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Profit Management Affected by Tax Planning, Determined Taxes and Company Size

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ABSTRACT: This study aims to determine the effect of tax planning, deferred tax, and company size on earnings management in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. This study is a quantitative study with secondary data from financial statements listed on the IDX and the company's official website. Sampling was done using the purposive sampling method with a sample of 40 companies for three years. The technique used is multiple linear regression analysis using SPSS software.25.

The t-statistical test is known that tax planning has no significant effect on earnings management. This can be seen from the significance value of 0.238 > 0.05, meaning it is insignificant. These results illustrate that when tax planning increases or decreases, there is no significant change in earnings management. Similarly, the deferred tax variable with a significance value of 0.691 > 0.05 means that the deferred tax has no significant effect on earnings management. With these results, it can be interpreted that if the company deferred taxes, it would not make the company perform earnings management because by carrying out current earnings management, the consequence would be to increase the tax burden at the end of the period or in the following year. The company size variable with a significance value of 0.000 > 0.05 means that the size of the company has a significant effect on earnings management, so the larger the size of the company, the higher the tendency to do earnings management.

KEYWORDS: Earnings Management, Tax Planning, Deferred Tax, Company Size.

INTRODUCTION

The company's survival depends on the size of the company's profit achievement from time to time, especially in situations full of uncertainty. Companies are not only required to produce a quality product for consumers but also must be able to manage their finances well. Shareholders usually submit existing company resources to be driven by management. Management here is the party in charge of accounting for the company's performance, one of which is profit achievement. This profit achievement is often used as a target for opportunistic engineering actions to maximize satisfaction (Utari & Widiastuti, 2016). In addition, the management will be responsible for reporting on the company's resource management activities through financial reports.

Financial statements are a form of management responsibility in managing company finances (Sulistyanto 2018). The purpose of financial statements is to provide information about an entity's financial position, financial performance, and cash flows that are useful for most users of financial statements in making economic decisions (PSAK; 2017). Profit is used as a measure of management performance and as a basis for determining the amount of taxation. The quality of corporate earnings has become the center of attention of investors, creditors, accounting policymakers, and the government, namely the Directorate General of Taxes. In addition, earnings information can help stakeholders (owners) assess earnings power to estimate risk in investment and credit (Hery, 2016). In situations like this, it often encourages managers to engage in deviant behavior when presenting and reporting earnings information or earnings management practices.

The company's efforts to manipulate information through earnings management practices are the main factors that cause financial statements to no longer reflect the fundamental values of a company. Financial statement engineering will harm various interested parties for the company because the information conveyed is not in accordance with the company's actual state. This situation causes information asymmetry, where there is an imbalance of communication between the management as the information provider and the shareholders and stakeholders (Hairu, 2016). There are different views and understandings of this managerial engineering activity. Until now, there is still controversy in viewing and understanding earnings management. This controversy occurs between practitioners and academics who question whether earnings management can be categorized as

fraud or not. Practitioners view earnings management as fraud, while academics assess earnings management cannot be classified as fraud (Sulistyanto, 2018).

There are various cases of earnings management, as happened to PT Inovisi Infrancom. The stock exchange found indications of misstatements in the company's finances for September 2014. The Indonesia Stock Exchange (IDX) also stated that the management of PT Inovisi Infrancom had misstatement of cash payment items to employees and net receipts (payments) of related party debt in cash financial statements (Sulistiyanto, 2018). Likewise, the PT Tiga Pilar Sejahtera Food Tbk (AISA) began with irregularities in the rice business managed by a subsidiary of PT Indo Beras Unggul because it was proven to have mixed rice. After the case, financial difficulties began to plague PT Tiga Pilar Sejahtera Food which started from difficulties in paying interest and bond principal, which resulted in default) the old management of PT Tiga Pilar Sejahtera Food Tbk (AISA allegedly inflated Rp 4 trillion in the 2017 financial statements).

This was revealed in a Fact-Based Investigation report by PT Ernst & Young Indonesia (EY) to the new management of AISA dated March 12, 2019. Suspected inflation is suspected to occur in the Group's accounts receivable, inventories, and fixed assets accounts. AISA. In addition, there were also findings of alleged revenue inflation of Rp 662 billion and other inflation of Rp 329 billion in the EBITDA post (earnings before interest, taxes, depreciation, and amortization) of the food business entity of the issuer. The results of the Ernst & Young Indonesia (EY) report also found that there were different financial records in internal data from the documents used by financial auditors in auditing the 2017 financial statements.

