Finance and Business Management Journal
Vol. 3, No. 1, 2025
https://ejournal.unma.ac.id/index.php/fbmj
e-ISSN : 3025-1095

Profitability And Operational Costs In Retail Trade: Pre- And Post-Tax Rate Changes

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Submitted: 2025-03-07	Accepted: 2025-07-03	Published: 2025-07-28

ABSTRACT

The corporate tax rate has undergone changes. This study examines differences in profitability and operational costs before and after changes in the corporate tax rate, aiming to enhance the tax ratio. Using secondary data from the financial statements of retail trade sector companies listed on the IDX for 2016-2023, profitability is measured by the NPM ratio, while operational costs are assessed through expense components. Employing a sequential mixed-method approach with an explanatory strategy, the study utilizes a paired sample t-test to identify significant differences before and after the tax rate change. The results show: 1. A significant difference in profitability before and after the tax rate change, 2. A significant difference in operational costs before and after the tax rate change, and 3. That corporate tax rate changes can improve company performance and the tax ratio.

Keywords: operational costs, profitability, tax rate change.

DOI: https://doi.org/10.31949/fbmj.v3i1.13263

FINANCE AND BUSNIESS MANAGEMENT JOURNAL
FAKULTAS EKONOMIKA DAN BISNIS UNIVERSITAS MAJALENGKA

Finance and Business Management Journal
Vol. 3, No. 1, 2025
https://ejournal.unma.ac.id/index.php/fbmj
e-ISSN : 3025-1095

INTRODUCTION

Indonesian is one of the developing countries that is actively developing in various fields, especially the industrial sector as the focus of economic development. The success of development efforts depends on two main factors, including supportive economic policies from the government and the availability of large amounts of capital. Financing for this development comes from various parties, including the government and the private sector, both domestic and foreign. Among the sources of government revenue, taxation is one of the most important. Tax is an obligation on individuals and companies that is used by the state to fund various public needs without providing direct benefits to the taxpayers (Pohan, 2018). In this era of globalisation, every country in the world has its own strategy to revitalise its economy, including Indonesia. As a developing country, Indonesia continues to strive to improve its economy. One of the steps it has taken is to focus its economic development on the industrial sector. Indonesia is now beginning to rely on taxes from taxpayers across Indonesia. This is clearly illustrated by the data from the Central Statistics Agency for the period 2016-2023, which shows the contribution of tax revenue.

Tables 1. Realization of State Revenue (IDR Trillion) 2016-2023 Period

Year	Tax Revenue	%	Non-Tax Revenue	%	Total Revenue
2016	1.285	16%	262	-35%	1.547
2017	1.344	4%	311	16%	1.655
2018	1.519	12%	409	24%	1.928
2019	1.546	2%	409	0%	1.955
2020	1.285	-20%	344	-19%	1.629
2021	1.548	17%	458	25%	2.006
2022	2.035	24%	596	23%	2.630
2023	2.118	4%	516	-15%	2.634

Source: (BPS, 2024)

Based on tables 1.1 tax revenue has increased every year, which means that Indonesia is still dependent on tax revenue compared to non-tax revenue. The following are sources of revenue from taxation.

Tables 2 Individual Income Tax Revenue and Corporate Income Tax Revenue for the Period 2016-2023

Source of State Revenue	Realized (Trillion)							
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Individual Income Tax Revenue	2,34	2,15	9,06	11,23	11,56	12,36	11,58	12,34
Growth	0,2%	-8,8%	76,3%	19,3%	2,8%	6,5%	-6,7%	6,1%
Corporate Income Tax	169,52	160,67	254,00	256,74	158,25	198,55	340,81	409,92
Growth	3,5%	-5,5%	36,7%	1,1%	-62,2%	20,3%	41,7%	16,9%

Source: (APBN Kita, 2024)

