Risnanda, Lubis and Rasyid (2021) [10], Alam (2022) [11], Isnaini (2023) [12] and Qolbiyah et al. (2023) [13].

4. CONCLUSIONS AND SUGGESTIONS

The tests that have been carried out have resulted in the conclusion that the increase in income in corporations in the consumer goods industry sector listed on the IDX during 2019-2021 was not influenced by differences in tax books which were proxied by fixed differences and temporary differences.

Of course, this research is not free from limitations, namely the research sector only focuses on the consumer goods industrial sector, the research year is only limited to the three year period, namely 2019-2021 and the variables studied are only limited to book tax differences which are proxied by fixed differences and temporary differences.

Suggestions that can be given are to conduct research with different sector concentrations, conduct research over a longer span of years and increase the number of research variables.

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