The Effect of Income Tax Article 21 Implementation, Fiscal Correction, and Deferred Tax on Corporate Income Tax: Evidence from Automotive and Component Firms Listed on the Indonesia Stock Exchange

Warsito[1]

Postgraduate Program, Master of Management, Kusuma Negara College of Economics, Jakarta, Indonesia

ARTICLE HISTORY
Received November 20, 2023. Accepted February 7, 2024. DOI: 10.55942/pssj.v4i2.1767

ABSTRACT
This study examines the effect of Income Tax Article 21 (PPh 21), fiscal correction, and deferred tax on corporate income tax in automotive and component sub-sector companies listed on the Indonesia Stock Exchange during the period 2009–2013. The study employs a quantitative approach using secondary data obtained from published financial statements, with a sample of twelve companies selected through purposive sampling. Data analysis is conducted using multiple linear regression to evaluate both partial and simultaneous effects of the independent variables on corporate income tax. The results indicate that PPh 21 has a positive and significant effect on corporate income tax, suggesting that employee income tax policies contribute substantially to corporate tax burden. Deferred tax is also found to have a positive and significant effect, reflecting the impact of temporary differences between accounting and taxable income on future tax obligations. In contrast, fiscal correction shows a positive but insignificant effect, indicating a relatively limited role in influencing corporate income tax within the observed sample. Simultaneously, all independent variables are found to have a significant effect on corporate income tax, with PPh 21 and deferred tax emerging as the dominant factors. These findings highlight the importance of effective tax planning and financial reporting strategies in managing corporate tax obligations. The study contributes to the literature by providing empirical evidence on the role of tax-related variables in corporate taxation, particularly within the automotive industry in Indonesia.

KEYWORDS
Pph 21; Fiscal Correction; Deferred Tax; Corporate Income Tax; Tax Planning

1. Introduction

1.1. Background

Tax revenue constitutes the largest source of state income in Indonesia and continues to increase annually, reflecting its critical role in financing government expenditures. For instance, tax revenue accounted for approximately 77.55% of total domestic revenue in the

[1] CONTACT Warsito. Email: warsito@stiekusumanegara.ac.id

2013 State Budget. This indicates that taxation is not only a fundamental fiscal instrument but also a strategic component in sustaining national development. Consequently, the effectiveness of tax administration and compliance becomes a central concern for both policymakers and economic actors.

Indonesia has undergone several tax reforms, particularly in the implementation of the self-assessment system, which grants taxpayers the authority and responsibility to calculate, pay, and report their own tax obligations (Mardiasmo, 2011). Under this system, compliance relies heavily on the awareness and capability of taxpayers, both individuals and corporate entities, to adhere to prevailing tax regulations. This creates a dynamic environment where continuous regulatory changes require taxpayers to remain adaptive and informed.

From a corporate perspective, taxation represents a significant expense that directly affects net income. Companies are required to prepare financial statements that serve as the basis for tax calculation, where fiscal profit is derived from commercial profit through a process known as fiscal reconciliation. Differences between accounting standards and tax regulations often result in fiscal corrections, categorized as either positive or negative adjustments in accordance with Law No. 36 of 2008. These differences arise because certain revenues or expenses recognized under financial accounting standards may not be acknowledged for tax purposes (Waluyo, 2011).

Among various types of taxes, Income Tax Article 21 (PPh 21) is particularly significant as it directly relates to employee compensation, including salaries, wages, honoraria, and other benefits. In practice, companies may adopt different methods in handling PPh 21 obligations, such as the net method, gross method, tax allowance, or gross-up method. Each approach has distinct implications for both corporate tax burden and employee income, potentially leading to fiscal corrections and variations in taxable income.

In this context, tax planning becomes an essential managerial strategy. Tax planning refers to efforts undertaken by taxpayers to minimize tax liabilities while remaining compliant with applicable regulations (Suandy, 2011). Effective tax planning not only ensures legal compliance but also enhances efficiency in resource allocation, thereby improving corporate profitability and liquidity. Prior studies have demonstrated that tax planning related to PPh 21 can significantly reduce corporate income tax burdens without adversely affecting employee welfare (Prasetyo, 2008).

In addition to PPh 21, fiscal corrections and deferred tax also play important roles in determining corporate income tax. Deferred tax arises due to temporary differences between accounting income and taxable income, as regulated under PSAK 46, which adopts IAS 12 on Income Taxes. These differences may generate deferred tax assets or liabilities depending on whether accounting profit is lower or higher than fiscal profit (Kiswara, 2007). The recognition and measurement of deferred tax require careful consideration, particularly in assessing the probability of future taxable income.

Furthermore, the relationship between accounting and taxation is reflected in the preparation of financial statements. Financial accounting follows Financial Accounting Standards (SAK), while tax accounting adheres to tax regulations, leading to discrepancies that necessitate reconciliation. This reconciliation process ensures that taxable income is accurately determined based on applicable tax laws, thereby affecting the calculation of corporate income tax.

Given the strategic importance of taxation in corporate financial management, companies must carefully select appropriate tax treatment methods, particularly in relation to PPh 21, fiscal corrections, and deferred tax. These components not only influence tax compliance but also affect overall financial performance. Therefore, understanding their impact on corporate

income tax is crucial for both academic and practical purposes.