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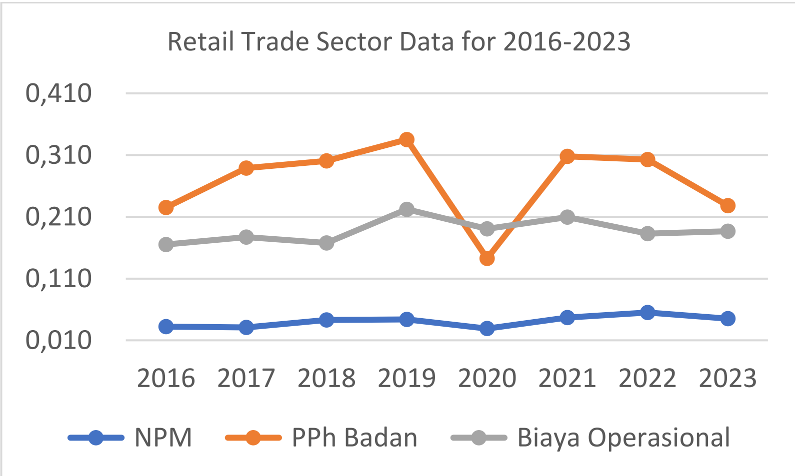
Based on tables 1.2, it shows that the change in the rate from 25% to 22% and economic conditions cause the growth of corporate income tax to increase every year. With the enactment of a reduction in tax rates, it will certainly make all companies better at generating profitability. The increase in sales will result in the tax burden also increasing (Hasna & Heni, 2023).

Meanwhile, the thing that is thought to affect the amount of income tax is operational costs. Operating costs are costs incurred by the company for daily activities that are not directly related to production (Samryn, 2017). This cost affects corporate income tax, because according to Law No.36 of 2008 Article 6 Paragraph 1, costs related to business activities can reduce taxable income. So, the greater the operational costs incurred, the lower the corporate income tax that must be paid.

Based on the conditions presented in APBN Kita (2024), the trade sector shows a stable and slightly increasing contribution, rising from 22.1% in 2016 to 24.4% in 2023, while the Financial Services & Insurance sector experiences increasing fluctuations, with its contribution declining from 20% in 2017 to 11.5% in 2023. Mining also showed a sharp decline in 2020 due to the pandemic but recovered slightly to 9.4% in 2023. The transportation, construction, information & communication, and corporate services sectors experienced smaller fluctuations, with varying contributions. Overall, manufacturing and trade remain the main contributors, while other sectors show instability in tax contributions. The retail trade sector, as the second-largest tax contributor in Indonesia, has not grown as fast as other sectors despite its significant contribution, highlighting the potential to improve efficiency or tax policies to enhance its growth performance. The following are the conditions of profitability, operating costs, and taxes received by the state in the retail trade sector.



Source: www.idx.co.id

Figure 1. Company data for the retail trade sector 2016-2023

Based on chart 1.1, it can be seen that the movement of profitability, operating costs, and corporate income tax is not aligned. The purpose of reducing tax rates is certainly to support post-pandemic economic recovery and encourage business activity and investment (Yasinta, 2023). This change raises questions about its impact on company performance, especially in terms of profitability and operating costs. Profitability reflects the company's ability to generate profits from its operations, while operating costs are expenses related to the company's daily activities (Sjahputra & Hunein, 2024).

Research on profitability analysis before and after changes in tax rates has been conducted by Rasji & Wilda (2023), who claim that reducing corporate tax rates can increase company profitability and state revenue, while Swandani & Wenni (2024) argue that profitability does not experience significant changes. Similarly, research on operating costs before and after corporate tax rate changes by Yasinta (2023) claims that tax rate reductions impact operating costs, whereas Ina (2022) found that operating

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e-ISSN : 3025-1095

costs remain unaffected both before and after such changes. Based on the research gap and supporting data, which reveal that the development of profitability and operating costs is not aligned with tax revenues before and after tax rate changes, researchers are interested in examining the significant differences in profitability and operating costs before and after corporate tax rate changes. Therefore, the authors intend to conduct further research titled "Profitability And Operational Costs In Retail Trade: Pre- And Post-Tax Rate Changes".

Problem Formulation

1. Is there a significant difference between the profitability of retail trade sector companies for the period 2016-2023 before and after changes in corporate tax rates?
2. Is there a significant difference between the operating costs of retail trade sector companies for the period 2016-2023 before and after the change in corporate tax rates?
3. How can changes in corporate tax rates increase the tax ratio?

Research Objectives and Benefits

1. Knowing the significant difference between the profitability of retail trade sector companies for the period 2016-2023 before and after changes in corporate tax rates.
2. Knowing the significant difference between the operating costs of retail trade sector companies for the period 2016-2023 before and after the change in corporate tax rates.
3. Knowing changes in corporate tax rates can increase the tax ratio.

