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The Effect of Tax Planning and Deferred Tax Expense on Earnings Management

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Abstract

This study examines tax planning and deferred tax expense on earnings management. The population in this study includes all manufacturing companies that publish annual financial reports that are audited and published on the Indonesia Stock Exchange (IDX) from 2015 to 2017. While the sample in this study was determined using the purposive sampling method, namely the determination of pieces based on specific criteria, to obtain a selection of 20 companies. The data in this study comes from secondary data in the form of financial reports from manufacturing companies listed on the Indonesia Stock Exchange from 2015 to 2017. The data collection technique used is documentation. The data collected will be analyzed by descriptive statistical analysis method, and hypothesis testing is carried out multivariate using logistic regression test (Hosmer and Lemeshow's goodness of fit test), coefficient of determination test (R²), individual parameter significance test, and partial correlation test. The results show that tax planning has a positive and insignificant effect on earnings management; the higher the tax planning, the more excellent the opportunity for the company to carry out earnings management (and vice versa) even though the effect is weak, meaning that many other factors determine the occurrence of earnings management, as well as the tax burden. The deferred tax has a positive and insignificant effect on the probability of the company doing earnings management, meaning that with every increase in deferred tax expense, the likelihood of the company doing earnings management will increase (and vice versa).



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Introduction

Financial statements must be presented to communicate all company financial information to

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interested parties (stakeholders), both internal and external parties. Information on earnings as a component of the company's financial statements is provided for assessing management performance, estimating the ability of representative earnings in the long term, predicting profits, estimating risk in investment and credit, and conducting tax planning so that the tax burden of a company becomes smaller. Based on the existing reality, the focus and attention of financial statement users are often only on profit information, without paying attention to how the profit is generated (Rahmawati & Widyawati, 2016). Management is aware of this situation, mainly because its performance is measured based on that financial information. The above encourages company management to perform dysfunctional behavior (inappropriate behavior). Such inappropriate behavior can be in the form of earnings management (Pajriyansyah & Firmansyah, 2017).

Earnings management is an effort made by management to intervene in preparing financial statements to benefit itself, namely the company concerned. Earnings management can be done through income smoothing, taking a bath, and income maximization (Meita, 2019). Meanwhile, according to Sulistyanto (2008), earnings management is an attempt to change, hide, and manipulate the numbers in the financial statements and to play with the accounting methods and procedures used by the company. The concept of earnings management can be explained by using an agency theory approach. The theory states that earnings management practices are influenced by conflicts of interest between interested parties (principals) and management as the party carrying out goods (agents). This conflict arises when each party tries to achieve the level of prosperity it wants (Aditama & Purwaningsih, 2014).

In Indonesia, there have been many phenomena in that companies listed on the Indonesian stock exchange carry out earnings management, such as income smoothing. Among them, in 2015, PT Timah (Persero) Tbk (TINS) provided information on the company's financial condition that was different from what happened where in 2013; the directors of PT Timah (Persero) Tbk (TINS), according to the Timah Employees Association (IKT) which from the Province of Bangka Belitung and Riau Islands, has made many mistakes and omissions during his three years in office since 2013, namely by providing different information to the public regarding the achievement of the company's financial condition so that they judge that the board of directors has committed a lot of public lies through the media. An example is the press release of the first semester of 2015 financial statements, which say that efficiency and strategies have resulted in positive performance. In fact, in the first semester of 2015, the profit and loss statement amounted to Rp. 59 billion. This is done so that the company's performance is considered reasonable by the public and can attract investors' interest in the company. For information, in addition to experiencing a decrease in profit, PT Timah also recorded an increase in debt of almost 100 percent compared to 2013. In 2013, the company's debt only reached Rp. 263 billion. However, this amount of debt increased to IDR 2.3 trillion in 2015 (Permatasari, 2017).

In 2004, the case of PT Ades Alfindo was successfully disclosed, which occurred when the company's management changed. The new management found an inconsistency in recording sales for the period 2001-2004. The IDX suspended trading transactions for Ades shares on July 26 due to a significant price increase from Rp1,100.00 to Rp1,800.00. This suspension was lifted on August 3rd, and the share price again jumped from Rp1,800.00 to Rp3,000.00. In addition, earnings management reports that reported sales figures are lower than they are. The search results show that each quarter, sales figures will be approximately 0.6-3.9 million gallons higher than the amount produced. This invites a question mark on how it can sell more units than the number had. This was missed because the financial statements

presented by PT Ades did not include the amount of sales volume (Wahyuningsih et al., 2016).

