

INFLUENCE OF APPLICATION INCOME TAX LAW NUMBER 36/2008 ON THE LEVEL OF RETURN ON INVESTMENT (ROI) IN LISTED COMPANIES ON INDONESIA STOCK EXCHANGE (BEI)

Diana Sari

Lecturer of Faculty Economy at Widyatama University
diana_sari570@yahoo.com

Lukman Nulhakim

Faculty Economy at Widyatama University

ABSTRACT

Tax reforms expected to bring the implications for company performance, these implications can be positive or negative (Mariwan and Arifin, 2005). If tax reform is to bring a positive impact will certainly be able to improve the financial performance of the company, if such tax reform would negatively impact the company's lower financial performance. On the other hand, the government expects the presence of these tax reforms of taxation will get better performance, so bring a positive impact on government revenue from the taxation sector (Mariwan and Arifin, 2005). This study aims to find out how much differences the company's profitability based on the Return on Investment Ratio (ROI) before and after the enactment of Income Tax Law Number 36 of 2008 on Companies Listed on Indonesia Stock Exchange (BEI). The results showed that the level of Return On Investment companies in the period before and after the application of Law no. 36 of 2008 there were significant differences. This can be seen through the t-Test Paired Sample with 5% error level ($\alpha = 0.05$). This indicates that the reform of taxation with a reduction of taxable layer was able to make a significant contribution in improving the financial performance of companies in the period after implementation of the Law No. 36 of 2008.

Keywords : Income Tax, Company Performance, Return on Investment

I. INTRODUCTION

Since 1984, the government continues to make breakthroughs to increase tax revenue. The breakthrough began with the Tax Reform of the rules of tax legislation up to various kind of other tax incentives. Tax laws are the result of the Tax Reform has resulted in increased tax revenue, even exceed exceed revenue plan as stated in the annual state budget. These reforms were carried out in order to improve the efficiency of the national economy encourage increased investment climate in Indonesia

In 2000 the tax reform done by finding the potential tax object in order to raise funds and promote economic recovery. One way to do that is by charging different rate on individual tax payer and corporate tax payers, in addition to corporate tax payers, the tax imposed different layers. It is expected that these new rates to the corporate tax payers can be better off so that the revenue from corporate tax shall be increased (Radianto, 2004).

After that, in the year 2008 tax reforms as part of efforts to secure an increasing state revenue, create a neutral tax system, simple, stable, more to give justice, and more to create legal certainty and transparency, the government established the Law No. 36 of 2008 on the Fourth Amendment of Law Number 7 Year 1983 regarding Income Tax.

Changes in the Tax Reform 2008, is one of them with different charge on individual tax payers and corporate tax payers. It is expected that the new tax rate, then the tax payer's loss can be better off so that revenues from corporate tax payers more increases. It is only fitting when taxation should get serious attention from the government. Law that burden the business world, affecting not make much effort to obtain the maximum profit and consequently would reduce state revenues from tax. This is in line with the literature in the field of management accounting which explains that the tax could affect capital budgeting through the tax effect in the determination of cash flow, tax is also one major factor in planning management compensation system (Blocher, Chen and Lin 1999). For companies, the tax impact on profit after tax (after-tax earning /EAT) and ultimately will affect the company's financial performance.

Tax reforms expected to bring the implications for company performance, these implications can be positive or negative. If tax reform is to bring a positive impact will certainly be able to improve the financial performance of the company, while if tax reform is to bring negative impacts on the contrary will reduce the company's financial performance. On the other hand, the government expects that with the reform of taxation is the taxation of performance will get better, so that with the improved performance of the tax will bring a positive impact on government revenue from the taxation sector (Mariwan and Arifin, 2005).

Corporate performance is a factor that investors consider and that is internally reflect effective or management company. In assessing the performance of the company, accounting profit has always been a major focus of attention. A financial measurement tool commonly used to measure the rate of profit is the Return on Investment (ROI). Return On Investment is a very common technique used by companies to measure the effectiveness of leadership within the company make a profit by making use of assets owned. This ratio is linking the benefits obtained from the company's operations (net operating income) with the amount of investments or assets that were used to generate the operating profit (net operating assets). ROI was obtained by comparing the profit after tax to total assets.