There is a desire from the management to suppress and make the tax burden as small as possible. Then the management tends to minimize tax payments. For example, efforts to reduce tax payments are often referred to as tax planning (Suandy, 2016). Deferred tax can cause a company's tendency to save or delay the total tax to be paid. This is due to differences in profit recognition according to commercial and fiscal accounting. The deferred tax expense is tax payable, while the other result is an increase in profit in the current financial statements. The manager's strategy in applying the deferred tax burden is what earnings management practices mean (Negara & Suputra, 2017).

According to Baradja et al. (2017) and Lubis and Suryani (2018) research, deferred tax expense tax planning influences earnings management. Meanwhile, according to Lubis and Suryani (2018), the results of tax planning research have a positive effect on earnings management, and deferred tax expense has no significant effect on earnings management, while company size has a positive impact on earnings management. However, Achyani & Lestari's research (2019) shows that tax planning and deferred tax expense have no significant impact on earnings management. In contrast to the study of Lestari et al. (2018), which shows that company size does not significantly affect earnings management.

LITERATURE REVIEW AND HYPOTHESES

1. Agency Theory

Agency theory can be defined as one or more people (principals) involving or involving other people (agents) to perform some services for their benefit, which includes the delegation of some decision-making authority between managers (agents) and investors (principals) (Jannah 2017). Theory agency theory is a contractual relationship between the owner of the company (principal) and the management (agent) where the owner of the company authorizes the management to carry out the company's operational activities (Herry, 2017). The company owner expects management to optimally utilize existing resources for the principal's welfare in the long and short term.

Agency theory describes the relationship between the principal (owner) and the agent (management). Owners or shareholders delegate responsibility to management to manage the company. The results of the company's performance achieved by the management are informed to the owner (principal) in the form of financial statements. With a decentralized system like this, it can be seen that management has the advantage of information compared to the company's owner because management has received the company's trust for making decisions/company policies that the owner has given. Therefore, management can determine policies that benefit themselves before providing benefits to owners or shareholders (Putra, 2019).

The unequal distribution of information between the principal and the agent can cause two problems, namely (1) Hazard; This problem arises when the agent does not do things mutually agreed upon as stated in the employment contract. (2) Adverse Selection; A condition in which the principal cannot know whether the decisions taken by the agent are based on the information he has obtained or occur because of an omission in the tasks that have been carried out by the agent (Herry, 2017).

2. Positive Accounting Theory

The positive theory explains that the observed accounting phenomena are based on the reasons that cause an event to occur. For example, Positive Accounting Theory (PAT) is intended to explain and predict the consequences if a manager makes a certain choice (Amin, 2018). The positive approach seeks to retest hypotheses and theories with existing experience and facts, for

example, by testing the assumptions of normative theory or the importance of accounting output in the market.

According to Herry (2017), positive accounting theory has a problem-solving method that refers to the reality of accounting practice through an economic and behavioral approach that aims to explain accounting practice itself. Positive accounting theory can identify a process using accounting knowledge, understanding, and use of the most appropriate accounting policies in the future.

3. Earnings Management

Earnings management is defined as an attempt by a company's managers to intervene or influence the information in the financial statements to deceive stakeholders who want to know the performance and condition of the company (Sulistyanto, 2018). Earnings management has a meaning as an accounting trick to use convenience in preparing financial statements for managers trying to achieve profit goals (Herry, 2017). Meanwhile, according to Scott (Jannah, 2017), earnings management is the selection of accounting policies by managers from existing accounting standards. It can naturally maximize their utility and or the company's market value.

According to Scoot (2003) in Santana and Wirakusuma (2016), the pattern of earnings management can be made by:

1. Taking a bath is a pattern that can occur during reorganization, where management must report significant losses to increase profits in the future.
2. Income minimization, changes with a high level of profitability, will carry out this pattern so that if the profit for the next period is expected to drop drastically, it can be overcome by taking profits from the previous period.
3. Income maximization is a pattern that can be done when the company is experiencing a decline. Companies that report high net income expect to get a bigger bonus.
4. Income smoothing is a pattern carried out by smoothing profits for external reporting, especially for investors who prefer relatively stable earnings.