1.2. Problem Identification

This study focuses on key issues related to the implementation of PPh 21, fiscal corrections, and deferred tax in companies within the automotive and component sub-sector listed on the Indonesia Stock Exchange. The main concerns include how PPh 21 is applied, how fiscal corrections are conducted, and how deferred tax is recognized and reported in corporate financial statements.

In addition, the study examines the conditions of tax-related components such as tax payable, tax restitution, and prepaid tax, which may reflect the effectiveness of corporate tax management. These aspects are important in understanding how taxation practices influence corporate income tax outcomes.

1.3. Research Scope

This research is limited to analyzing the influence of PPh 21 implementation, fiscal corrections, and deferred tax on corporate income tax. The study specifically examines companies in the automotive and component sub-sector listed on the Indonesia Stock Exchange, ensuring a focused and consistent analytical framework.

1.4. Research Questions

This study addresses several research questions related to the relationship between tax management practices and corporate income tax. It seeks to determine whether the implementation of PPh 21 affects corporate income tax, whether fiscal corrections influence corporate income tax, and whether deferred tax has a significant impact on corporate income tax. Furthermore, the study investigates whether the implementation of PPh 21, fiscal corrections, and deferred tax simultaneously influence corporate income tax, providing a comprehensive understanding of their combined effects.

1.5. Research Objectives

The primary objective of this study is to analyze the effect of PPh 21 implementation, fiscal corrections, and deferred tax on corporate income tax. Additionally, the study aims to examine the application of these tax components within the selected companies and to evaluate their role in corporate tax management.

1.6. Research Significance

This study is expected to contribute to the development of knowledge in the field of financial management, particularly in taxation. It provides insights for policymakers and corporate decision-makers regarding effective tax management strategies and their implications for financial performance. Moreover, this research can serve as a reference for future studies in similar fields, offering a comparative basis for further academic investigation.

2. Literature Review

2.1. Taxation

Tax is defined as a compulsory contribution imposed by the state on individuals or entities without direct compensation, aimed at financing public expenditures and promoting national welfare, as stipulated in Law No. 16 of 2009. This definition emphasizes the mandatory nature of taxation and its role as a fundamental instrument for state financing.

From a theoretical perspective, tax has several essential characteristics, including its compulsory nature, legal basis, absence of direct counter-performance, and its utilization for public interest (Mardiasmo, 2013). These characteristics distinguish tax from other forms of state revenue and reinforce its importance in maintaining economic stability.

Taxation also serves two primary functions, namely the budgetary function and the regulatory function. The budgetary function refers to the role of tax as a source of government revenue, while the regulatory function highlights its use as a policy instrument to influence economic and social behavior, such as controlling consumption or encouraging exports (Mardiasmo, 2013). Furthermore, the principles of taxation, as introduced by Adam Smith, include equality, certainty, convenience, and efficiency, which serve as guidelines to ensure fairness and effectiveness in tax collection.

2.2. Income and Income Tax

Income is broadly defined as any increase in economic benefits received by taxpayers that can be used for consumption or to increase wealth, as regulated in Law No. 36 of 2008. This definition encompasses both revenues and gains arising from business activities or other sources.

Financial accounting standards define income as an increase in economic benefits during an accounting period, which leads to an increase in equity not derived from owner contributions (Financial Accounting Standards, 2013). This definition aligns with the broader concept of income in economic theory.

Income tax is a tax imposed on taxpayers based on income received within a fiscal year. It is classified as a subjective tax, meaning that the obligation is attached to the taxpayer rather than being transferable to another party (Suandy, 2011). The imposition of income tax depends on the fulfillment of both subjective and objective requirements as stipulated in tax regulations (Mardiasmo, 2013).

2.3. Income Tax Article 21 (PPh 21)

Income Tax Article 21 (PPh 21) is a tax imposed on income received by individuals in relation to employment, services, or activities, including salaries, wages, honoraria, allowances, and other forms of compensation, as regulated under Law No. 36 of 2008.

The subjects of PPh 21 include employees, non-employees providing services, and participants in certain activities who receive income. These categories reflect the broad scope of taxation under PPh 21, which covers various forms of labor and professional income.

The objects of PPh 21 consist of various forms of income, including regular and irregular income, pensions, severance payments, and compensation received by non-employees or participants in activities. However, certain types of income, such as insurance benefits and zakat, are excluded from taxation under PPh 21 based on applicable regulations.

2.4. Tax Rates and Calculation of PPh 21

The calculation of PPh 21 is based on taxable income after deducting allowable expenses and non-taxable income thresholds (PTKP), as regulated under Law No. 36 of 2008 and its implementing regulations.

In practice, the calculation involves determining gross income, deducting allowable expenses such as job-related costs and pension contributions, and applying progressive tax rates. These rates are stipulated under Article 17 of the Income Tax Law and are designed to ensure fairness through a progressive taxation system.

2.5. Tax Planning Methods for PPh 21

Tax planning related to PPh 21 involves selecting appropriate methods to optimize tax efficiency while remaining compliant with regulations. Common methods include the gross method, net method, and gross-up method (Pohan, 2011).