Research from Sofiatun Gudono (SNA, 2002) this study investigates the effect of regulation on the business community as measured by using the company's financial data. The theory of economic regulation Posner (1974) used to develop specific research hypotheses used to test whether the Tax Reform of 1994 profitable business communities or simply increase government tax revenue. The results of this study indicate that the Tax Reform of 1994 did not change significantly in capital expenditures, cost structure, the relationship between capital expenditures and cost structure, cost efficiency, and profitability. However, the Tax Reform of 1994 significantly increases government tax revenue. So the government stated that the Tax Reform of 1994 did not provide benefits to the business community. However, the Tax Reform of 1994 may have someother effect on the business community that are not detected by the variables investigated in this study.

Research from Ellija Setyawan (2004), conducted to analyze the impact of tax reform in 2000 on the business community as measured by using the company's financial data. Sampling was done by purposive sampling from manufacturing companies listing on the Jakarta Stock Exchange. The results of this study indicate that the 2000 tax reform did not significantly change in capital expenditure, cost structure, the impact of capital expenditure and total production cost structure and profitability, as well as tax reform does not significantly increase government tax revenues.

From the discussion above certainly illustrates the enormous impact on the level of income tax regulations end an agency / business. Particularly in preparing a financial report which may illustrate the overall results of the company's activities at the end of accounting period.

For companies, the tax impact on profit after tax (EAT), and ultimately will affect the company's financial performance. A financial measurement tool commonly used to measure the rate of profit is the Return on Investment (ROI). This ratio is linking the benefit obtained from the company's operations (net operating income) with the amount of investments or assets that were used to generate the operating profit. ROI was obtained by comparing the profit after tax to total assets.

Identify the problem in this research is: Are there different levels of the company's profitability based on "Return on Investment Ratio"(ROI) before and after the enactment of Law Number 36 Year 2008 on Income Tax on Companies Listed on Indonesia Stock Exchange (BEI).

II. LITERATURE REVIEW

Understanding Taxation

Definition of tax raised by experts include the following: According to Prof. Dr. H. Rochmat Soemitro SH, taxes are the dues to the people of the State Treasury under the law (which can be enforced) with the service received no lead (contra achievement) which can be shown directly and used to pay for general expenses. Tax is the transition of wealth from the people of the State Treasury to finance routine expenditure and the surplus was used for public saving which is the main source for financing public investment.

Meanwhile, according to Ray M. Sommerfeld, M. Herschel Anderson, & Horace R Brock, a tax is a transfer of resources from the private sector into the government sector, not the result of violations of the law, but shall be carried out, based on the terms defined in advance, without obtaining a direct benefit and proportional, so the government can execute its tasks to run the government.

Meanwhile, if the reference to Act No. 28 of 2007 concerning the provisions of General and Administration of Taxation Article 1 paragraph 1 mentioned the meaning of tax is compulsory contribution to the State owed by individuals or bodies that are enforceable under the Act, by getting benefits directly and used for the purposes of the State for maximum benefit and prosperity of the people.

Basic tax law provided for in the Act of 1945 Article 23A of the Act of 1945 which reads : "Taxes and other levies that are forced to the interests of the State governed by Law, It shows that taxation has a solid legal basis. So it can be concluded that Article 23A of the 1945 Constitution is the legal basis of all applicable tax laws in Indonesia, which regulate the relationship between the government (tax authorities) as a tax collector with the people as tax payers.

Tax is calculated using the information for financial reporting purposes, as for the interests of state revenue, commercial information in the financial statements are adjusted first with tax rule. Income tax imposed on the accumulated total income net of income tax for one year. For companies, tax is levied on profits derived by an enterprise during a tax year.

Principles of Change in The Law No 36 of 2008

Law No.36 issued on September 23, 2008 and came into effect on January 1, 2009. Law No. 36 is a change to the four above Act No.7 of 1983. A change in Income Tax Law meant to stick to the principles of taxation which are universally adopted, namely justice, convenience, and efficiency of administration, and enhancing and optimization of state revenue by maintaining the self-assessment. Therefore, as describe in Act No. 36, direction and purpose of perfecting the Income Tax Act is as follows:

- a) It increases tax fairness;
- b) It provides convenience to taxpayers;
- c) It provides the simplicity of tax administration;
- d) It provides legal certainty, consistency, and transparency;
- e) More support government policies in order to enhance competitiveness in attracting direct investment in Indonesia, both foreign investment and domestic investment in certain business areas are given priority.

