

The Role of Tax Planning and Deferred Tax Expenses on Profit Management of Indonesian Food and Beverage Companies

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Abstract

This research aims to analyze the role of tax planning and deferred tax burden on earnings management in food and beverage companies listed on the Indonesia Stock Exchange (BEI) with observations for the 2020-2022 period. The analytical method used in this research is the classical assumption test and multiple linear regression. The research results show that the tax planning variable has no effect on earnings management and the deferred tax expense variable has no effect on earnings management when tested partially. Simultaneously, tax planning and deferred tax expenses have a significant effect on earnings management in companies registered with BE.

Keywords: Tax Planning, Deferred Tax Expenses, Profit Management

INTRODUCTION

Earnings management is an attempt by company managers to intervene or influence information in financial reports with the aim of deceiving stakeholders who want to know the company's performance (Sulistyanto, 2008). In making decisions, managers must be able to utilize the desired accounting policies so that financial reports run well. The effort made is to cover up this unhealthy condition to its stakeholders with profit management that is made in accordance with the company's objectives.

The practice of earnings management in a company is logical because accounting flexibility can enable managers to influence reporting. This is what makes company



managers carry out profit management for personal and company interests. Companies' efforts to manipulate information through earnings management practices have become the main factor causing financial reports to no longer reflect the fundamental values of a company. Therefore, engineering financial reports has become a central issue as a source of misuse of information that can harm interested parties.

Profit management is an action carried out by management in an effort to intervene in the preparation of an entity's financial reports. The aim of this action is to provide surplus funds which will later provide benefits for the entity itself (Dalimunthe, 2018). When preparing financial reports, management often uses earnings management practices because of the freedom to choose accounting methods and estimates. This is done to avoid a decrease in profits, so that the profits presented in the financial statements do not experience sharp fluctuations.

Apart from that, to avoid losses, a company that is experiencing losses does not rule out the possibility that it has the potential to lower its share price, which will have an impact on losing the trust of investors, besides that it will also encourage the government to carry out a tax audit of the company. Based on the definition above, it can be concluded that earnings management is an action carried out by a manager by manipulating accounting data or information so that the amount of profit recorded in the financial report is in accordance with the manager's wishes, both for personal interests and the interests of the company.

PT AISA has overstated its 2017 financial report amounting to Rp. 4 trillion in AISA Group accounts receivables, inventory and fixed assets amounting to Rp. 662 billion in sales and Rp. 329 billion in food entity EBITDA. Apart from that, there is also a cash flow of Rp. 1.78 trillion with various schemes from Group AISA to parties suspected of being affiliated with the old management, including financing expenses of Affiliated Parties by Group AISA, transferring funds in bank accounts, disbursing time deposits, and using AISA loan disbursement from several banks (cash .co.id, 2021).

The factor that influences earnings management is tax planning. According to (Putra et al., 2019) tax planning is the initial stage in tax management. At this stage, tax regulations are collected and researched so that the type of tax saving measures that will be implemented can be selected. Therefore, tax planning is a legal action because it is permitted by the government as long as it is within the tax laws in force in Indonesia.

The relationship between tax planning in earnings management practices can be conceptually explained by agency theory. In agency theory, in this case the government (fiscus) as the principal and management as the agent each have different interests in

295



terms of paying taxes. Based on this description, it indicates that there is a positive influence between tax planning and earnings management which can also be an opening for management to manipulate profits, so that financial reports will look good and healthy, then managers get bonuses for the results of engineering these profits.

This is explained in the theory put forward by (Yulianti, 2004), namely that increasing the deferred tax burden and tax planning increases the opportunity for earnings management to avoid a decrease in profits, which supports that the deferred tax burden is useful in predicting earnings management. Then the deferred tax expense is measured using the BPTit proxy, which in the research found a significant relationship with earnings management.

RESEARCH METHODS

The method used in this research is a quantitative method. The aim of quantitative research methods is to test hypotheses, generally research that explains phenomena in the form of relationships between variables. The analytical methods used are descriptive statistics and multiple linear regression. The population used in this research is food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange, totaling 26 companies. The samples in this research were 12 food and beverage sub-sector manufacturing companies listed on the 2020-2022 Indonesia Stock Exchange.

