DETERMINATION OF FINAL TAX ON OTHER COMPREHENSIVE INCOME

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Abstract: Research on tax accounting topics so far has only focused on examining corporate tax rates, while in the area of final tax on Others Comprehensive Income (OCI) has not been widely carried out, even though 1) the proportion of final OCI tax on total corporate tax is also large and 2) OCI itself, although unrealized earnings, according to the all-inclusive income concept is part of comprehensive income and is also presented in the income statement. The purpose of this study is to test the effect of company size, fixed asset effectiveness, OCI ownership and type of industrial subsector on final OCI tax. The research sample was 141 companies listed on the Indonesia Stock Exchange 2019 - 2023 with 560 observation data. Hypothesis testing using multiple linear regression analysis. The results of the study indicate that company size, fixed asset effectiveness, and OCI ownership have a significant positive effect on the amount of OCI final tax, while the type of industrial subsector has no effect on OCI final tax. The originality of this study is the examination of the determination of OCI final tax.

INTRODUCTION

Research on the determination of corporate income tax is always interesting to study, because the volume of tax burden paid by companies to the state is relatively large and the characteristics of the uniqueness and behavior of companies responding to tax burdens are phenomena in themselves that continue to be studied. Research on corporate tax is not limited to how and how much tax burden must be paid, but also related to management behavior related to tax avoidance efforts. Tax avoidance efforts are usually measured by the effective tax rate (Utami & Pramiana, 2024). The results of the study by Pramiana et al., (2021) show that tax avoidance actions are influenced by executive compensation and gender diversification. Ayuningtia & Pramiana (2024) added that the determination of tax avoidance actions is a factor of thin capitalization, capital intensity, and sales growth.

The object of corporate income tax is income. Along with the changes in Financial Accounting Standards (SAK) in Indonesia in the preparation of financial statements, the concept of the meaning of "income" has also changed, and has an impact on corporate income tax. The fundamental change in SAK is the shift in the assessment of assets and liabilities from historical cost to fair value accounting in financial reporting, the impact of which is that there are items caused by the adjustment of the value from historical cost to fair value accounting, namely Others Comprehensive Income (OCI). Not only income from operating activity income (earnings before tax), OCI is also an object of final tax. However, there have not been many studies that focus on examining the determination of OCI tax, especially in Indonesia. Areas that have not been studied by previous research are that research on the topic of tax accounting so far has only focused on examining the corporate tax rate, while in the area of final tax Others Comprehensive Income (OCI) has not been widely carried out. The originality of this study is the examination of the factors that influence OCI final tax.

The urgency that research on the determination of OCI final tax is important to be carried out because: 1) the proportion of OCI final tax on total corporate tax is relatively large each period. The average percentage of final OCI tax to total corporate tax debt is 9.75% and to total corporate tax burden is 8.15%. 2) OCI itself, although unrealized earnings, according to the all-inclusive income concept is part of comprehensive income and is also presented in the income statement. The purpose of this study is to examine the effect of company size, fixed asset effectiveness, OCI ownership and industrial subsector type on final OCI tax. The argument for researching manufacturing companies is because they have large fixed assets, where fixed asset revaluation is the main object of final OCI tax. The benefits of this study for academics are to add to the literature, especially in the field of tax accounting on factors that affect final OCI tax. For practitioners, especially investors and the government as the tax authority as input to examine more deeply the potential for misstatements in calculating final OCI tax, considering the characteristics of OCI which has high value fluctuations and subjectivity.

Fair Value Accounting (Conceptual framework for preparing financial statements, Financial Accounting Standards) to increase the relevance of financial reporting values, financial statements must be prepared based on fair value accounting, no longer based on historical cost, because fair value accounting is more capable of representing asset and liability items in actual conditions. Changes in the presentation value of asset and liability items from historical cost to fair value accounting, give rise to others comprehensive income (OCI). OCI

is unrealized income from adjustment results, recognized as a gain if the fair value is higher than the recorded value, and vice versa recognized as a loss if the fair value is lower than the recorded value. Stakeholder Theory (Freeman, 1984) states that the presentation of final OCI tax reflects the balance of interests of all stakeholders, that not only management and shareholders related to the implementation of fair value accounting have more value relevance and representation, but also the government related to the interests of tax revenue from the implementation of fair value accounting.