Based on several phenomena that have been described, it shows that earnings management practices are still mainly carried out by several companies in Indonesia. Factors that can affect the occurrence of earnings management include tax planning efforts and deferred tax burden (Lestari, 2019). With the management's desire to suppress and make the tax burden as small as possible, the management tends to minimize tax payments. Efforts to reduce the tax burden are often referred to as tax planning. Tax planning (tax planning) is the process of organizing the taxpayer's business; the goal of this tax planning process is to cause tax debt, both PPh and other taxes, to be in a minimum position, as long as this is still within the framework of the applicable tax regulations. Therefore, tax planning is a legal action because it is allowed by the government if it is within the corridor of the relevant tax laws in Indonesia. The role of tax planning in earnings management has been conceptually explained by agency theory. The company (agent) tries to pay as little as possible because the company assumes that paying taxes means reducing the company's economic capacity. But on the other hand, the government (principal) requires funds from tax revenues to finance government spending. The conflict of interest between the company and the government triggers agents to carry out earnings management to minimize tax payments to the government (Aditama & Purwaningsih, 2014).

Previous research on the effect of tax planning on earnings management in companies listed on the IDX has been studied by several previous researchers, some of which are (Aditama & Purwaningsih, 2014; Junery et al., 2016; Lukman & Ardiyanto, 2013) based on the results of his research that tax planning has a positive and significant effect on earnings management in companies listed on the IDX. This means that the increase in tax planning affects the opportunity and probability of the company carrying out earnings management. Furthermore, (Junaidi, 2006; Aditama, 2013; Setiawan, 2015) also researched the effect of tax planning on earnings management in companies listed on the IDX. Based on the results of this study, tax planning has no significant positive impact on earnings management. Another factor that affects earnings management is deferred tax. Deferred tax is the amount of income tax that is payable or recoverable in the coming year because of temporary differences that may be deducted from the rest of the compensation for losses that can be compensated. Recognition of deferred tax has an impact on reducing net profit or loss due to the possibility of recognizing deferred tax expenses and deferred tax benefits (Waluyo, 2011; Astutik & Mildawati, 2016).

For a company, the tax borne is an element of cost that reduces the company's profit because the higher the tax paid by a company means, the smaller the profit that the company will get. Companies face conflicting impulses when it comes to earnings management. On the one hand, the company's administration wants to display good financial performance by maximizing reported profits to shareholders and other external users. However, on the other hand, the company's management also wants to minimize the reported taxable gain for tax purposes (Ettredge et al., 2008; Tundjung & Haryanto, 2015). The steps that are then taken to achieve both is to manipulate earnings to be higher for financial reporting but not for tax reporting.

This is also in line with previous research (Barus & Setiawati, 2015; Lukman, 2013; Negara & Suputra, 2017), which examined the effect of deferred tax expense on companies listed on the IDX and found the results of research that deferred tax had a significant positive impact on management earnings, in addition, who also conducted research on the effect of deferred tax expense on earnings management in companies listed on the BEI and the results of his study that deferred tax expense had no significant

impact on the probability of companies doing earnings management. Then the increase in deferred tax expense does not affect the increase in the company's likelihood of carrying out earnings management. To date, earnings management is the most controversial area in financial accounting. Therefore, related to the topic that has been done by several previous researchers regarding the relationship between deferred tax expense and earnings management and the relationship between tax planning and earnings management. So here, researchers are interested in re-examining the relationship between tax planning and deferred tax expense on earnings management.

Theoretical Framework and Hypotheses

Understanding Tax

Tax is a mandatory contribution to the state-owned by an individual or entity that is coercive based on the law, with no direct compensation, and is used for the state's greatest prosperity. Tax is one of the sources of state revenue. Many countries rely on tax revenue as the primary source of state revenue. In addition, taxes for the government are a potential source of income to achieve development success. Meanwhile, for companies, tax is a cost whose form of return is not received directly, either in the form of goods, services, or funds, so the tax burden must be taken into account in every decision. The definition of tax, according to (Mardiasmo, 2011) interpreted as contributions paid by the people to the state treasury based on the law (which can be forced) with no direct reciprocity.