One of the principal changes in the Law no. 36 is change in the tariff for corporate taxpayers.

- a) Tax Law No.17 / 2000)

Layer Taxable Income	Tax Rate
up to Rp 50.000.000	10%
above Rp 50.000.000 until Rp 100.000.000	15%
above Rp 100.000.000	30%

b) Tax Law No.36 / 2008)

Single rate of 28% in 2009, and to 25% in 2010. To taxpayers listed on BEI provided 5% lower rate than the prevailing rates.

Financial Ratio Analysis

Company's financial performance can be interpreted as an achievement that has been realized through the work done to maximum, set forth in the income statement, balance sheet, and statement of changes in capital that can be used as a measurement to determine the financial performance of companies in a particular period (Iwan, 2003).

The financial performance reflects the company's fundamental performance. One way to assess the company's financial performance is to use financial ratio analysis, such as liquidity ratios, profitability, leverage, and asset turn over. Through these financial ratio, financial information user will be able to know the condition of a company.

Systematically, financial ratio is a ratio of the denominator and the numerator the number of financial data. The purpose of the use of ratios in financial statement analysis is to standardize the information being analyzed so that comparisons can be made in the ratio of different companies or may be in the same company at different periods of time (Martin, et al, 1993).

By analyzing the financial performance, investors and potential investors will be able to assess whether the manager can plan and implement any action consistent with the purpose of maximizing shareholder wealth (Sartono, 2001: 113).

Hanafi and Halim (1996), divided into five groups of financial ratios. Distribution of financial ratios such as there are different goals and expectations to be achieved by the internal (management) with external parties, in this case is the investor. Five groups of financial ratio are: (1) liquidity ratio, (2) the ratio of activity, (3) solvency ratio, (4) the ratio of profitability, (5) the ratio of market.

Profitability Ratio

Profitability ratio is the ratio used to measure the company's ability to generate profits, either by using all the existing assets or the capital it self, is also a gauge of the effectiveness and efficiency of all existing resources in the daily operational activities. Hanafi and Halim (1996), defined ratio of profitability as the ratio that measures the ability of the company in producing profit at the level of sales, assets, and certain stock of capital. To measure the ability of the company in producing profit, there are two kinds of ratios are used, namely:

1. ROI (*Return on Investment*)
2. ROE (*Return on Equity*)

ROI (Return on Investment)

ROI (Return on Investment) is the ratio used to measure a company's ability to generate profit (return), which will be used to cover investment issued (Sutrisno, 2000). Income is use dunder on measuring this ratio is net profit after tax (EAT = EarningAfter Tax).

According to Muna (2000: 89), ROI analysis in financial ratio analysis has an important meaning as one financial ratio analysis techniques that are comprehensive. ROI analysis commonly used by management to measure the effectiveness of the company's overall operations. ROI is one form of profitability ratio that measures a company's ability to generate profits compared to the total funds invested in assets that were used for the operations of the company. Thus, this ratio compares the benefit on enterprise operating activities (net operating income) with the amount of investment or

assets (net operating assets) that is used to generate those profits . Another term for this ratio is net operating profit rate of return or the operating earnings power.

III. RESEARCH METHOD

The method used in this research is descriptive method of analysis, as proposed by Moh. Nazir (2005: 54): that the descriptive method of analysis aims to illustrate or describe the characteristics of one symptom or problem is investigated in a situation, and try to convey the facts systematically with thorough, clear and complete.

The population in this study are all companies listed in Indonesia Stock Exchange 2008 and 2009, which consists of 9 segments. Samples selected in this study is the sample which is considered to have characteristics that may represent the population. In determining the author sample using purposive sampling method with the type of judgment sampling, ie sample selection based on certain criteria (Cooper & Schindler, 2000). The criteria used are:

1. Publish financial reports in a row in 2008 and 2009 with the Rupiah as a monetary unit.
2. The company publishes financial statements that have a financial year ending 31 December. This is to avoid the influence of partial time in calculating financial ratios.
3. Earning booked After Tax (EAT) respectively in 2008 and 2009.

Based on the above explanation, the authors define the sample in this study is a company registered in the Indonesia Stock Exchange that meet criteria established writers, some forty-four (44) company.