Tax of Others Comprehensive Income (OCI) is a tax on the recognition of OCI. OCI is income from changes in the presentation value of assets and liabilities from historical cost to fair value on the date the financial statements are presented. There are five items of assets and liabilities that need to be adjusted, namely: 1) financial assets in the trading category, 2) hedging contracts, 3) fixed asset revaluation, 4) detailed financial statements, and 5) pension liabilities. The size of the OCI value is influenced by the size of the company's assets and external factors in the form of exchange rates, interest and inflation (Kusuma & Saputra, 2022). The characteristics of OCI include: influencing company value (Kusuma, 2021b), influencing stock returns (Kusuma, 2023b), influencing Cumulative Abnormal Return (Kusuma & Kusumaningarti, 2023), having the ability to predict net income (Kusuma & Athori, 2023), predicting comprehensive income (Kusuma, Zuhroh, et al., 2021), estimating cash flow prospects (Kusuma, 2020), estimating potential financial distress (Kusuma, 2024), predicting dividends (Kusuma & Agustin, 2023). Its high subjectivity can be used for fraud (Wahyudi et al., 2024), tax avoidance (Kusuma & Rahayu, 2022), income smoothings (Kusuma, 2023a), and earnings management (Kusuma et al., 2022). Its high subjectivity also has an impact on external audit fees (Kusuma & Luayyi, 2024) and audit report lag (Agustin & Kusuma, 2024). Its presentation position, which is one in the income statement, can be used to modify ROA (Kusuma, 2021a), ROE (Kusuma, Assih, et al., 2021), and NPM (Murdiyanto & Kusuma, 2022). Its comprehensive and transparent existence informs the potential realization of unrealized earnings (Athori & Kusuma, 2023), can minimize agency costs (Kusuma & Agustin, 2024) and retained earnings (Kusuma, 2023c).

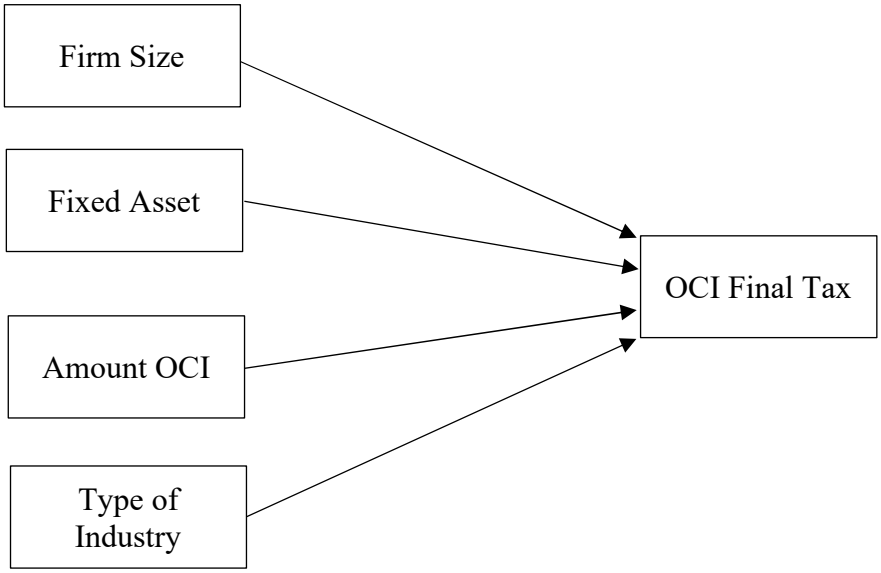

Figure 1. Research Conceptual Framework

Hypothesis:

H1: Company size has a positive effect on OCI final tax.

H2: Effectiveness of fixed asset utilization has a positive effect on OCI final tax.

H3: OCI ownership has a positive effect on OCI final tax.

H4: Industrial subsector type has a positive effect on OCI final tax.