There are several factors behind the action of earnings management by managers, namely: Bonus Motivation, Other Contractual Motivation, IPO (Initial Public Offering), Change of CEO (Chief Executive Officer), Taxation Motivation, Providing Information to Investors, Political Motivation (Setyawan and Harnovinsah 2016)

4. Tax Planning

Tax planning is a process of organizing the taxpayer's business so that his tax debts, both income taxes, and other taxes, are in a minimum amount, as long as this does not violate the provisions of the law (Pohan, 2016). The thing that needs to be considered in Tax Planning is managing the company's cash flow as effectively as possible while still paying attention to tax provisions. Tax planning is the first step in tax management; at this stage, the collection and research of tax regulations are carried out with the intention that the types of tax savings actions can be selected. (Astutik & Mildawati, 2016). Tax planning is a plan to determine the possibility of taxes that will be borne where tax planning is calculated using the model of Wild et al. (2004). The size of the tax retention rate is the comparison of net income to pre-tax income (Achyani & Lestari, 2019). Tax planning refers to engineering the taxpayer's transaction effort so that the tax debt is in a minimum amount but is still within the tax provisions. So that the company can optimize the company profit by doing tax planning without violating the applicable tax laws.

In tax planning strategies that can be taken to minimize the tax burden are:

a) Tax Saving

Tax Saving is a strategy to streamline the tax burden by selecting alternative tax impositions with lower rates. For example, in-kind employee payments are generally not allowed to be charged as costs in calculating corporate income tax.

b) Tax Avoidance

Tax Avoidance is a tax avoidance strategy and technique carried out legally and safely for taxpayers because it does not conflict with tax provisions. The method and process used to take advantage of the weakness (a gray area) contained in the tax laws and regulations, directing them to transactions that are not tax objects.

c) Tax Evasion (Tax Smuggling)

Unlike Tax Avoidance, Tax Evasion uses tax avoidance strategies and techniques that are illegal and unsafe for taxpayers because the methods and techniques used are not within the corridor of the applicable tax laws. Therefore, the Tax Planner is not recommended to use this method (Putra, 2019)

5. Deferred Tax

Income Tax Accounting is regulated in PSAK Number 46. Income Tax Expenses consist of Current Tax Expenses and Deferred Tax Expenses. In principle, deferred tax impacts future income tax due to temporary differences (time) between accounting and tax treatment (Astutik and Titik, 2016). Astutik and Titik (2016) define deferred tax expense as the amount of income tax that is

payable or recoverable in the coming year due to temporary differences that may be deducted from the rest of the compensation for losses that can be compensated for.

According to Sumomba (2012) in Achyani (2019), The increase in deferred tax liability is consistent with companies recognizing revenue earlier or deferring expenses for commercial, financial reporting purposes in that period compared to tax reporting purposes.

According to Scott in Yulianti (2017), Deferred tax expense is an expense arising from temporary differences between accounting profit (i.e., profit in financial statements for the benefit of external parties) and fiscal profit (profit used as the basis for calculating taxes. Deferred tax expense is the amount of recoverable tax in future periods due to temporary deductible differences and the remaining uncompensated losses (Harnanto, 2017).

The possibility of companies carrying out earnings management arises from tax planning activities or corporate tax planning, which causes taxable income to be smaller than commercial profits. However, because tax planning or tax planning only affects taxable income without affecting commercial profits, the deferred tax burden that arises is not due to the intentional purpose of earnings management to carry out earnings management but may occur because of this.

The calculation of deferred tax expense is calculated using the amount of assets that applies the weight of deferred tax expense to the total assets. Total assets of the previous period are weighed against deferred tax expenses to obtain results and are calculated proportionally (Achyani & Lestari, 2019).

6. Company Size

Company size is a scale to classify the company's size in various ways, including through total assets, total sales, stock market value, and so on (Herry, 2017). Ayu and Gerianta (2018) suggest that company size is a scale where the size of the company can be classified as measured by total assets, total sales, share value, and so on. The company's size is seen from the field of business being operated. Company size can be determined based on total sales, assets, and average sales level (Novianty and May 2018).

7. Company Size Classification

Classification of company size in Indonesia according to Law no. 20, 2008, article 1 (one) is divided into 4 (four) categories, namely:

a. Micro-enterprises are productive businesses owned by individuals and business entities that meet the criteria for micro-enterprises as regulated in this law.
b. A small business is a productive business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a direct or indirect part of a medium or large business that meets the criteria of a small business. as referred to in this law.
c. Medium business is a productive economic business that stands alone, carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with small businesses or large businesses with total assets: net or annual sales results as regulated in this law.
d. A large business is a productive economic business carried out by a business entity with a net worth or annual sales income more significant than that of a medium-sized company, which includes state-owned or private national companies, joint ventures, and foreign businesses conducting economic activities in Indonesia.