The gross method places the tax burden on employees, reducing their net income. In contrast, the net method shifts the tax burden to the employer, although such expenses are generally non-deductible for tax purposes.

The gross-up method provides tax allowances to employees, which are treated as taxable income but can be deducted as expenses by the company. This method is often considered more efficient as it aligns fiscal and accounting treatment.

2.6. Fiscal Correction

Fiscal correction refers to the adjustment of commercial financial statements to comply with tax regulations, resulting in fiscal financial statements used to determine taxable income.

Companies typically prepare two types of financial statements, namely commercial financial statements based on accounting standards and fiscal financial statements based on tax regulations. Fiscal correction bridges these differences by adjusting commercial profit to arrive at taxable profit.

2.7. Differences Between Commercial and Fiscal Accounting

Differences between commercial and fiscal accounting can be categorized into permanent differences and temporary differences, which arise due to inconsistencies in the recognition of income and expenses.

Permanent differences occur when certain income or expenses are recognized in accounting but not in taxation, or vice versa, and do not reverse in future periods. Examples include income subject to final tax or non-deductible expenses. Temporary differences arise due to timing differences in the recognition of income and expenses and will reverse in future periods. These differences may result in deferred tax assets or liabilities and play a crucial role in determining corporate income tax.

2.7.1. **Fiscal and Non-Fiscal Expenses**

In taxation, expenses are classified into two categories: deductible expenses (fiscal expenses) and non-deductible expenses (non-fiscal expenses). This classification determines whether certain costs can be used to reduce taxable income, thereby directly affecting the calculation of corporate income tax, as regulated under Law No. 36 of 2008.

Deductible expenses refer to costs that can be subtracted from gross income in determining

taxable income. These include expenses incurred to obtain, collect, and maintain income, such as salaries, wages, honoraria, bonuses, interest, rent, royalties, administrative costs, and other operational expenses (Law No. 36 of 2008, Article 6). In addition, depreciation and amortization of assets, pension contributions, foreign exchange losses, research and development costs, and certain donations are also recognized as deductible expenses under specific conditions.

Certain expenses are only partially deductible, such as employee-related facilities including communication devices and company vehicles used for business purposes. Furthermore, entertainment and representation expenses may be deducted provided that taxpayers can demonstrate their direct relevance to income-generating activities and maintain proper documentation, including nominative lists, in accordance with tax regulations.

Non-deductible expenses, on the other hand, are costs that cannot be used to reduce taxable income. These include dividend distributions, personal expenses of shareholders, formation of reserves (except in specific cases), income tax expenses, and administrative sanctions such as fines and penalties (Law No. 36 of 2008, Article 9). Additionally, expenses in the form of benefits in kind (natura), excessive payments to related parties, and certain donations that do not meet regulatory requirements are also classified as non-deductible.

The distinction between fiscal and non-fiscal expenses plays a critical role in fiscal correction, as it determines which expenses must be adjusted when reconciling commercial and fiscal financial statements. Consequently, proper classification of expenses is essential for accurate tax reporting and effective tax planning.

2.7.2. Deferred Tax

Deferred tax arises from temporary differences between accounting income and taxable income, which result from differences in the recognition of revenues and expenses under financial accounting standards and tax regulations. According to PSAK No. 46, deferred tax represents the future tax consequences of these temporary differences and must be recognized in financial statements.

Deferred tax assets represent amounts of income tax recoverable in future periods due to deductible temporary differences or tax loss carryforwards (PSAK No. 46). These assets reflect potential future economic benefits, as they reduce taxable income in subsequent periods. For example, certain expenses such as pension costs may be recognized earlier in accounting than in taxation, creating deductible temporary differences.

Deferred tax liabilities, in contrast, arise when taxable temporary differences result in higher taxable income in future periods. This occurs when accounting income exceeds taxable income, leading to future tax obligations. The measurement of deferred tax is based on applicable tax rates and the timing of reversal of temporary differences (Zain, 2007).

The existence of temporary differences is influenced by differences in accounting standards and tax regulations, as well as managerial discretion in financial reporting (Phillips, 2003). These differences may arise from variations in depreciation methods, inventory valuation, or recognition of revenues and expenses.

Deferred tax must be presented in financial statements to ensure that the future tax implications of current transactions are properly reflected. Failure to recognize deferred tax may result in misleading financial statements, as it omits important information regarding future tax obligations and benefits.

2.7.3. Recognition of Deferred Tax

Deferred tax assets are recognized for all deductible temporary differences, provided that it is probable that sufficient taxable income will be available in the future to utilize these differences (PSAK No. 46). This recognition principle ensures that deferred tax assets reflect realistic future economic benefits.

However, certain exceptions apply, such as deferred tax assets arising from initial recognition of assets or liabilities that do not affect accounting or taxable income. In addition, deferred tax assets related to tax loss carryforwards are recognized only when there is sufficient evidence that future taxable income will be available.

Companies must evaluate several factors in determining the recognition of deferred tax assets, including the existence of taxable temporary differences, projections of future profitability, and the likelihood that tax losses will be utilized before expiration. If it is unlikely that sufficient taxable income will be available, deferred tax assets should not be recognized (PSAK No. 46).