Results of Data Analysis and Research

The Influence of Tax Planning on Profit Management

Hypothesis results (H1) state that tax planning has no effect on earnings management in food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2020-2022. This is proven by a significance value of $0.074 > 0.05$ with a calculated t of 1.843 and a t table of 2.03452 where $1.843 < 2.03452$. So it can be concluded that the hypothesis on tax planning is rejected and there is no influence of tax planning on earnings management. Philips et.al (2003) stated that managers carry out earnings management with a profit distribution approach because managers are aware that external parties, especially investors, banks and suppliers use profit reporting limits in assessing manager performance (Parlindungan, 2022). Profit management emerged not because of tax planning but rather as a result of management's self-interest (Mathematics, 2016). Basically, tax planning is the desire of the company owner to get high profits at the moment. Whether or not there is planning for an agricultural company to be listed on the Indonesia Stock Exchange (BEI) in relation to taxes does not affect

296



earnings management practices (Fathihani & Wijayanti, 2022). This result is reinforced by Aditama and Purwaningsih (2014) in (Febriani & Chaerunnisak, 2022) who state that tax planning has no effect on earnings management. However, this is not in line with research by Mahpudin (2017) which states that there is an influence of tax planning on earnings management (Sutapa & Suputra, 2016).

The Effect of Deferred Tax Expenses on Profit Management

The results of the second hypothesis (H2) state that deferred tax expenses have no positive effect on earnings management in food and beverage companies listed on the Indonesia Stock Exchange (BEI) in 2020-2022. This is proven by the significance results of $0.765 > 0.05$ t calculated at -0.301 and t table 2.03452 where $-0.301 < 2.051$, so it can be concluded that the hypothesis on deferred tax expenses is rejected and means there is no influence of deferred tax expenses on earnings management. The existence of PSAK 46 which regulates deferred taxes makes it difficult for companies to carry out earnings management. In accounting regulations and fiscal regulations there are quite strict rules so that there is no gap for management to carry out earnings management practices. The results of this research are in line with research conducted by Fitriany (2016) which shows that deferred tax expenses have no effect on earnings management. Fitriany (2016) concluded that deferred tax burden does not have a significant effect on earnings management because the greater the value of deferred tax burden, the less likely a company is to carry out earnings management (Sutapa & Suputra, 2016). In contrast to (Amanda & Febrianti, 2015), concluded that the ability of deferred tax expenses can only reflect the tax effects caused by temporary differences between accounting and tax so that if the company is indicated to be carrying out earnings management which gives rise to permanent differences, then deferred tax expenses cannot detect activity. earnings management.

The Influence of Deferred Tax Expenses and Tax Planning on Profit Management

Based on the results of simultaneous tests, the significant value is for the influence of tax planning and deferred tax burden on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2020-2022. With the results of a significance value of $0.003 < 0.05$ and Fcount $>$ Ftable ($3.28 > 1.708$), and it is concluded that the hypothesis is accepted, which means there is a significant influence of deferred tax expenses and tax planning simultaneously on earnings management. The research results indicate that tax planning and deferred tax

297



expenses will have an impact if done together. Because the higher the level of tax planning and the greater the deferred tax burden owned by food and beverage companies registered on the IDX, the greater the opportunity for companies to carry out profit management practices. Management is motivated to carry out earnings management practices to influence the amount of tax that must be paid by the company by reducing profit before tax to reduce the tax burden that must be paid.

CONCLUSION

Based on the results of research and analysis carried out for food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2020-2022 with a total sample of 12 agricultural companies that have met the criteria and results of the tests carried out, it can be concluded as follows:

1. Partial tax planning has no effect on earnings management. This is indicated by a significance value of $0.074 > 0.05$ with a t count of 1.843, a t table of 2.03452 where $1.843 < 2.03452$.
2. Partial deferred tax expenses have no effect on earnings management. This is indicated by a significance value of $0.765 > 0.05$ with a calculated t of -0.301 and a t table of 2.03452 where $-0.301 < 2.03452$.
3. Tax planning and Deferred Tax Expenses simultaneously influence earnings management. This is indicated by a significance value of $0.003 < 0.05$ with $F_{count} > F_{table}$ ($3.28 > 1.708$).

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298



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- 299



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