Tax Planning

According to (Zain, 2003; Rustam et al., 2019), Tax planning is a structural action related to the conditions of potential tax consequences, the emphasis of which is on controlling every transaction that has tax consequences; the goal is how the control can streamline the amount of tax that will be transferred to the government, through what is called tax avoidance.) which is a legal act still within the scope of tax laws and regulations and is not tax smuggling. At the same time, Suandy (2008) defines tax planning as the process of organizing a taxpayer's business or a group of taxpayers so that the tax debt, PPh, and other tax burdens, are in a minimal position. Tax planning is the same as tax avoidance because, in essence, both seek to maximize after-tax income (after-tax return). After all, tax is an element of profit reduction that is available both to be distributed to shareholders and reinvested

Income Tax (PSAK NO. 46) Accounting

Income Tax is a tax imposed on tax subjects on income received or earned in a tax year and is calculated based on tax regulations. In this regard, PSAK also regulates the problem of calculating taxes, including income tax; in 1998, the Indonesian Institute of Accountants (IAI) issued Statement of Financial Accounting Standards 46 (PSAK 46) regarding income tax accounting. Furthermore, the accounting treatment for deferred tax is regulated in the Statement of Financial Accounting Standards Number 46 (from now on referred to as PSAK No. 46) concerning Income Tax Accounting issued by the Indonesian Institute of Accountants in 1997. PSAK No. 46 is effective starting January 1, 1999, for companies that go public and starting January 1, 2001, for companies that do not go public. Statement of Financial Accounting Standards (PSAK) No: 46 regarding Income Tax Accounting, among others, stipulates that companies are required to recognize deferred tax assets at the total amount resulting from all temporary

differences that can be deducted from income and evaluate the amount of the account balance each balance sheet date based on judgment on the test basis, that future period earnings are sufficient to cover the loading of the account balance. This can provide management freedom in determining accounting policy choices in determining the number of deferred tax assets.

Deferred Tax

Deferred tax is the amount of income tax that is payable or recoverable in the coming year because of temporary differences that may be deducted from the rest of the compensation for losses that can be compensated. Recognition of deferred tax has an impact on reducing net profit or loss due to the possibility of recognizing deferred tax expenses and deferred tax benefits (Astutik & Mildawati, 2016). According to PSAK No. 46, deferred tax is the income tax amount for future periods due to temporary deductible differences and the remaining compensation for losses.

Profit

Profit (profit) is one of the company's main objectives in carrying out its activities. The profit earned by the company will be used for various purposes; the profit will be used to improve the company's welfare for its services. The definition of profit, according to experts, is the first; according (Nafarin, 2007; Gunardi et al., 2019), "Profit (income) is the difference between income and the balance of costs and expenses for a certain period." Meanwhile, according to Halim & Supomo (2005), Profit is a responsibility center whose inputs and outputs are measured by calculating the difference between revenues and costs. Furthermore, according to the Committee of Terminology: "Profit is the amount derived from the reduction of production costs, other costs and losses from income or operating income."

Profit Management

According to (Lazov, 2017; Rehobot, 2012), Earnings management is management's action to choose accounting policies from a certain standard, for example, by changing the declining balance method, straight line, and other methods and then comparing whichever is higher to lower the company's profit so that the company can reduce the tax burden. Because financial statements are often used as performance appraisal indicators, earnings management behavior is possible because management has more accurate information than the principal.

Agency Theory

The concept of earnings management can be started from the agency theory approach. Jensen and Meckling (1976) stated that an agency relationship is a contract between management (agent) and investors (principal). The agency theory view is that there is a separation between the principal and the agent, which causes potential conflicts to arise that can affect the quality of reported earnings. In this agency theory, the principal means the shareholders or owners who provide facilities and funds for the company's operational needs, while the agent is the management who must manage the company as mandated by the principal (Aditama & Purwaningsih, 2014; Kanji, 2019).

The relationship between tax planning and earnings management can conceptually be explained by agency theory and positive accounting theory, which have been discussed in earnings management theory. In agency theory, it is emphasized to overcome two problems that can occur in agency

relationships (Darmawati, 2004; Indarti & Extaliyus, 2013): (1) agency problems that arise when the desires or goals of the principal and agent are opposite and are challenging. For the principal to verify what the agent does, (2) risk-sharing problems arise when the principal and agent have different attitudes towards risk. As a result of the occurrence of asymmetry information between management (agent) and the owner (principal), it will provide opportunities for managers to act opportunistically, namely, to obtain personal benefits. In financial reporting, managers perform earnings management to mislead owners (shareholders) about the company's economic performance. The higher information asymmetry between managers (agents) and owners (principals), which encourages earnings management actions by management, will trigger higher agency costs and indicate a positive relationship between information asymmetry and earnings management (Ujiyantho & Pramuka, 2007).

