The Effect Of Dividend Withdrawn On The Payment Of Income Tax Article 25 And Debt Of Equity Ratio (DER)

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Abstract- The problem in this research is how the effect of dividend withdrawn on the payment of income tax Article 25 and Debt of Equity Ratio at PT XYZ, whether the ratio is still in accordance with the requirements of the Directorate General of Taxes through PMK No.169 of 2015. The method used in this research is quantitative method, using the ex - post facto quantitative approach, which independent variable is dividend distribution. The result of the hypothesis is that there is an effect of dividend withdrawn taken in 2018 on DER ratio. If the amount of dividend withdrawn is higher, it will affect DER ratio.

Index Terms- Dividend affect DER Ratio

I. Introduction

Economic development in Indonesia for the last few years has been strongly influenced by efforts to improve the economy, recovery from the economic crisis due to the impact of the COVID-19 virus and fiscal policies carried out by the Central Government, to encourage the acceleration of better economic growth. Efforts for success really depend on the efforts made by the government and private parties. One of the efforts that can be made by the government is through regulations which can support economic implementation with the issuance of Law No. 11 of 2020 concerning Jobs Creation, while for the private sector which offers its shares through increased reinvestment, so it will trigger a reaction from investors with the collection taxes implemented by the Government through the Director General of Taxes.

Investment has two dimensions : risk and return (high risk high return). The higher profit you want to achieve, the higher risk that awaits. In general, companies in carrying out their business activities aim to obtain maximum profit. Profit is remuneration and risks and uncertainties for the capital invested in a company. Earnings per share is one useful measuring tool for comparing from a wide variety business units that differ from time to time. One type of taxes collected by the government is Income Tax Article 4 (2), which is calculated based on the tax object.

Income Tax Article 4 (2) is a direct tax collected by the central government on tax subjects on:

a. income in the form of interest on deposits and other savings, interest on bonds and government bonds, and interest on deposits paid by the cooperative to individual cooperative members
b. income in the form of lottery prizes
c. income from transactions in shares and other securities, derivative transactions traded on the stock exchange, and transactions for the sale of shares or transfer of equity participation in a partner company that is received by a capital company
d. income from transfer of assets in the form of land and / or buildings, construction service business, real estate business, and land and / or building leasing; and
e. other certain income, which is regulated by or based on a government regulation. (Law No. 36 of 2008, regarding Income Tax).

One of the Government Regulations regulating dividend is Government Regulation No. 19 of 2009 concerning Income Tax on dividend received or obtained by individual domestic taxpayers.

Dividend is a distribution of the income earned by the company to shareholders. This dividend payment is not a cost that can be used to reduce taxes and the funds are taken from net profit after tax. Dividend is a permanent tax payment on capital given by shareholders or shareholders, when a company earns a profit.

Dividend policy can be related to firm value. Dividend policy is a factor that affects company value. According to Titin Herawati (2013), the amount of dividend distributed by companies can affect share prices since according to Theory Brid in Hand, investors prefer dividend compares to capital gain. A larger dividend payout does not necessarily increase company's stock price. Based on the preference theory, a low dividend payment tax can also increase stock prices.

Dividend policy can be considered as one of the company's commitments to distribute a portion of the net profit received to shareholders (Suad Husnan, 2006). This dividend is the reason investors invest their funds for investment. In distributing dividend, the company considers the proportion of the distribution between payments to shareholders and reinvestment in the company. Retaining earnings is a significant source of funding (debt) for the company's growth, but on the other hand, dividend is cash flows distributed to shareholders.

Companies that have high growth and have great opportunities, will be more likely to pay low dividend, because there is an opportunity to get profits in financing their investment with internal funds. The company will pay low dividend because management is optimistic that the company in the future will use the retained earnings for expansion (Taswan, 2003).

II. LITERATURE REVIEW

Tax

Soemitro and Mardiasmo (2000) state that taxes are people's contributions to the state treasury based on law (which can be enforced) without receiving direct services (counter- achievement) which can be directly demonstrated and some can be used to pay for general expenses.

According to Rifhi Siddiq, the definition of tax is a contribution imposed by the government of a country within a certain period on a taxpayer that is obligatory and must be paid by the taxpayer to the state and indirect form of remuneration.

According to Soemitro, the definition of tax is the people's contribution to the State Treasury based on the law (which can be enforced) without receiving direct services (counter-achievement) which can be directly demonstrated and used to pay for general expenses.

He then corrected the definition as follows: Tax is the transfer of wealth from the people to the State Treasury to finance routine expenses and the surplus is used for public saving which is the main source for financing public investment.