RESEARCH METHODS

This type of research based on the method used is quantitative research with causal hypothesis testing. The research data is secondary data from annual reports from company samples. The research sample is 141 companies listed on the Indonesia Stock Exchange 2019 - 2023 with 560 observation data. The sample selection criteria are as follows:

Table 2. Sample Selection Criteria

Sample Criteria	Companies
Population of companies listed on the IDX 2019 – 2023	784
Minus :	
Companies not reporting OCI final tax	(274)
Non manufactur	(369)
Number of samples	141
Data (141 companies multiplied by 4 years)	564
Outlier data	(4)
Number of observation data	n : 560

Research variables and measurement. The dependent variable in this study is the final tax from OCI. The independent variables include company size, fixed asset effectiveness, OCI ownership and industry subsector type, and OCI with a negative sign or unrealized loss as a control variable. The measurement of each variable is as follows:

Table 1. Variable and Measurement

Variable	Notation	Measurement
Dependent Variable		
Final tax of OCI	FT $OCI_{i,t}$	$= \frac{\text{Final tax of } OCI_{i,t}}{\text{Total } OCI_{i,t}}$
Independent Variable		
Company size	$SIZE_{i,t}$	Log N of total $assets_{i,t}$
Fixed assets	$FIXED_{i,t}$	$= \frac{\text{Net Income}_{i,t}}{\text{Fixed assets}_{i,t}}$
Total of OCI	OCI	$= \frac{\text{Total of } OCI_{i,t}}{\text{Total assets}_{i,t}}$
Subsector of type industry	TYPE	Dummy variables, 1: basic industrial and chemical sectors, 2: various industrial sectors, 3: consumer goods industrial sectors.
Control variable		
Total OCI is negative	$LOSS_{i,t}$	Dummy variables: 1 : if the total OCI is negative or a loss, 0 : otherwise

Hypothesis testing with multiple linear regression analysis. Statistical equation model:

$$FT\ OCI_{i,t} = \alpha_0 + \beta_1 SIZE_{i,t} + \beta_2 FIXED_{i,t} + \beta_3 OCI_{i,t} + \beta_4 TYPE + \beta_5 LOSS_{i,t} + \varepsilon_{i,t} \quad (1)$$

Where,

$FT\ OCI_{i,t}$: final tax of OCI firm i period t; $SIZE_{i,t}$: firm size i period t; $FIXED_{i,t}$: fixed asset size i period t; $OCI_{i,t}$: others comprehensive income firm i period t; TYPE : subsector of type industry; $LOSS_{i,t}$: total OCI is negative; $\beta_{1\text{-}5}$: koefisien regresi; $\varepsilon_{i,t}$: error.

H1 is accepted if the coefficient β1SIZEi,t is positive and significant at the 5% level. H2 is accepted if the coefficient β2FIXEDi,t is positive and significant at the 5% level. H3 is accepted if the coefficient β3OCIi,t is positive and significant at the 5% level. H4 is accepted if the coefficient β4TYPE is significant at the 5% level.

RESULTS AND DISCUSSION

Table 4 below presents the results of descriptive statistics and correlation analysis. The number of observation data is 560. The average final OCI tax is 3,300. Company size is positively correlated with final OCI tax with a coefficient of 0.326*** significant at the 1% level. Likewise, the effectiveness of fixed assets and OCI ownership, while the type of industry is weakly correlated with final OCI tax.

Table 4.

Result of Descriptive Statistics and Result of Testing Correlations Pearson

	N	Minimum	Maximum	Mean	Std. D
Panel A. Descriptive Statistics					
Size	560	29.306	36.558	3.300	2.213
Fixed	560	28.795	36.202	3.253	2.207
OCI	560	.001	2.815	.1713	.596
Type	560	1	3	1.85	.795
Loss	560	0	1	.27	.452
FTOCI	560	.000	.532	.064	.111

Panel B. Result of Testing Correlations Pearson

	Size	Fixed	OCI	Type	Loss	FTOCI
Size	1					
Fixed	.087**	1				
OCI	.203***	-.200	1			
Type	-.289	-.276	.395*	1		
Loss	-.149	-.155	-.146	.205	1	
FTOCI	.326***	.417***	.362***	-.274*	.084*	1

Coefficient Pearson Correlation significant in *** 1%, **5%, and *1%.

Table 5 shows the results of hypothesis testing with multiple linear regression analysis. H1 which states that company size has a positive effect on OCI final tax, H1 is accepted, because the coefficient β1SIZEi,t is positive 0.379 (2.270)** and significant at the 5% level. H2 which states that the effectiveness of fixed asset use has a positive effect on OCI final tax, H2 is accepted, because the coefficient β2FIXEDi,t is positive 0.490 (3.308)*** and significant at the 1% level. H3 which states that OCI ownership has a positive effect on OCI final tax, H3 is accepted, because the coefficient β3OCIi,t is positive 0.334 (1.085)** and significant at the 5% level. H4 which states that the type of industrial subsector has a positive effect on OCI final

tax, H4 is rejected, because the coefficient β4TYPE -0.093 (3.360) is not significant at the 5% level.