LITERATURE REVIEW

Theory of Planned Behaviour (TPB)

The concept of the Theory of Planned Behavior (TPB) according to Ajzen in (Yeti Apriliawati, 2021) is a theory that explains that individual behavior is influenced by the intention to perform a certain action. TPB in this research is related to understanding the behavior of companies or management in responding to changes in tax regulations. The connection with profitability in this theory is that companies have perceptions about how much they can control the impact of tax rate changes to take advantage of tax rate reductions and thus increase profitability.

Tax

According to Law No. 36 of 2008, tax is a contribution that must be paid by taxpayers to the state without direct compensation, based on the law, and used for the interests of the state for the prosperity of the people. This definition is in line with Law No. 28 of 2007, Article 1, which states that tax is a contribution that must be paid to the state without direct compensation.

Corporate Income Tax

Law No. 7 of 2021, Article 1, Paragraph 1, more specifically defines income tax as a levy imposed on the income of taxpayers within one fiscal year. Corporate income tax is a tax calculated based on tax regulations and imposed on the taxable income of companies (Pohan, 2018).

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Changes in Corporate Tax Rates

Corporate income tax rates in Indonesia have undergone several changes. Since the pandemic, the government has issued the latest changes in income tax rates. Based on Law No. 36 of 2008, the corporate tax rate effective since 2010 was 25% for corporate taxpayers. The tax rate was reduced based on Government Regulation No. 30 of 2020 to 22%, effective for the 2020 and 2021 tax years. For the 2022 tax year, it was initially planned to be reduced to 20%, but based on Law No. 7 of 2021, the rate was set back to 22% until now.

Profitability

Profitability is a key indicator in evaluating a company's ability to generate profit (Kasmir, 2016). The use of this ratio allows stakeholders to assess the company's operational efficiency in converting revenue into profit, making it a valuable tool in business and investment decision-making (Muliani, 2024). One of the indicators used to measure profitability is the Net Profit Margin (NPM), which is a ratio used to measure a company's profit by comparing net profit after interest and taxes to net sales (Kasmir, 2016). Based on the above explanation, the measurement used has a relationship to describe how well a company can adapt to the latest tax rates (Muliani, 2024). The measurement used is as follows.

$$\boxed{Net\ Profit\ Margin\ = \frac{\text{Net Profit}}{\text{Sales}} \text{X } 100\%}$$

Source: (Kasmir, 2016)

Operational Costs

Operational costs are expenses incurred by a company but not directly related to the production process (Samryn, 2017). All costs directly related to the company's daily needs and activities but outside the production process aimed at achieving profit (Winda & Sari, 2023). According to Law No. 36 of 2008, Article 6, operational costs also have a direct impact on corporate income tax, as these costs can be deducted from taxable income, thereby reducing the company's tax liability. This provides an incentive for companies to effectively manage their operational costs to minimize tax burdens and optimize profits. Operational cost components consist of selling expenses and general administrative expenses (Afriani & Emi, 2023). The following is the measurement used.

$$\boxed{\text{Operational Costs} = \text{Selling Expenses} + \text{General Administrative Expenses}}$$

Source: (Samryn, 2017)

Research Hypotheses

H1: There is a significant difference in profitability before and after the corporate tax rate change.

H2: There is a significant difference in operational costs before and after the corporate tax rate change.

H3: Changes in the corporate tax rate can increase the tax ratio.

METHODS

This research employs a sequential mixed-method with an explanatory strategy, where quantitative data analysis is expanded with qualitative methods to enhance understanding. The study focuses on 24 retail trade sector companies listed on the Indonesia Stock Exchange from 2016-2023, using purposive sampling to select 9 companies that meet specific criteria: 1) listed during 2016-2023, 2) published

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complete financial reports, and 3) did not incur losses. This results in 72 data observations, divided into 36 observations before (2016-2019) and 36 after (2020-2023) the corporate tax rate change.