The application of prudence or conservatism is essential in recognizing deferred tax assets. Conservatism requires that assets and income be reported at the lowest reasonable value, while liabilities and expenses are reported at the highest reasonable value (Hendriksen, 1994). This principle helps prevent overstatement of financial position and ensures more reliable financial reporting.

2.7.4. Measurement of Deferred Tax

Deferred tax assets and liabilities must be measured using tax rates that are expected to apply when the assets are realized or liabilities are settled, based on tax laws that have been enacted or substantively enacted at the reporting date (PSAK No. 46, para. 30).

If new tax rates or regulations have been announced by the government, they may be considered substantively enacted even if their effective implementation occurs at a later date. In such cases, deferred tax should be calculated using the new tax rates and regulations that have been declared applicable (PSAK No. 46, para. 31).

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rate expected to be applied when the temporary differences reverse (PSAK No. 46, para. 32). This approach ensures that deferred tax reflects realistic future tax consequences.

2.7.5. Reassessment of Deferred Tax

At each reporting date, companies are required to reassess the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable income will be available to utilize part or all of the deferred tax assets, their carrying amount must be reduced (PSAK No. 46, para. 35).

A reduction in deferred tax assets may occur when the probability of realizing future tax benefits is less than 50%, requiring the establishment of a valuation allowance (Chao et al., 2004). Conversely, if future taxable income becomes more probable, the previously recognized reduction should be reversed (PSAK No. 46, para. 35).

According to SFAS No. 109, both positive and negative evidence should be considered in assessing the realizability of deferred tax assets. Positive evidence includes consistent historical profitability, reliable projections of future earnings, the existence of taxable

temporary differences, effective tax planning strategies, and sufficient asset book values to support realization (Kiswara, 2009).

Negative evidence includes a history of losses, expectations of future losses, limited realization of prior tax benefits, and uncertainties such as ongoing litigation that may affect business continuity (Kiswara, 2009). These factors may indicate a lower probability of realizing deferred tax assets.

SFAS No. 109 also identifies several sources of taxable income for realizing deferred tax assets, including the reversal of taxable temporary differences, future taxable income excluding reversals, taxable income from prior periods through carryback provisions, and tax planning strategies (Chao et al., 2004).

The assessment of deferred tax asset valuation allowances provides managers with discretion that may be used for earnings management purposes (Peavy & Nurnberg, 1993; Petree et al., 1995). Therefore, careful evaluation is required to ensure transparency and reliability in financial reporting.

2.7.6. Corporate Income Tax

Corporate income tax is imposed on income received or earned by entities, which include corporations, partnerships, cooperatives, foundations, and other organizational forms, as defined in Law No. 28 of 2007.

The calculation of corporate income tax begins with the determination of net income based on accounting records, which is then adjusted through fiscal reconciliation to obtain taxable income. Corporate taxpayers are categorized into domestic and foreign entities, depending on their place of establishment and operational activities.

Domestic corporate taxpayers are entities established or domiciled in Indonesia, while foreign corporate taxpayers include entities operating through permanent establishments or earning income from Indonesia without a physical presence (Law No. 28 of 2007).

2.7.7. Corporate Income Tax Rates

The object of corporate income tax is income, defined as any increase in economic capacity that can be used for consumption or to increase wealth, regardless of its source or form (Law No. 36 of 2008).

The applicable tax rate for corporate income tax is generally a flat rate applied to taxable income, without deductions for non-taxable income thresholds. Based on Law No. 36 of 2008, the corporate tax rate was set at 28% in 2009 and reduced to 25% from 2010 onwards.

Additional provisions apply to small and medium enterprises. For example, Government Regulation No. 46 of 2013 introduced a final tax rate of 1% for entities with gross turnover below a specified threshold, aiming to simplify tax compliance and encourage formalization.

2.8. Conceptual Framework

The relationship between Income Tax Article 21 (PPh 21), fiscal correction, and deferred tax with corporate income tax can be understood within the broader framework of corporate tax management and financial reporting.

The implementation of PPh 21 affects corporate income tax through its impact on employee compensation structures and deductible expenses. Under the self-assessment system, companies are responsible for calculating and reporting tax obligations, including PPh 21,

which directly influences take-home pay and operational costs (Law No. 28 of 2007). Prior studies have shown that tax planning strategies, particularly the gross-up method, can lead to tax efficiency by increasing deductible expenses and reducing corporate income tax (Wafa, 2013; Fitri, 2013).

Fiscal correction plays a crucial role in aligning commercial accounting with tax regulations. Differences between financial accounting standards and tax laws necessitate adjustments to determine taxable income. These adjustments, categorized as permanent and temporary differences, directly influence the amount of corporate income tax payable (Setiawan & Musri, 2006).

2.9. Hypotheses Development

The implementation of Income Tax Article 21 (PPh 21) is expected to influence corporate income tax, as tax planning strategies related to employee compensation can alter deductible expenses and overall tax burden. Empirical evidence suggests that certain methods, such as the gross-up approach, can reduce corporate income tax by increasing allowable expenses (Wafa, 2013; Hussin, 2013).

Furthermore, the combined effect of PPh 21 implementation, fiscal correction, and deferred tax is expected to have a significant influence on corporate income tax, as these variables collectively represent key aspects of corporate tax management.