HYPOTHESIS

1. The effect of tax planning on earnings management

Companies carry out tax planning as effectively as possible, not only to gain financial benefits but companies also benefit from obtain additional capital from investors through the sale of company shares (Lubis and Suryani, 2018). Every company wants low tax payments, so managers must find ways to minimize their tax burden so that tax payments can be paid as low as possible, but the profits earned by the company can be optimal. According to Dewi et al. (2017), the more often the company does tax planning, the higher it's earnings management because the company is increasingly managing its financial condition to get the desired profit. The results of research by Purnamasari (2016), Baradja et al. (2017), Lubis and Suryani (2018), and Negara and Putra (2017) prove that tax planning has a positive influence on earnings management. Based on this description, the following hypotheses can be formulated:

H1: Tax planning affects earnings management

2. Effect of deferred tax on earnings management

Deferred tax expense arises from temporary differences between accounting profit (profit in financial statements according to SAK for external interests) and fiscal profit (profit according to Indonesian taxation rules, which are used as the basis for calculating tax). Earnings management in commercial financial statements, the higher the practice of earnings management, the higher the

deferred tax liability recognized by the company as a deferred tax expense.

In Purnamasari's research (2019), Baradja et al. (2017), and Negara and Putra (2017) prove that deferred tax expense has a positive and significant impact on the profitability of companies performing earnings management to avoid losses, meaning the greater the value of the deferred tax expense variable. The greater the profitability of the company doing earnings management to avoid losses. Based on the description above, the following hypothesis can be formulated:

H2: Deferred tax affects earnings management

3. The effect of firm size on earnings management

One of the factors that encourage management to practice earnings management is the size of the company. Henry (2017:17) states that company size is a measure that describes the size of the company, which can be assessed from the total value of the company's assets; a large company size shows that the company is experiencing good growth. According to Wiagustini (2014) in Lubis and Suryani (2018), company size can assess company performance, especially performance in terms of company financial statements. Small companies do earnings management intending to attract investors to invest in their shares which can be seen from the high total assets of the company. In contrast, large companies do earnings management to avoid earnings fluctuations.

The size of the company, both large and small, can affect earnings management because of the more significant the company's total assets, the greater the company's size (Murni, 2017). The research results by Lubis and Suryani (2018) and Aissyah et al. (2020) show that firm size positively affects earnings management. Based on the description above, the following hypothesis can be formulated:

H3: Firm size affects earnings management

RESEARCH METHODS

This research is quantitative research, which wants to see the causal relationship of the independent variable to the dependent variable. Analysis model to see how the independent variables cause changes in the dependent variable. The research model used to test the hypothesis is:

1. Earnings Management (ML)

Earnings management is calculated using the DA proxy or discretionary accruals with the following formula:

How to calculate earnings management using the modified Jones model, as follows: Step 1: Calculating the total value of accruals

TAC = NIit - CFOit

Information :

TAC = total accrual value

Nuit = net income (net income) of company i in year t

CFOit = cash flow from operation (operating cash flow) company i in year t

Step 2: Calculate the estimated accrual value using the OLS (Ordinary Least Square) regression equation.

$$\frac{TAit}{Ait-1} = \beta 1 + \frac{1}{Ait-1} + \beta 2\ \frac{\Delta REVit}{Ait-1}$$

Information :

TAit = total accruals of company i period t

β = fined coefficient obtained from the regression results in the calculation of total accruals

Revit = change in sales of a company i period t

PPE = fixed assets of a company i period t

Step 3: Calculate the value of nondiscretionary total accruals (NDA)

$$NDAi\ =\ \beta 1\left(\frac{1}{Ait-1}\right) + \beta 2\ \left(\frac{\Delta REVit}{Ait-1} - \frac{\Delta RECit}{Ait-1}\right)$$

Information :

NDA = nondiscretionary total accruals of company i year t

RECit = change in receivables of company i period t

Step 4: Calculating the value of discretionary accruals (DA)

$$\boldsymbol{DAit = \frac{TAit}{Ait-1} - NDAit} \qquad \textbf{.. (1)}$$

2. Tax Planning (PP)

Tax planning is measured using the Tax Retention Rate formula (tax retention rate), which analyzes the effectiveness of tax

management in the company's financial statements for the current year.

$$TRR=\frac{Net\ Income}{Pretax\ (EBIT)} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