Meanwhile, according to positive accounting theory, earnings management behavior can be explained through the third hypothesis, namely The Political Cost Hypothesis (Scott, 2003; Aditama & Purwaningsih, 2014). It is said that companies faced with political costs tend to engineer profit reductions to minimize the political costs they have to bear. Political prices include all costs companies must take related to government regulations, one of which is the tax burden. The company will carry out tax planning as effectively as possible to obtain financial benefits and benefits in obtaining additional capital from investors through the sale of company shares. The status of companies that have gone public generally tends to be high profile than companies that have not gone public. So, to increase the value of the company's shares, the management is motivated to provide the best company performance information. Therefore, a tax which is an element of profit deduction available for distribution to investors or investment by the company, will be endeavored by management to minimize the amount of the company's net profit.

H₁: Tax Planning Affects Earnings Management

Deferred tax expense is one approach that can detect earnings management practices carried out by company management. The existence of taxes is a source of state revenue; accounting is also a recording system to produce financial reports. Hanlon (2005) says that specifically, the taxation system is designed to increase state revenues; on the contrary, the accounting system is designed to provide information about company performance and is expected to overcome information asymmetry (agency theory) that may occur between management as an internal party and users of financial statements as parties. External. The differences between tax accounting (fiscal income) and commercial can provide additional information for users of financial statements to assess the quality of current earnings (Wijayanti, 2016). The reason is that tax regulations limit the flexibility to use discretion in calculating taxable income, which is why the difference between commercial profit and fiscal profit (book-tax gap) can inform management's discretion in the accrual process (Hanlon, 2005). The more significant the difference between fiscal profit and accounting profit, the greater the discretion of management. The amount of management discretion will be reflected in the deferred tax expense and can be used to detect earnings management practices in companies (Phillips et al., 2003; Purwanti, 2018). This is also in line with what was disclosed (Vandi, 2020), which states that the greater the percentage of deferred tax expense to the company's total tax burden, the more liberal the accounting standards are. The more liberal the accounting standards used, the more assumptions and judgments result in large accounting profits.

Using assumptions and judgments can constitute an earnings management effort by company management. The differences between tax and commercial accounting can provide additional information for users of financial statements to assess the quality of current earnings (Rego, 2003; Vandi, 2020). The reason is that tax regulations limit the flexibility to use discretion in calculating taxable income, which causes the difference between commercial profit and fiscal profit (book-tax gap) to inform management's discretion in the accrual process. Another explanation that can support the statement that deferred tax expense can be used to detect earnings management practices is by looking at the results of fiscal corrections in the form of negative corrections. Negative correction is a condition where income is more minor than commercial accounting and expenses according to fiscal accounting are greater than commercial accounting. This causes an increase in deferred tax liability in the balance sheet item for the current period, and the company recognizes the following period as deferred tax expense in the income statement.

H₂: Deferred Tax Expense Affects Earnings Management

The research model is as shown in Figure 1.

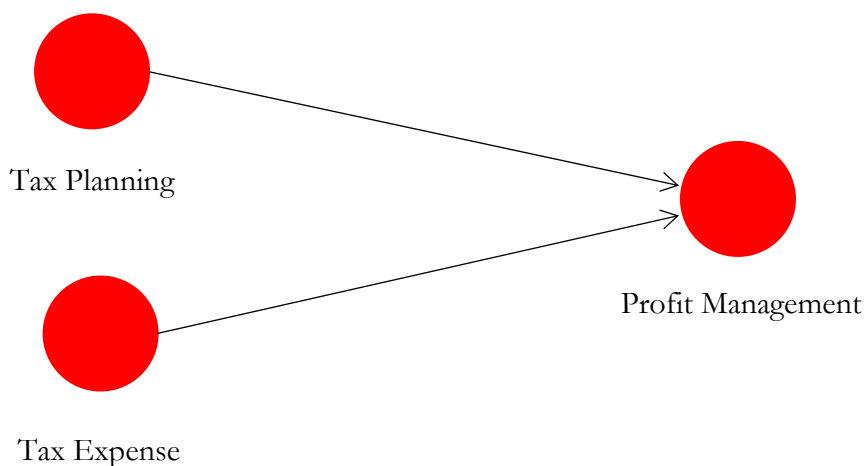


Figure 1. Conceptual Framework

Research Method

This study is an example of quantitative research. This study's population consists of all manufacturing companies that audited and published annual financial reports on the Indonesia Stock Exchange (IDX) from 2015 to 2017. While the sample in this study was determined using the purposive sampling method, that is, the determination of samples based on specific criteria, 20 companies that meet the researcher-specified criteria were selected as the sample.