Table 5. Result of Testing Hypothesis with Regression Linier Analysis

	Coeffisient	t
(Constant)	.109	1.350**
Size	.379	2.270**
Fixed	.490	3.308***
OCI	.334	1.085**
Type	-.093	3.360
Loss	.071	1.754*
Adjusted R Square	.427	
F-Statistics	4.106	

Coefficient regression significant in *** 1%, **5%, and *1%.

Additional test

Additional testing was conducted to determine which OCI component disaggregation had the largest influence coefficient on final OCI tax.

$$FT\ OCI_{i,t} = \alpha_0 + \beta_1 AFS_{i,t} + \beta_2 HEDGING_{i,t} + \beta_3 TRANS_{i,t} + \beta_4 REVAL + \beta_5 PENS_{i,t} + \varepsilon_{i,t} \quad (2)$$

Where,

$FT\ OCI_{i,t}$: final tax of OCI firm i period t;

$AFS_{i,t}$: investment of financial assets available for sales firm i period t;

$HEDGING_{i,t}$: part of effective cash hedging firm i period t;

$TRANS_{i,t}$: financial statement translation firm i period t;

REVAL : fixed asset and intagible assets revaluation firm i period t;

$PENS_{i,t}$: pension liability firm i period t;

$\beta_{1\text{-}5}$: koefisien regresi; $\varepsilon_{i,t}$: error.

Table 6 below shows the results of testing with multiple linear regression analysis that the components that have the largest coefficient of influence on OCI final tax are asset revaluation and actuarial differences in defined benefit programs.

Table 6.Result of Additional Test to Disagregate OCI

	Coeffisient	t
(Constant)	.112	1.342**
AFS	.108	2.350*
Hedging	.211	1.412**
Trans	-.098	1.416
Reval	.511	4.821***
Pens	.402	3.45**
Adjusted R Square	.413	
F-Statistics	4.22	

Coefficient regression significant in *** 1%, **5%, and *1%.

The effect of company size on OCI final tax. H1 is accepted, company size has a positive effect on OCI final tax. Size reflects the potential for fixed asset revaluation, business complexity and transactions, thus creating OCI components. The effect of the effectiveness of fixed asset use on OCI final tax. H2 is accepted, the effectiveness of fixed asset use has a positive effect on OCI final tax. The effectiveness of ATB is measured by the NI ratio of fixed assets, reflecting the ability of fixed assets to generate profit: the reason for revaluation (book value is exhausted, but ATB is still in good physical condition and effectively generating profit). The effect of OCI ownership on OCI final tax. H3 is accepted, OCI ownership has a positive effect on OCI final tax. OCI is the object of the final tax. Additional disaggregate testing of OCI shows that the components that have the largest coefficient of influence on OCI final tax are asset revaluation and defined benefit program actuarial differences. The effect of industry subsector type on OCI final tax. H4 is rejected, the type of industry subsector does not significantly affect OCI final tax.

CONCLUSIONS AND RECOMMENDATION

The conclusion of this study is that company size, fixed asset effectiveness, and OCI ownership have a significant positive effect on the amount of OCI final tax, while the type of industrial subsector has no effect on OCI final tax. Additional disaggregate testing of OCI shows that the components that have the largest coefficient of influence on OCI final tax are asset revaluation and defined benefit plan actuarial differences. The meaning of the findings of this study is that the larger the company size, with a high frequency of economic transactions, a large business scale, relationships with suppliers-customers from outside the country, and large fixed asset ownership, the greater the OCI tax that the company must pay to the state authorities.

The limitation of this study is that this study only tests the determination of OCI final tax from internal company factors, and has not involved testing of external factors in the form of macroeconomic fundamentals, even though the OCI value is sensitive to this factor and is also suspected of possibly affecting OCI final tax. Suggestions for subsequent researchers are expected to test the effect of macroeconomic fundamentals on OCI final tax. Suggestions for practitioners, especially investors and the government as the tax authority, are expected to examine in more depth the potential for misstatements in the calculation of final OCI tax, considering the characteristics of OCI which has high value fluctuations and subjectivity.

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