RESULTS AND DISCUSSION

Profitability Before and After the Corporate Tax Rate Change

The results of this study support the first hypothesis, indicating a significant difference in profitability before and after the corporate tax rate change in retail sector companies during 2016-2023. Descriptive statistical tests show that average profitability increased from 0.016 to 0.022 after the tax rate change, with 47% of sample companies performing above average. The paired sample t-test further confirms this, with a significance value of 0.003 < 0.05. According to the Theory of Planned Behavior, companies respond to tax rate changes under Government Regulation No. 30 of 2020 by maximizing profitability, driven by reduced tax burdens and influenced by social norms, shareholder pressure, and industry trends. Managers may feel more confident in optimizing tax strategies and cost management post-change. These findings align with research by Muliani (2024), Rasji & Wilda (2023), Tarinih et al. (2023), Afriani & Emi (2023), Hasna & Heni (2023), Gemala (2022), and Heriyah (2020), all of which highlight differences in profitability under corporate tax rate reductions.

Operational Costs Before and After the Corporate Tax Rate Change

The results of this study support the second hypothesis, indicating a significant difference in operational costs before and after the corporate tax rate change in retail trade sector companies during 2016-2023. Descriptive statistical analysis shows that average operational costs increased from 1,292,547 to 1,832,059 after the tax rate change, with 53% of sample companies exceeding the average. The paired sample t-test confirms this, with a significance value of 0.000 < 0.05. According to the Theory of Planned Behavior, tax rate changes encourage companies to optimize operational costs, aiming to maximize net profit with minimal tax burdens, while industry norms and best practices influence management decisions to increase expenditures. These findings align with research by Sjahputra & Hunein (2024), who found significant differences in operational costs under tax rate changes, Yasinta (2023), who noted increased operational costs post-change, and Winda & Sari (2023), who observed rising operational costs in the basic materials and chemical industry sector after tax rate adjustments.

Analysis of Profitability and Operational Costs Before and After the Corporate Tax Rate Change

During the period 2016-2023, as summarized in Our State Budget (2024), Indonesia's economic conditions underwent changes that affected the tax ratio annually. From 2016-2019, a stable economy driven by infrastructure development, controlled inflation (3.6%), and trade sector growth increased tax revenue, though the tax ratio declined to 9.76% by 2019. In 2020, the pandemic caused an economic downturn, prompting the government to lower the Corporate Income Tax rate under PP No. 30 of 2020 to support recovery. From 2020-2023, expansionary fiscal policies and the National Economic Recovery (PEN) program helped stabilize consumption, support corporate investment, and drive recovery, leading to a fluctuating tax ratio that reached 10.21% in 2023, reflecting post-pandemic economic improvement. Analysis of profitability and operational costs in retail trade sector companies revealed that 12.5% of the sample (MPMX) did not fully increase tax revenue after the tax rate reduction, while 87.5% (EPMT, SDPC, AMRT, MIDI, BOGA, ERAA, and CSAP) saw increased profitability, operational costs, and tax revenue compared to pre-reduction levels. The following chart illustrates the total tax revenue from the research sample.

The tax revenue ratio in Indonesia from 2016 to 2023 fluctuated but generally increased, reflecting economic conditions. Starting at 10.40% in 2016, it dipped to 10.21% in 2017, rose to 11.50% in

Finance and Business Management Journal
Vol. 3, No. 1, 2025
https://ejournal.unma.ac.id/index.php/fbmj
e-ISSN : 3025-1095

2018 due to stricter policies, then fell to 9.76% in 2019 and 8.33% in 2020 due to economic slowdown and the pandemic. Recovery began in 2021, reaching 10.40% in 2022 and stabilizing at 10.21% in 2023, driven by tax reforms and economic improvement. The retail trade sector's tax revenue followed this trend, supporting the hypothesis that corporate tax rate changes can boost the tax ratio. The Theory of Planned Behavior (TPB) explains how companies adapt to tax changes, increasing profitability and taxpayer confidence. This aligns with Government Regulation No. 30 of 2020 and Law No. 7 of 2021, aimed at post-pandemic economic recovery and enhancing tax revenue.

CONCLUSION

Based on the research results, it can be concluded that is a significant difference in the profitability of retail trade sector companies during the period 2016-2023 before and after the corporate tax rate change. There is a significant difference in the operational costs of retail trade sector companies during the period 2016-2023 before and after the corporate tax rate change. hanges in the corporate tax rate can increase company profitability and operational costs, which in turn help increase the tax ratio in Indonesia.

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