Table 1. Sample Selection Procedure

No	Description	Total
1	IDX-listed manufacturing company	50
2	Manufacturing companies that are not engaged in the food and beverage and automotive sub-consumption sectors.	20
3	Companies that do not report audited financial statements and do not publish their financial statements	0
4	Delisted company	0
5	Companies that do not have complete data are companies that do not report deferred tax expense	0
6	Companies that carry out acquisitions, mergers, restructurings, and changes in us groupsaha	0
7	Companies that do not report financial statements in Rupiah (IDR).	0
Total companies sampled		20

This study uses secondary data from financial reports from 2015 to 2017 from manufacturing companies listed on the Indonesia Stock Exchange. Documentation is the technique used for data collection. Documentation involves collecting data by collecting, recording, and duplicating, or making copies and reviewing secondary data in the form of financial reports of Indonesia Stock Exchange-listed manufacturing companies. The collected data will be analyzed using descriptive statistics, and hypotheses will be tested using multivariate logistic regression (Hosmer and Lemeshow's goodness-of-fit test), coefficient of determination (R²), individual parameter significance, and partial correlation tests. This study employed logistic regression because the independent variable was a combination of metric and nominal (non-metric) data. The dependent variable is also a dummy variable.

Table 2. Operational Variables and Measurement

Variable	Indicator	Major Reference
Tax Planning	$TRR = \frac{\text{Net Income}_{it}}{\text{Pretax Income (EBIT)}_{it}}$	(Aditama & Purwaningsih, 2014)
Deferred Tax Burden	$\frac{\text{Deferred Tax Burden}_{it}}{\text{Total Asset}_{t-1}}$	(Purwanti, 2018; Tundjung & Haryanto, 2015)
Earning Management	$\text{Scaled Earning Changes}_{it} = \frac{\text{Net Income}_{it} - \text{Net Income}_{i(t-1)}}{\text{Market Value Equity}_{i(t-1)}}$	(Tundjung & Haryanto, 2015; Wijayanti, 2016)

Data Analysis and Discussion

Data Analysis

The average (mean), standard deviation, maximum and minimum variables of tax planning, deferred tax expense, and earnings management are determined using descriptive statistics. Using the tax retention rate formula, which evaluates the effectiveness of tax management in the current year's financial

statements, tax planning is obtained (Wild et al., 2004; Negara & Suputra, 2017). This study's measure of the effectiveness of tax management is a measurement of the effectiveness of tax planning.

Tabel 3. Tax Retention Rate (Trr) = Net Income_{it} / Pre-Tax Income (Ebit)_{It}

No	Code	2015	2016	2017
1	AISA	0.508158943	0.561132332	0.319827807
2	CEKA	0.636942582	0.783832822	0.667294073
3	CPIN	0.525389806	0.503813347	0.692210741
4	ICBP	0.732227291	0.746541032	0.735755234
5	INDF	0.503810118	0.635715334	0.634558483
6	MLMBI	0.735538181	0.743932294	0.807342835
7	MYOR	0.671222433	0.599796911	0.6475966
8	ROTI	0.596350114	0.631486643	0.511993818
9	SKLT	0.591993818	0.614336299	0.582927089
10	ULTJ	0.754980039	0.798468813	0.741849032
11	ALMI	0.915951841	0.73994895	0.672594935
12	ASII	1.084420271	0.706242401	0.776868866
13	AUTO	0.658521351	1.382788582	0.48431944
14	BTON	0.141574523	0.190410966	0.070167498
15	CTBN	0.73218076	0.755611836	0.750994189
16	GDYR	0.789391241	0.715038948	0.70932948
17	GJTL	0.773937585	0.747421317	0.773690714
18	IKBI	0.744783817	0.76042616	0.751371005
19	IMAS	1.287793332	1.118847403	0.354099833
20	INAI	0.72267492	0.66887003	0.734188379

Table 4. Results of Descriptive Statistics 2015-2017 Tax Planning

Category	2015	2016	2017	2015-2017
Min	0.141574523	0.190410966	0.070167498	0.070167498
Max	1.287793332	1.382788582	0.807342835	1.382788582
Mean	0.705392148	0.720233121	0.620949003	0.682191424
Standar Deviasi	0.230357343	0.230531289	0.188170257	0.024407094

Based on tables 3 and 4, in 2014 the lowest tax planning value was at Betonjaya Manunggal Tbk (BTON), amounting to 0.141574523. In 2016, the lowest value was still at Betonjaya Manunggal Tbk (BTON), which was 0.190410966. Meanwhile, for 2017, the lowest value was at Betonjaya Manunggal Tbk (BTON), which was 0.070167498. In 2015, the highest score was at Indomobil Sukses Internasional Tbk (IMAS) of 1.287793332. For 2016, the highest score was at Astra Otoparts Tbk (AUTO) of 1.382788582. Meanwhile, in 2017 the highest score was at Multi Bintang Indonesia Tbk (MLBI) 0.807342835. The descriptive statistics for tax planning variables for 2015-2017 show a minimum value of 0.070167498, a maximum value of 1.382788582, a mean value of 0.682191424, and a standard deviation of 0.024407094.