3. Research Methodology

3.1. Research Object

This study examines the relationship between Income Tax Article 21 (PPh 21), fiscal correction, and deferred tax on corporate income tax. These variables are selected based on their relevance to corporate tax management and financial reporting.

The independent variables consist of PPh 21 (X1), fiscal correction (X2), and deferred tax (X3), while the dependent variable is corporate income tax (Y). These variables are analyzed to determine both their partial and simultaneous effects on corporate tax obligations.

3.2. Research Location and Period

This study utilizes secondary data obtained from companies listed on the Indonesia Stock Exchange.

The research period covers financial data from 2009 to 2013, while the data collection and analysis were conducted between April and August 2015.

3.3. Operational Definition of Variables

PPh 21 (X1) in this study is proxied by tax planning strategies related to employee income tax. Tax planning refers to systematic efforts to minimize tax liabilities while remaining compliant with applicable regulations (Suandy, 2011).

The implementation of PPh 21 is measured based on the methods applied by companies, namely the gross method, net method, and gross-up method. The gross method places the tax burden on employees, the net method transfers the burden to the employer, and the gross-up method provides tax allowances equal to the tax payable, which can be treated as deductible expenses.

Fiscal correction (X2) refers to adjustments made to commercial financial statements to comply with tax regulations, resulting in taxable income.

Fiscal correction arises due to permanent and temporary differences between accounting standards and tax rules. Positive fiscal corrections increase taxable income by adding revenues or reducing expenses, while negative fiscal corrections decrease taxable income by reducing revenues or increasing expenses.

Deferred tax (X3) represents future tax consequences arising from temporary differences between accounting income and taxable income.

These differences occur due to variations in revenue and expense recognition between financial accounting and tax regulations. Deferred tax may take the form of deferred tax assets or liabilities, depending on whether the differences result in future tax benefits or obligations (PSAK No. 46).

Corporate income tax (Y) refers to the tax imposed on corporate taxable income.

Corporate income tax is influenced by tax planning strategies, fiscal corrections, and deferred tax recognition. Effective tax planning can reduce tax liabilities within legal boundaries, while fiscal correction ensures compliance with tax regulations in determining taxable income.

3.4. Population and Sample

The population of this study consists of financial data from companies in the automotive and component sub-sector listed on the Indonesia Stock Exchange during the period 2009–2013.

The sampling technique used in this study is purposive sampling, which selects samples based on specific criteria relevant to the research objectives (Sugiyono, 2012). The selected sample includes companies that publish complete financial statements and relevant tax-related data.

The sample consists of twelve companies in the automotive and component sub-sector, including Astra International Tbk, Astra Otoparts Tbk, Indo Kordsa Tbk, Goodyear Indonesia Tbk, Gajah Tunggal Tbk, Indomobil Sukses Internasional Tbk, Indospring Tbk, Multi Prima Sejahtera Tbk, Multistrada Arah Sarana Tbk, Nipress Tbk, Prima Alloy Steel Universal Tbk, and Selamat Sempurna Tbk.

3.5. Data Collection Method

This study employs a documentation method to collect secondary data from published financial statements.

The data are obtained from annual financial reports available through the Indonesia Stock Exchange, including income statements, tax reports, and supporting financial disclosures.

In addition, a literature review is conducted to support the theoretical framework, drawing from textbooks, academic journals, and tax regulations relevant to the study.

3.6. Data Analysis Method

Descriptive analysis is used to present and summarize the data, including measures of central tendency and dispersion. Statistical analysis is performed using SPSS software.

Prior to hypothesis testing, classical assumption tests are conducted to ensure that the regression model meets the criteria of the Best Linear Unbiased Estimator (BLUE). These include tests of normality, linearity, heteroscedasticity, and multicollinearity (Ghozali, 2013).

The normality test is conducted using the Kolmogorov–Smirnov test, where a significance

value greater than 0.05 indicates normally distributed data. Linearity is assessed using scatterplot analysis, while heteroscedasticity is tested using residual plots. Multicollinearity is evaluated using tolerance and Variance Inflation Factor (VIF) values.

3.7. Regression Model

This study employs multiple linear regression analysis to examine the effect of independent variables on the dependent variable.

The regression model is formulated as follows:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$

Where Y represents corporate income tax, X1 represents PPh 21, X2 represents fiscal correction, X3 represents deferred tax, α is the constant, β1–β3 are regression coefficients, and ε is the error term.

3.8. Hypothesis Testing

Hypothesis testing is conducted using t-tests and F-tests to evaluate the significance of the relationships between variables.

The t-test is used to assess the partial effect of each independent variable on the dependent variable. A significance level of 5% (α = 0.05) is applied, where a p-value less than 0.05 indicates a significant effect.

The F-test is used to evaluate the simultaneous effect of all independent variables on corporate income tax. A significant F-value indicates that the model is statistically valid.

Additionally, the coefficient of determination (R^2) is used to measure the proportion of variance in the dependent variable explained by the independent variables.

4. Results And Discussion

4.1. Overview of the Automotive Sub-Sector

The automotive industry in Indonesia has experienced significant development since the establishment of sole agents (ATPM – Agen Tunggal Pemegang Merek) in the early 1970s, supported by industrial policies issued by the government.