Income Tax

Income tax is one of the direct taxes collected by the Central Government or a state tax as direct tax, hence income tax is collected periodically against the collection of income earned or received by taxpayers during one tax year. According to Siti Resmi (2003; 74), "income tax is a tax imposed on tax subjects on income received or earned in a tax year". Meanwhile, the Indonesian Institute of Accountants (IAI, 1999: 46: 1) states that "income tax is a tax calculated based on tax regulations and this tax is imposed on corporate taxable income. Income tax is one of the sources of state revenue that comes from people's income, its collection can provide legal certainty in accordance with life in a country based on law.

Types of Income Tax

According to Waluyo and Ilyas (2003), income tax are divided into 6 types :

a. Income tax article 21

Income tax article 21 is an income tax imposed on income in the form of salaries, wages, honors, allowances and other payments of any name in connection with work, services or activities carried out by individual taxpayers in the country.

b. Income tax article 22

Article 22 taxes are taxes collected by government treasurers, both central and local governments, government agencies or institutions or other state institutions with respect to payments for the delivery of certain goods and goods, both government and private with respect to activities in the import sector or activities in other business fields

c. Income Tax Article 23

Article 23 tax is income tax withheld on income received or earned by domestic taxpayers and permanent establishment originating from capital, delivery of services or carrying out activities other than those that have been deducted by income tax Article 21, which is paid or payable by a Government Entity or domestic tax subjects, organization of activities, permanent establishment or representatives of other foreign companies.

d. Income Tax Article 24 (foreign tax credit)

Income tax article 24 is a tax payable or paid abroad on income received or obtained from abroad which can be credited against income tax on all income received in Indonesia.

e. Income Tax Article 25

Income tax article 25 is an income tax installment that must be paid monthly by taxpayers in the current tax year. The installments of income tax Article 25 can be used as a tax credit against tax payable on all income at the end of the tax year which is reported in the annual tax return.

f. Income Tax Article 26

Income Tax Article 26 is tax received or obtained by foreign taxpayers from Indonesia, other than foreign income obtained through a permanent establishment in Indonesia.

Final Income Tax

Final income tax is a tax that is imposed directly when the taxpayer receives income. The final tax is usually paid directly by the taxpayer. Due to the instantaneous nature of the levies, the final income tax is no longer taken into account in the annual tax return, although it must be reported later.

Then, why does the government differentiate income tax into 2 types? The separation of final and non-final income tax is not intended to make it difficult for taxpayers. On the contrary, the government (in this case the Director General of Taxes) is trying to make it easier for taxpayers so that their obligations can be fulfilled more easily.

There are at least two considerations on which to base the application of the final tax : a. Simplification of income tax imposition on business income b. Facilitate and reduce administrative burdens for taxpayers.

Dividend

Dividend is part of the profit earned by shareholders or policyholders or a share of the remaining operating income. Dividend ratio is the ratio of how big is the dividend proportion of the company's net income. If this ratio gets bigger, shareholders can expect that the dividend distributed will be relatively greater from the net income. This means that the company does allocate a large part of its net profit to invest again or meet other needs of the company.

Yahya Harahap explained (Ibid, p. 292) that in practice there are various terms related to dividend, including:

a. Final dividend, is a distribution of the Company's profits to shareholders that have been decided and determined by the General Meetings of Sharholders in a certain financial year;
b. Cash dividend is dividend in the form of cash and this dividend is the most common;
c. Dividend assets other than cash (property dividend), commonly known as goods dividend, which is in the form of goods such as securities issued by the Company, inventory or other assets;
d. Stock dividend, is a payment in the form of shares, namely the provision of additional shares without being asked for payment.

Debt to Equality Ratio (DER)

The company will be considered as an unhealthy company not only from the quality of its human resources or from the value of its sales. However, it can be measured from an internal financial perspective. One way to do this is by measuring Debt to Equity Ratio.

Debt to Equity Ratio is the ratio of debt to equity or financial ratio that compares the amount of debt to equity. Equity and the amount of debt is used for the operational needs of the company, which must be proportional to the amount. In addition, Debt to Equity Ratio is also commonly called the leverage ratio where this ratio is used to measure an investment in the company.

When discussing Debt to Equity Ratio, we have to understand how to calculate it, starting with knowing the formula for Debt to Equity Ratio, as follows:

Debt to Equity Ratio (DER) = Total Debt : Equity

From the formula above, it has a note that debt is an obligation that must be paid by the company in cash to the creditor within a certain period of time. From the period of repayment, debt is divided into current liabilities, long-term liabilities and other liabilities.