Deferred tax expense is obtained by dividing the deferred tax expense by total assets at the end of the year. The amount of deferred tax burden on the 20 manufacturing companies that are sampled:

Table 5. Deferred Tax Expense / Asset (t-1)

No	Code	2015	2016	2017
1	AISA	0.004107944	0.003282713	0.02782079
2	CEKA	0.00488033	0.027089919	0.023646798
3	CPIN	0.001872759	0.002930263	0.003985467
4	ICBP	0.002212444	0.022943747	0.019383599
5	INDF	0.022687	0.024877798	0.709032446
6	MLMBI	0.017824466	0.017119779	0.014829021
7	MYOR	0.00159864	0.003740618	0.00552742
8	ROTI	0.014046324	0.021154127	0.016970593
9	SKLT	0.043060738	0.033591705	0.03503776
10	ULTJ	0.003331524	0.004645042	0.004520198
11	ALMI	0.00076536	0.000581698	0.000644347
12	ASII	0.003542807	0.002366115	0.002074673
13	AUTO	0.000378053	0.022574528	0.006874484
14	BTON	0.000667671	0.000713229	0.000385055
15	CTBN	0.001278215	0.000887039	0.00107029
16	GDYR	0.004754176	0.000185468	0.000578914
17	GJTL	0.000140559	0.000003671	0.00034767
18	IKBI	0.002539452	0.004596077	0.001022974
19	IMAS	0.019231803	0.024744207	0.010696591
20	INAI	0.002060766	0.007282715	0.001256432

Table 6. Descriptive Statistical Results 2015-2017 Deferred Tax Burden

Category	2015	2016	2017	2015-2017
Min	0.000140559	0.000003671	0.00034767	0.000003671
Max	0.043060738	0.033591705	0.709032446	0.709032446
Mean	0.007549052	0.011265523	0.044285276	0.021033284
Standar Deviasi	0.010822646	0.011397543	0.156807856	0.084119133

Based on tables 5 and 6, in 2015 the lowest value of deferred tax expense (DTE) was at Gajah Tunggal Tbk (GJTL) at 0.000140559. In 2016, the lowest score was still at Gajah Tunggal Tbk (GJTL) of 0.000003671. While in 2017, the lowest value was at Gajah Tunggal Tbk (GJTL) of 0.00034767. The highest value in 2015 was at Sekar Laut Tbk (SKLT) of 0.043060738. For 2016, the highest value was still at Sekar Laut Tbk (SKLT) of 0.033591705. Meanwhile, in 2017 the highest score was at Indofood Sukses Makmur Tbk (INDF) 0.709032446. The results of descriptive statistics for the 2015-2016 deferred tax expense variable show a minimum value of 0.000003671, a maximum value of 0.709032446, a mean value of 0.021033284, and a standard deviation of 0.084119133.

In this study, earnings management is measured using a dummy variable and divided into two categories of profit reporting limits (Earning threshold): small profit firms and small loss firms. The companies' categories included in the small loss firms' group are given a dummy value of 0. The classification of earnings management, which is grouped into two categories, as many as 20 manufacturing companies as samples, is as follows:

Table 7. Scaled Earning Changes
Scaled Earning Changes = Net Income (It) – Net Income (It-1) / Mve

No	Kode	2015	2016	2017
1	AISA	0.000001075	0.000246203	-0.001627112
2	CEKA	0.000633739	0.000725478	-0.007549757
3	CPIN	0.000243431	0.000725221	-0.000567943
4	ICBP	0.000128042	0.000122023	-0.000966859
5	INDF	0.000012129	0.000016776	-0.000069687
6	MLMBI	-0.001646272	0.001922289	-0.000066331
7	MYOR	0.001565687	0.000107664	-0.000440935
8	ROTI	0.000586685	-0.000001969	-0.001436178
9	SKLT	0.000673872	0.007096568	-0.002011005
10	ULTJ	0.000109471	0.000068938	-0.000007273
11	ALMI	3.165122223	-2.802043316	-0.004329406
12	ASII	10.84857379	0.039904988	0.010469731
13	AUTO	-0.023335219	0.093712877	-0.285028549
14	BTON	-0.018373937	0.004446838	-0.002074217
15	CTBN	-0.355364066	0.262017772	-0.095326615
16	GDYR	0.266062553	-0.262143136	-0.153512978
17	GJTL	0.675753016	0.706305595	-1.350108632
18	IKBI	0.01154683	-0.107110167	0.122354548
19	IMAS	0.120855947	-0.128687285	0.232584506
20	INAI	0.053898567	-0.700033289	0.263034522