Initially, ATPM played a dual role as both distributors and manufacturers, with the objective of promoting technology transfer and increasing local content in automotive production. However, over time, the industry remained highly dependent on imported components, which contributed to relatively high production costs and selling prices .

The deregulation policy in 1999 marked a major turning point, allowing the import of Completely Built-Up (CBU) vehicles and reducing the strategic role of ATPM. As a result, many global principals began taking over manufacturing operations, while local entities shifted primarily toward distribution activities .

The Indonesian automotive market is largely dominated by major business groups such as Astra and Indomobil, which collaborate with global automotive brands. These groups operate across multiple segments, including manufacturing, distribution, and after-sales services, creating a highly competitive industry structure .

In Southeast Asia, Indonesia is one of the key automotive markets alongside Thailand, Malaysia, and Vietnam. Despite having the largest population, Indonesia's market potential continues to develop, supported by increasing middle-class income, investment growth, and supportive government policies .

Recent data indicate that automotive production and sales have shown consistent growth, exceeding government targets. This growth reflects increasing domestic demand and highlights the importance of operational efficiency, including cost management and tax planning strategies, in maintaining competitiveness within the industry .

4.2. Description of Research Objects

This study focuses on companies within the automotive and component sub-sector listed on the Indonesia Stock Exchange, which represent key players in Indonesia's automotive industry.

One of the largest companies in the sample is PT Astra International Tbk, a diversified conglomerate with business segments including automotive, financial services, heavy equipment, agribusiness, infrastructure, and information technology. The company has established a strong market position through integrated operations and extensive distribution networks.

PT Astra Otoparts Tbk operates as a leading automotive component manufacturer, supplying both original equipment manufacturers (OEM) and replacement markets. The company has expanded its market reach internationally and continues to strengthen its competitive advantage through technological development and strategic partnerships.

PT Indo Kordsa Tbk specializes in tire reinforcement materials and has demonstrated consistent operational improvements through capacity expansion and efficiency strategies. The company's performance reflects its ability to adapt to global market dynamics and maintain profitability.

PT Gajah Tunggal Tbk is one of the largest integrated tire manufacturers in Indonesia, producing a wide range of tire products for domestic and international markets. Its vertically integrated production system enables cost efficiency and strengthens its competitive position.

PT Goodyear Indonesia Tbk represents a long-established player in the Indonesian automotive industry, focusing on tire manufacturing and distribution. The company's operations highlight the role of multinational corporations in shaping the domestic automotive landscape.

PT Indomobil Sukses Internasional Tbk operates as a major automotive group engaged in manufacturing, distribution, financing, and after-sales services. Its diversified business model reflects the complexity of the automotive value chain in Indonesia.

4.3. Link to Research Variables

The selected companies provide relevant data for analyzing the relationship between PPh 21, fiscal correction, deferred tax, and corporate income tax.

As large-scale corporations, these companies engage in complex financial reporting and tax planning activities, making them suitable for examining how tax-related variables influence corporate income tax.

The variability in tax strategies, financial performance, and accounting practices among these firms allows for a comprehensive analysis using the regression model specified in the methodology section.

4.4. Descriptive Statistics

Descriptive statistics are used to provide an overview of the distribution of the research variables, including PPh 21, fiscal correction, deferred tax, and corporate income tax.

The results indicate that all variables exhibit high variability, as reflected by large standard deviations relative to their mean values. For instance, PPh 21 shows a mean value of 1,625.83 with a significantly higher standard deviation, indicating substantial variation in tax planning practices across firms. Similarly, fiscal correction and deferred tax variables display highly skewed distributions, suggesting the presence of extreme values among sampled companies .

Corporate income tax also demonstrates considerable dispersion, reflecting differences in profitability, tax strategies, and financial structures among firms in the automotive and component sub-sector.

4.5. Classical Assumption Tests

Prior to regression analysis, classical assumption tests were conducted to ensure that the model satisfies the Best Linear Unbiased Estimator (BLUE) criteria.

The normality test indicates that the data are approximately normally distributed, as evidenced by the bell-shaped distribution pattern. The multicollinearity test shows that all independent variables have VIF values below 10, indicating no significant correlation among variables.

Furthermore, the heteroscedasticity test reveals no specific pattern in the scatterplot, suggesting that the variance of residuals is constant. These results confirm that the regression model is statistically appropriate for hypothesis testing.

4.6. Effect of PPh 21 on Corporate Income Tax

The regression results show that PPh 21 has a positive and significant effect on corporate income tax.

The estimated regression equation indicates that an increase in PPh 21 is associated with an increase in corporate income tax. The t-test results ($t = 5.300$; $p < 0.05$) confirm that this effect is statistically significant. The coefficient of determination ($R^2 = 0.326$) suggests that PPh 21 explains approximately 32.6% of the variation in corporate income tax .

This finding indicates that employee income tax policies play a substantial role in determining corporate tax burden. The positive relationship suggests that many firms apply the net method, where PPh 21 is borne by the company, thereby increasing total tax expenses.

These results are consistent with prior studies (Wafa, 2013; Fitri, 2013; Hussin, 2013), which highlight that different PPh 21 methods significantly influence corporate tax outcomes, particularly through their impact on deductible expenses.