Equity is the company's property rights over the company's assets which are net assets. This equity consists of deposits from the owners of the company and the remaining retained earnings. Current liabilities are short-term liabilities. Usually current liabilities are company debts related to short-term company operations. The examples are accounts payable, salary payable, payable purchases of goods to meet production needs.

Long-term liabilities are a type of debt that is risky for a company and tends to be detrimental to the company. This long-term debt usually has a larger nominal value and has interest. It is normal when current liabilities are greater than long liabilities.

Regarding Debt to Equity Ratio, the government has issued a provision regarding the amount of Debt to Equity Ratio through the Minister of Finance Regulation No.169 / PMK.010 / 2015 concerning the determination of the ratio between debt and company capital for the purposes of calculating income tax. These regulations include several things such as:

- The provisions for the ratio between debt and equity apply to corporate taxpayers who are established and domiciled in Indonesia, whose capital is divided into shares
- Debt and equity are calculated from the average balance for the tax year or part of the tax year concerned.
- The highest ratio of debt to equity is 4: 1
- There are DER exemptions for several groups of taxpayers including banks, financing institutions, insurance and reinsurance, mining and companies whose entire income is subject to final income tax and taxpayers who run a business in the infrastructure sector.
- 4: 1 above means that the borrowing cost that can be calculated is the cost of the loan in accordance with the 4: 1 ratio
- These borrowing costs include loan interest, discount and premium as well as additional costs related to loans, finance charges in finance leases and compensation due to debt repayment guarantees and exchange differences from foreign currency loans.
- In the event that a taxpayer has an equity balance of zero or less than zero, all borrowing costs cannot be taken into account in the calculation of taxable income.
- This provision is effective starting from the 2016 fiscal year
- Provisions for implementation are further regulated by the Directorate General of Taxes regulations.

III. METHOD

Research approach

The approach used in this research is a qualitative approach, thinking to solve problems systematically, empirically and controlled by using numbers. The object of research in data collection was carried out at PT XYZ (not real name) which is domiciled in Makassar, a company engaged in the export of marine products.

The types of data collected in this research are quantitative and qualitative data. Quantitative data were obtained in the form of financial reports for the last 3 years. Qualitative data were obtained through requests for data from the company's management department through the accounting and tax department.

Data analysis method

The data analysis method used in this research is descriptive method. The steps are as follows:

a. The required data collection includes commercial profit / loss statements, fiscal profit / loss statements, balance sheets and company policy policies

b. Processing data obtained from the company by understanding the procedures and policies applicable in the company related to taxation and examining the sources of company income.

IV. RESULTS AND DISCUSSION

DER analysis

Debt to equity ratio is calculated directly from the balance sheet, then processed to see the dividend issued, whether it affects the DER ratio or not at the time of the dividend withdrawn.

Year	**Profit before tax**	**Income tax article 25**	**Percentage of Incom e tax article 25 to profit**
2016	29,301,591,899	7,325,397,975	25.00%
2017	44,433,029,684	11,108,257,421	25.00%
2018	20,447,447,253	4,498,438,396	22.00%

Table 2. Dividend Analysis

Year	**Number of shares**	**Percentage o f I n c o m e t a x A r t i c l e 25 to previous profit**	**Dividend issued**
2016	7,433,500,000	25.00%	4,000,000,000
2017	7,433,500,000	25.00%	1,000,000,000
2018	7,433,500,000	22.00%	17,000,000,000

Table 3. Debt of equity ratio Analysis

Year	**Amount of debt with interest**	**Equity after dividend**	**Percentage of DER ratio**
2016	226,428,576,138	84,905,117,723	3.7
2017	389,598,539,794	117,227,854,631	3.0
2018	103,161,946,593	116,176,863,488	11.3

V. CONCLUSIONS AND SUGGESTIONS

Conclusion

The application of Debt of Equity Ratio Analysis determined by the Government through the Director General of Taxes in accordance with the PMK 169 of 2015, which ratio is 4: 1, which must be used as a reference for PT XYZ in determining the interest value that can be recognized in the fiscal income statement. With the distribution of dividend, it turns out that in 2018 the ratio increased or exceeded the stipulated limit.

Suggestion

From the results of this research activity, the authors suggest that PT XYZ should always pay attention to the calculation of Debt To Equity ratio before determining the distribution of existing dividend, so that there is no fiscal correction of interest charges which will result in higher tax payable.

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