Table 8. Variable Dummy

No	Code	SEC 2015	SEC2016	SEC 2017	TOTAL SEC
1	AISA	1	1	0	2
2	CEKA	1	1	0	2
3	CPIN	1	1	0	2
4	ICBP	1	1	0	2
5	INDF	1	1	0	2
6	MLMBI	0	1	0	1
7	MYOR	1	1	0	2
8	ROTI	1	0	0	1
9	SKLT	1	1	0	2
10	ULTJ	1	1	0	2
11	ALMI	1	0	0	1
12	ASII	1	1	1	3
13	AUTO	0	1	1	2
14	BTON	0	1	1	2
15	CTBN	0	1	1	2
16	GDYR	1	0	0	1
17	GJTL	1	1	1	3
18	IKBI	1	0	0	1
19	IMAS	1	0	0	1
20	INAI	1	0	0	1

Table 9. Descriptive Statistical Results 2015-2017

Variable	N	Min	Max	Mean	Standard Deviation
Earning Management	60	-2.802043316	10.84857379	0.176462791	1.527182018

The results of descriptive statistics on earnings management variables for 2015-2017 show a minimum value of -2.802043316, a maximum value of 10.84857379, a mean value of 0.176462791, and a

standard deviation of 1.527182018. The feasibility of the logistic regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test. Suppose the statistical value of Hosmer and Lemeshow's Fit Test is more significant than 0.05. In that case, hypothesis H0 is accepted or rejects hypothesis H1 and hypothesis H2, which means that the model can predict the value of its observations, or it can be said that the model can be accepted because it is by the observational data to predict the population. The resulting model can be used to draw conclusions based on research studies.

Table 10. Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	7.113	8	.524

The test results in table 10 show that the chi-square value is 7113 with a sig (opportunity) value of 0.524. From these results, the sig value is greater than the 5% alpha significance level (0.05), which means the decision taken is to accept h0, which means there is no difference between the predicted classification and the observed classification. It means that the logistic regression model can be used for further analysis in predicting the population based on the sample data and then used to conclude. It can be concluded that the model has adequately explained the data. Furthermore, the coefficient of determination (R) test aims to determine how much the combination of independent variables can explain the variation of the dependent variable.

Table 11. Coefficient of Determination Test

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	79.265 ^a	.037	.049

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.

Based on table 11, the value of R² is 0.49 or 49%, which means that the variable X1 (tax planning) and variable X2 (deferred tax expense) affect Y (earnings management) by 49%. The variables studied. It can also be said that the ability of variable X1 (tax planning) and variable X2 (deferred tax expense) can explain variable Y (earnings management) of 0.49 or 49%. For the rest, about 51% of the Y variable is explained by other factors that have not been studied. The number 0.49 also explains that the correlation between X1 with Y and X2 with Y is categorized as having a weak relationship. Based on the results of the significance test, it means that the association of the two pairs of variables is not significant.

Based on the results of a simple linear regression analysis based in table 12, it can be seen that the tax planning variable (X1) has a positive regression coefficient value of 0.165 and can be categorized as having a weak relationship with earnings management. Meanwhile, deferred tax expense (X2) has a coefficient value of 0.870 and can be categorized as having a positive linear relationship with earnings management.

Table 12. Individual Parameter Significance Test (Test Statistical T)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.492	.245		2.004	.050
	X1	.165	.354	.061	.465	.643
	X2	.870	.713	-.159	-1.219	.228

a. Dependent Variable: Y

Table 13. Partial Correlation Test Results
Correlations

		Y	X1	X2
Y	Pearson Correlation	1	.064	-.160
	Sig. (2-tailed)		.627	.221
	N	60	60	60
X1	Pearson Correlation	.064	1	-.020
	Sig. (2-tailed)	.627		.879
	N	60	60	60
X2	Pearson Correlation	-.160	-.020	1
	Sig. (2-tailed)	.221	.879	
	N	60	60	60

From the partial correlation, tax planning (X1) has a value of 0.064 with a significance value of 0.627, which can be categorized that the correlation of tax planning (X1) with earnings management (Y) has a positive relationship. While deferred tax expense (X2) has a value of -0.160 with a significance value of 0.221, which can be categorized that deferred tax expense (X2) and earnings management (Y) have a weak negative relationship.