4.7. Effect of Fiscal Correction on Corporate Income Tax

The results indicate that fiscal correction does not have a significant effect on corporate income tax.

The regression analysis shows a very small coefficient with a t-value of 0.137 and a significance level greater than 0.05, indicating that the effect is statistically insignificant. The R^2 value of 0.03 further suggests that fiscal correction explains only a minimal portion of the variation in corporate income tax .

This finding implies that, within the observed sample, fiscal correction does not play a dominant role in determining corporate tax liabilities. One possible explanation is that fiscal adjustments may already be standardized across firms, reducing variability and limiting their impact on tax outcomes.

This result differs from previous studies (Koraag, 2014; Setiadi, 2013), which found a

significant impact of fiscal correction. The inconsistency may be attributed to differences in industry characteristics or research periods.

4.8. Effect of Deferred Tax on Corporate Income Tax

Deferred tax is found to have a positive and significant effect on corporate income tax.

The regression results show a strong relationship, with a t-value of 6.066 and a significance level below 0.05. The coefficient of determination ($R^2 = 0.388$) indicates that deferred tax explains 38.8% of the variation in corporate income tax .

This suggests that temporary differences between accounting and taxable income play an important role in determining corporate tax obligations. An increase in deferred tax is associated with higher corporate income tax, reflecting the impact of future tax liabilities recognized in financial statements.

This finding is consistent with prior research (Siregar et al., 2013), which emphasizes that deferred tax recognition under PSAK 46 contributes to increased tax burden.

4.9. Simultaneous Effect of PPh 21, Fiscal Correction, and Deferred Tax

The multiple regression analysis shows that all independent variables jointly have a significant effect on corporate income tax.

The regression model is statistically significant ($F = 15.282$; $p < 0.05$), indicating that PPh 21, fiscal correction, and deferred tax collectively influence corporate income tax. The R^2 value of 0.450 suggests that 45% of the variation in corporate income tax is explained by these variables .

Among the independent variables, PPh 21 and deferred tax exhibit significant positive effects, while fiscal correction shows a negative but insignificant coefficient. This indicates that tax planning strategies and temporary differences are more influential determinants of corporate income tax compared to fiscal adjustments.

Overall, these findings highlight the importance of integrated tax management strategies, where companies must consider employee tax policies and deferred tax implications in managing their corporate tax burden.

5. Conclusion And Recommendations

5.1. Conclusion

This study examines the effect of PPh 21 implementation, fiscal correction, and deferred tax on corporate income tax in automotive and component sub-sector companies.

The findings indicate that PPh 21 has a positive and significant effect on corporate income tax. This suggests that employee income tax policies play an important role in shaping corporate tax burden, particularly when companies adopt tax methods that shift the burden to the employer, thereby increasing total tax expenses.

Fiscal correction is found to have a positive but statistically insignificant effect on corporate income tax. This result implies that fiscal adjustments, although theoretically important in determining taxable income, do not significantly influence corporate tax outcomes within the observed sample.

Deferred tax shows a positive and significant effect on corporate income tax. This indicates that temporary differences between accounting and taxable income contribute to higher tax

expenses, reflecting the impact of future tax obligations recognized in financial statements.

Simultaneously, PPh 21, fiscal correction, and deferred tax have a significant effect on corporate income tax. Among these variables, PPh 21 and deferred tax are identified as the main drivers, while fiscal correction plays a relatively minor role.

5.2. Recommendations

Based on the findings of this study, several recommendations can be proposed for corporate management and future research.

Companies in the automotive and component sub-sector are encouraged to implement effective tax planning strategies, particularly in managing PPh 21. The selection of appropriate tax methods, such as the gross-up approach, may help optimize tax efficiency while remaining compliant with tax regulations.

Although fiscal correction is not found to be significant, companies should still ensure accurate and careful fiscal reconciliation to maintain compliance and avoid potential tax risks. Proper classification of income and expenses remains essential in determining taxable income.

With regard to deferred tax, companies should manage temporary differences more strategically to control future tax burdens. This includes improving financial planning and aligning accounting policies with tax considerations.

Future research is recommended to explore additional variables that may influence corporate income tax, such as profitability, firm size, and leverage, as well as expanding the scope of study to other industrial sectors and more recent periods.

REFERENCES

Adisu, E. (2008). *Hak karyawan atas gaji & pedoman menghitung pajak atas gaji*. Forum Sahabat. https://books.google.com/

Amelia, S. (2013). *Analisis koreksi fiskal terhadap perhitungan penyusutan aset tetap pada CV Mitra Agro Permai*. STIE MDP. https://repository.mdp.ac.id/

Amin, A., & Hasan, A. H. (2011). *Pajak penghasilan pasal 21*. Tax Center UI. https://lib.ui.ac.id/

Anzar. (2013). *Implementasi tax planning PPh 21 dalam upaya meningkatkan efisiensi perusahaan pada PT Pelni Cabang Parepare*. https://repository.unhas.ac.id/

Casanova, B., & Nindito, M. (2014). Pengaruh aktiva pajak tangguhan dan rasio pajak terhadap kinerja laporan keuangan perusahaan. *Jurnal Wahana Akuntansi, 9*(2), 80–108. https://journal.unj.ac.id/