IV. RESEARCH RESULT

Descriptive explanation of the variables studied were Return On Investment can be seen in the following table:

Table 1
Result Descriptive Statistics for 2008 and 2009

	N		Mean	Median	Std. Deviation	Range	Minimum	Maximum
	Valid	Missing						
ROI_2008	44	0	2.1664	1.5050	2.32954	11.61	.03	11.64
ROI_2009	44	0	2.5141	1.7300	2.28592	11.54	.08	11.62

Source: Financial Statements of the samples company which processed

From Table 1 it can be seen that the N number of valid data (valid for processing) for both data Return On Investment in 2008 (ROI_08) and data Return On Investment in 2009 (ROI_09) is 44 pieces, while the missing data (missing) is zero. Here means that all data is ready to be processed.

The mean or average level of ROI for 2008 was 2.1664% (before application of the Law No.36 Year 2008 on Income Tax), while for the year 2009 is 2.5141% (after application of the Law No.36 Year2008 on Income Tax).

Meanwhile, the midpoint or median if all data are sorted and divided into two equal, then the median figure for 2008 amounted to 1.5050% indicating that 50% level of ROI in 2008 was 1.5050% to the top and the remaining 50% it is 1.5050% down. While for the year 2009 median of 1.73% shows that unlicensed 50% ROI level in 2009 was 1.73% up and the remaining 50% it is 1.73% down.

Standard Deviation for the year 2008 was 2.32954% and for 2009 is 2.28592%. Use of standard deviation to assess first prepared from the sample average.

In addition, from table 1 can be seen that the lowest level of ROI for 2008 was 0.3%, meaning that demonstrate the ability of companies to make profits from assets that are used, meaning the 1,000, - assets will produce a net profit after tax of Rp 0.3, - and for 2009 was 0.8%, meaning that

demonstrate the ability of companies to make profits from assets that are used, meaning the 1,000, - assets would generate a net profit after tax of Rp 0.8, -.

While the highest ROI for 2008 amounted to 11.64%, meaning that demonstrate the ability of companies to make profits from assets that are used, meaning the 1,000, - assets will generate net profit after tax of Rp 11.64, - and for 2009 is 11.62 %, meaning that demonstrate the ability of companies to make profits from assets that are used, meaning the 1,000, - assets will generate net profit after tax of Rp 11.62, -

Normality Test

Before testing the hypothesis, first performed normality test data to determine the exact type of analysis used in hypothesis testing. Testing data for normality using Kolmogorov Smirnov test which can show whether the data is normal or not normal distribution. The test results can be seen in table 2. The test results concluded that normal if a significant level ($p\text{-value} > 0.05$).

Table 2
One-Sample Kolmogorov-Smirnov Test

		ROI_2008	ROI_2009
N		44	44
Normal Parameters ^{a, b}	Mean	2.1664	2.5141
	Std. Deviation	2.32954	2.28592
Most Extreme Differences	Absolute	.196	.155
	Positive	.196	.155
	Negative	-.180	-.143
Kolmogorov-Smirnov Z		1.301	1.029
Asymp. Sig. (2-tailed)		.068	.240

a. Test distribution is Normal.

b. Calculated from data.

Source: Financial Statements of the samples company which processed

From table 2 above, can be seen that the ROI-level data in 2008 and in 2009 normal distribution. This can be seen in column Asymp.Sig. (2-tailed) indicates figures for 2008 amounted to 0.068 and for the year 2009 of 0.240 which means having a probability above 0.05 ($0.068 > 0.05$ & $0.240 > 0.05$).

Hypothesis Testing

In accordance with the results of normality test data, then to examine differences in levels of Return on Investment before and after implementation of Law No. 36 Year 2008 regarding Income Tax used Paired samples t-test (Paired Sample) with the formulation of statistical hypotheses as follows :

$H_0: \rho = 0$ There was no difference in the level of Return on Investment (ROI) before and after the application of Law no. 38 Year 2008 on Income Tax

$H_1: \rho > 0$ There are different levels of Return on Investment (ROI) before and after the application of Law no. 38 Year 2008 on Income Tax

From the results of hypothesis testing with Paired samples t-test (Paired Sample) on different levels of Return on Investment (ROI) in companies listed on the Stock Exchange before and after the enactment of Law No. 36 of 2008 on Income Tax produce statistical tests as follows:

Table 3
Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Pair 1 ROI_2008	2.1664	44	2.32954	.35119
ROI_2009	2.5141	44	2.28592	.34461

Source: Financial Statements of the samples company which processed

From table 3 above, can be seen a summary statistic of the second sample period. To level Return on Investment (ROI) before the application of Law no. 36 of 2008, the company had the highest Return On Investment (ROI) by an average of 2.1664%. Meanwhile, after the application of Law no. 36 of 2008 the company had the highest Return On Investment (ROI) by an average of 2.5141%. This means that the level of Return On Investment (ROI) after penerpaan Law. 36 of 2008 amounted to 0.3477% better than before the application of Law no. 36 of 2008.

Table 4
Paired Samples Correlations

	N	Correlation	Sig.
Pair 1 ROI_2008 & ROI_2009	44	.885	.000

Source: Financial Statements of the samples company which processed

From table 4 above, can be seen the results of correlation between two variables that produced 0.885 with a probability value well below 0.05 (see the output of significance 0.000). This suggests that the correlation between the level of Return on Investment (ROI) before and after the application of Law no. 36 of 2008 is very closely related and really real.

From table 5, can be seen that $t_{count} (2.080) > t_{table} (2.018)$, with probability 0.044. Therefore $t_{count} (0.2080) > t_{table} (2.018)$, and the probability of <0.05 , then H_0 is rejected or the level of Return on Investment (ROI) before and after the application of Law no. 38 Year 2008 regarding Income Tax there are significant differences.

Table 5
Paired Samples Test

	Pair 1
	ROI_2008 - ROI_2009
Paired Differences Mean	-.34773
Std. Deviation	1.10897
Std. Error Mean	.16718
95% Confidence Interval of the Difference Lower	-.68488
Upper	-.01057
T	-2.080
Df	43
Sig. (2-tailed)	.044

Source: Financial Statements of the samples company which processed

The results of this study as a whole shows that the level of Return on Investment company in the period before and after the application of Law no. 36 of 2008 there is a difference. Hypothesis that there are different levels of Return on Investment (ROI) before and after implementation of Law No. 38 Year 2008 regarding Income Tax proved by testing the hypothesis. Through Paired samples t-

test (Paired Sample) with 5% error level ($\alpha = 0.05$), obtained the result that the hypothesis that there are differences in the level of Return on Investment (ROI) before and after the application of Law no. 38 Year 2008 on Income Tax (H1) is accepted. Differences In other words it can be concluded that there are significant differences in the level of Return on Investment (ROI) before and after implementation of Law No.36 Year 2008 regarding Income Tax.

If we associate with the realities of the background changes to Law No. 36 year 2008, changes are made to offset the state revenue target is likely to rise from year to year and are influenced by inflation tends to rise as well from year to year, so any policy change should result in greater benefits and comprehensive for all aspects related compared with previous regulations. With the results of research that shows levels of Return on Investment (ROI) after the application Law. 36 of 2008 amounted to 0.3477% better than before the application of Law no. 36 of 2008, indicates that tax reform with a reduced taxable layer was able to make a significant contribution in improving the financial performance of companies in the period after the application of Law no. 36 of 2008. Based on the writer's observation is due to several things including the economic crisis is a crisis that has been recovered and there were signs of recovery, which means that investors do not hesitate to invest in Indonesia and Indonesia's economic development

Basically the company's financial performance are positively correlated to the income tax revenue. With more and better financial performance of companies the possibility of profits derived from the company also will increase. The greater the profits from the company, the obligation to be paid to the government in taxes will also increase. Similarly, if a company's financial performance is not good then the contribution to the company in paying taxes also will be smaller due to revenues earned will also be small.

V. CONCLUSION

Based on the results of research that has been done, it can be concluded that the level of Return on Investment (ROI) on companies listed in Indonesia Stock Exchange before and after the application Law No. 36 of 2008 there were differences, the results showed that the level of Return On Investment (ROI) after the application Law No 36 of 2008 amounted to 0.3477% better than before the application of Law No. 36 of 2008. This indicates that tax reform with a reduced taxable layer was able to make a significant contribution in improving the financial performance of companies in the period after the application of Law no. 36 of 2008.

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