Table 14. Variables not in the Equation

			Score		Df		Sig.	
Step 0	Variables	X1	.245		1		.620	
		X2	1.542		1		.214	
	Overall Statistics		1.764		2		.414	
		B	S.E.	Wald	Df		Sig.	Exp(B)
Step 0	Constant	.336	.262	1.651	1		.199	1.400

Table13 reveals that the sign of exp (BPT) indicates tax planning with a coefficient value of 0.245, indicating that tax planning (X1) has a weakly positive effect on earnings management, i.e., the greater the tax planning, the greater the company's opportunity to engage in earnings management. Similarly, the deferred tax expense (X2) has a coefficient value of 1.542, indicating that the deferred tax burden has a

positive effect on earnings management (that is, it demonstrates the elasticity between the deferred tax burden and the profitability of the company managing earnings; if the deferred tax burden increases by 1 percent, the company's profitability will increase by 1 percent). Performing earnings management will result in a 1% increase. Inversely, a 1 percent decrease in deferred tax expense will result in a 1 percent decrease in earnings management profitability. The significance level for tax planning is 0.620, or 62%, and the significance level for deferred tax burden is 0.214, or 21%. Due to the fact that sig is greater than the alpha 5% significance level (0.05), it can be concluded that neither tax planning nor deferred tax expense has a significant impact on earnings management.

Discussion

The tax planning variable positively affects the earnings management variable; the higher the tax planning, the more excellent the opportunity for companies to carry out earnings management in manufacturing companies listed on the Indonesian stock exchange. Likewise, the deferred tax burden positively affects earnings management, meaning that the higher the deferred tax burden, the higher the profitability of the company doing earnings management. In addition, the results of testing the coefficient of determination using R-square also show that the portion of the influence of tax planning and deferred tax burden on manufacturing companies listed on the Indonesia Stock Exchange is positively linear. The higher the R-Square value from the results of a regression, the stronger the relationship between the independent variable and the dependent variable in a study. As for the effects of simple linear regression analysis, the p-value of tax planning (X1) and deferred tax burden (X2) is more significant than the alpha significance level of 5% (0.05), so it can be concluded that the tax planning variable is an important explanatory factor for earnings management variables. Likewise, deferred tax expense is a significant explanation for the earnings management variable, and each independent variable affects the dependent variable with a weak correlation.

Tax planning and deferred tax expense have a positive effect on earnings management (Earnings Management). This means that the higher the tax planning, the more fantastic the opportunity for the company to carry out earnings management. On the other hand, the lower the tax planning, the smaller the company's chance to manage earnings. Likewise, with deferred tax expense, if the deferred tax expense increases, the probability of the company doing earnings management will increase. On the other hand, if the deferred tax burden decreases, the likelihood of the company doing earnings management will decrease. However, the significance level shows that the p-value of tax planning and deferred tax expense is greater than the significant level (0.05 or 5%), which means that neither tax planning nor deferred tax expense has a substantial effect on earnings management. These results indicate that tax planning and deferred tax expense can be used as earnings indicators, although they negatively affect earnings management. According to the theory proposed by (Philips et al., 2003; Suputra, 2017), the magnitude of the mean value of the earnings management variable shows earnings management efforts to avoid losses. In other words, accept the hypothesis (H1), which states that tax planning affects earnings management, and simultaneously agree with the hypothesis (H2), which says Deferred Tax Burden affects earnings management. The results of this study are in line with (Aditama & Purwaningsih, 2014; Junery et al., 2016; Lestari, 2019; Lukman & Ardiyanto, 2013; Putra & Kurnia, 2019) however This study is not in line with (Aditama, 2013; Amanda & Febrianti, 2015; Ningrat, 2013; Setiawan, 2015).

Conclusion

Tax planning has a positive and insignificant effect on earnings management; the greater the tax planning, the greater the company's opportunity to engage in earnings management (and vice versa), even though the effect is weak, indicating that many other factors determine the occurrence of earnings management. And the deferred tax expense has a positive and insignificant impact on the probability of the company engaging in earnings management, which means that with every increase in the deferred tax expense, the probability of the company engaging in earnings management will increase (and vice versa), thus supporting the hypothesis that the deferred tax expense influences earnings management. Based on the discussion and conclusions, the researchers propose that this study can be expanded by incorporating independent variables that are believed to have a significant impact on detecting earnings management. In addition, it is hoped that future researchers will extend the length of their studies, for instance to five years, and that future researchers will expand or add samples. For instance, the Indonesia Stock Exchange lists non-manufacturing companies, so they do not only research manufacturing companies.

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