Dita, I. M., & Khairani, S. (2013). *Analisis penerapan laporan rekonsiliasi fiskal terhadap laporan keuangan komersial pada PT Citra Karya Sejati Palembang*. STIE MDP. https://repository.mdp.ac.id/

Djamaluddin, S. (2007). *Analisis perubahan aktiva pajak tangguhan dan kewajiban pajak tangguhan untuk mendeteksi manajemen laba*. Universitas Sebelas Maret. https://digilib.uns.ac.id/

Fitri. (2013). *Penerapan perencanaan pajak penghasilan pasal 21 untuk meminimalkan pajak penghasilan badan*. https://repository.ub.ac.id/

Ghozali, I. (2012). *Aplikasi analisis multivariate dengan program IBM SPSS*. Badan Penerbit Universitas Diponegoro. https://lib.undip.ac.id/

Harmana, I. M. D., & Suardana, K. A. (2014). Pengaruh pajak tangguhan dan tax to book ratio terhadap kinerja perusahaan. *E-Jurnal Akuntansi Universitas Udayana*. https://ojs.unud.ac.id/

Hussin. (2013). *Analisis perbandingan metode gross, net, dan gross-up PPh 21*. https://repository.usu.ac.id/

Ikatan Akuntan Indonesia. (2009). *Standar akuntansi keuangan*. Salemba Empat. https://iaiglobal.or.id/

Ikatan Penerbit Indonesia. (2013). *Himpunan peraturan perpajakan*. Fokusmedia. https://fokusmedia.com/

Koraag, E. A. (2014). Analisis akuntansi pajak penghasilan pada PT BPR Celebes. *Jurnal EMBA,* *2*(4), 471–480. https://ejournal.unsrat.ac.id/

Languju, R. C. C., Tinangon, A. J., & Elim, I. (2014). Analisis koreksi fiskal pajak penghasilan. *Jurnal EMBA,* *2*(4), 1101–1111. https://ejournal.unsrat.ac.id/

Lasmana, M. S., & Setiorahardjo, B. (2010). *Cara perhitungan PPh pasal 21*. Graha Ilmu. https://books.google.com/

Mardiasmo. (2011). *Perpajakan* (Rev. ed.). Andi. https://books.google.com/

Mardiasmo. (2013). *Perpajakan* (Rev. ed.). Andi. https://books.google.com/

Meidhasari, G. T. (2010). *Koreksi fiskal laporan keuangan komersial*. STIE MDP. https://repository.mdp.ac.id/

Muljono, D. (2006). *Akuntansi pajak* (2nd ed.). Andi. https://books.google.com/

Muljono, D. (2009). *Pengantar PPh dan PPh 21*. Andi. https://books.google.com/

Mulyadi. (2001). *Sistem akuntansi* (3rd ed.). Salemba Empat. https://books.google.com/

Pemerintah Republik Indonesia. (2008). *Undang-Undang No. 36 Tahun 2008 tentang Pajak Penghasilan*. https://peraturan.bpk.go.id/

Pohan, C. A. (2013). *Manajemen perpajakan*. Gramedia. https://books.google.com/

Prabowo, Y. (2006). *Akuntansi perpajakan terapan*. Grasindo. https://books.google.com/

Prastowo, Y. (2011). *Panduan lengkap pajak*. Raih Asa Sukses. https://books.google.com/

Rosdiana, H., & Tarigan, R. (2005). *Perpajakan: Teori dan aplikasi*. Rajawali Pers. https://books.google.com/

Sahara, K. (2013). *Analisis PPh 21 terhadap penghasilan karyawan*. Universitas Brawijaya. https://repository.ub.ac.id/

Setiadi, P. B. (2013). Analisis pajak penghasilan badan. *Media Mahardhika, 11*(1). https://journal.stiemahardhika.ac.id/

Setiawan, A., & Musri, B. (2006). *Perpajakan umum*. Raja Grafindo Persada. https://books.google.com/

Sholihin, A. (2013). *Perencanaan pajak PPh 21*. Universitas Airlangga. https://repository.unair.ac.id/

Siregar, A. D. (2013). *Penerapan PSAK No. 46*. Universitas Sriwijaya. https://repository.unsri.ac.id/

Suandy, E. (2011). *Perpajakan*. Salemba Empat. https://books.google.com/

Sugiyono. (2012). *Metode penelitian kuantitatif, kualitatif, dan R&D*. Alfabeta. https://books.google.com/

Sumarsan, T. (2013). *Perpajakan Indonesia*. Indeks. https://books.google.com/
Wafa, A. (2013). *Perencanaan pajak PPh 21*. Universitas Pancasila. https://repository.univpancasila.ac.id/
Waluyo. (2011). *Perpajakan Indonesia*. Salemba Empat. https://books.google.com/
Widyaningsih, A. (2011). *Hukum pajak dan perpajakan*. Alfabeta. https://books.google.com/
Yulianti, S. (2008). *Rekonsiliasi fiskal laporan keuangan*. Universitas Brawijaya. https://repository.ub.ac.id/
Zain, M. (2007). *Manajemen perpajakan*. Salemba Empat. https://books.google.com/