TRR= *Tax Retention Rate*

3. Deferred Tax (PT)

Deferred tax is the amount of income tax payable in future periods due to temporary taxable differences where accounting profit will tend to be greater than taxable profit. Deferred tax expense is prorated using the ratio indicator of deferred tax expense to total assets, which is formulated by:

$$DTEit=\frac{\text{Deferred tax expense}}{\text{total Asset t}-1}. \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (3)$$

4. Company Size (UP)

Company size can be interpreted as an assessment of the company's financial performance, which can be seen from the number of assets in the financial statements. The size of the company in this study is proxied by the total assets of the company obtained from the company's statement of financial position, which is measured by:

Size = Ln (Total Aset) …………………………………………………….… (4)

The causality relationship of the independent variable with the dependent variable is then formulated with

ML= a+b1PP+b2PT+b3UP+e ……………………………………………….(5)

Population and Sample

The population of this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period with a purposive sampling method and accessed from the IDX's official website www.IDX.co.id and the company's official website. The number of samples of 40 companies with a period of 3 years (2018-2020) so that N = 120

RESEARCH RESULTS AND DISCUSSION

The first stage of data testing is to perform a classical assumption test which includes a normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Normality test

A normality test was conducted to determine whether the variable data were normally distributed. The normality test was performed using the Kolmogorov-Smirnoff method. The result is as follows:

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		UnstandardizedPredicted Value
N		120
Normal Parameters[,b]	Mean	.5488631
	Std. Deviation	.30411934
Most Extreme Differences	Absolute	.062
	Positive	.046
	Negative	-.062
Test Statistic		.062
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: SPSS 2022 Output

Asymp value. Sig. (2-tailed) on the Kolmogorov-Smirnov test result is 0.200. This value is above the significant value of 0.05. So

that the data is categorized as normally distributed

Multicollinearity Test

Multicollinearity is tested by looking at the Tolerance value and the Variance Inflation Factor (VIF) value. The results of the multicollinearity test can be seen in the table below:

Table 2. Multicollinearity Test

Coefficients			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tax Planning	.938	1.066
	Deferred Tax	.932	1.073
	Company Size	.923	1.084
a. Dependent Variable: Profit Management			

Source: Output SPSS diolah, 2022

The table above shows all the variables with tolerance values > 0.1 and the Variance Inflation Factors (VIF) results < 10. So it is certain that there is no multicollinearity in the data.

Heteroscedasticity Test

Heteroscedasticity test to see the variance inequality from the residual of one observation to another observation. The results of the heteroscedasticity test can be seen in the following figure:

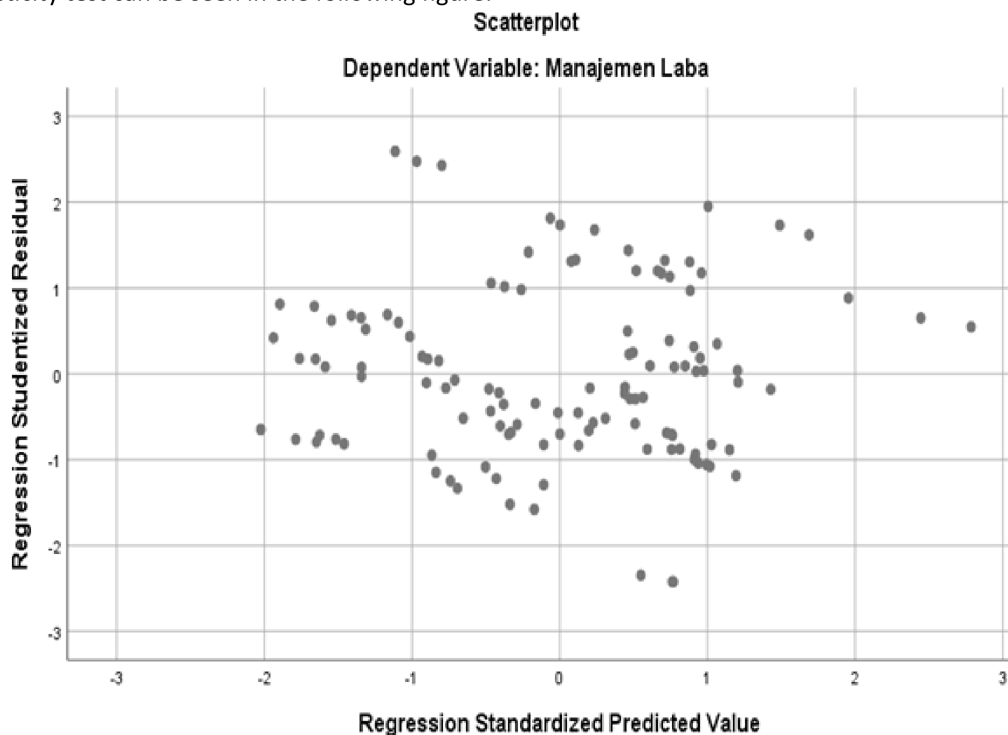

Figure 1. Heteroscedasticity Test

Source: Processed 2022

Based on the picture above, it shows an even distribution of data between the lines above and below the zero point and at the vertical point to the left and right of the zero point, so it can be concluded that this regression model does not have symptoms of heteroscedasticity.

Autocorrelation Test

To determine the presence or absence of autocorrelation, the Durbin-Watson measurement is used to

Compare the value of Durbin lower (dl) and the value of Durbin upper (du). The results of the autocorrelation test are as follows:

Table 3. Autocorrelation Test

Model Summary	
Std. Error of theEstimate	Durbin-Watson
.687863	1.793
a. Predictors: (Constant), Firm size, Tax Planning, Deferred Tax	
b. Dependent Variable: Earning management	

Source: Processed, 2022

The table above shows the results of autocorrelation with three independent variables (k = 3) and the number of observations N = 120 obtained. The values of dl and du are 1.6513 and 1.7536 so the value of 4-du = 4 – 1.7536 = 2.2464. So that the results of the autocorrelation test are 1.7536 < 1.793 < 2.2464, it is concluded that there is no autocorrelation

Multiple Linear Regression Analysis

This linear regression test was conducted to determine the extent of the relationship between the independent variable and the dependent variable; the aim was to determine the significant value of the coefficient of the influence of the independent variable on the independent variable. The results of the multiple linear regression test are as follows:

Table 4. Multiple Linear Regression Test

Coefficients						
Model		UnstandardizedCoefficients		StandardizedCoefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.935	1.955		3.548	.001
	Tax Planning	-1.819	1.706	-.094	-1.066	.288
	Deferred Tax	2.597	6.519	.035	.398	.691
	Firm size,	.186	.041	.401	2.532	.000
a. Dependent Variable: Earning management						

Source: Processed, 2022

Based on the unstandardized coefficients value above, the regression equation formed is:

ML = 6,935 – 1,819 PP + 2,597 PT – 0.186 UP

The regression equation can be interpreted as follows:

1. The constant value of 6.935 means that if the PP, PT and UP variables are zero, then ML will be constant with a value of 6.935
2. The coefficient of tax planning (PP) is -1.819. The negative sign indicates the direction of the effect of tax planning on earnings management is negative, so if tax planning increases by one, earnings management will decrease with a coefficient value of 1.819.
3. The deferred tax coefficient (PT) is positive with a value of 2.597; this means that the direction of its influence on earnings management is positive with a coefficient value of 2.597 so that if the dependent tax increases by one, profits will increase with a coefficient value of 2.597.
4. The firm Size Coefficient (UP) is 0.186. a positive sign indicates the direction of the influence of the firm size variable is positive so that if the company size increases by one then earnings management will increase by a coefficient of 0.186.

Determinant Coefficient (Adjusted R2)

To determine the magnitude of the influence between the independent variables, namely tax planning, deferred tax expense, and company size, on the dependent variable, namely earnings management, it can be seen in the model summary table below:

Table 5. R Square Test

Model Summary			
Model	R	R Square	Adjusted R Square
1	.405[a]	.164	.142
a. Predictors: (Constant), Firm Size, Tax Planning, Deferred Tax			
b. Dependent Variable: Earning Management			

Source: Processed, 2022

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The value of R Square is 0.164, which means that the independent variables of tax planning, deferred tax, and company size can contribute 16.4% to changes in earnings management variables, while the remaining 83.6% are due to other factors not examined in this study.

Test Statistics t

Hypothesis testing using t table with degrees of freedom at df = n-k-1. The observation data in this study amounted to (n = 120) so that df = 120 – 3 – 1 = 116. The value in the t table is 1.98063, so it is significant if t count > t table and the significance value is < 0.05

Table 6. T Statistic Test

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.935	1.955		3.548	.001
	Tax Planning	-1.819	1.706	-.094	-1.066	.288
	Deferred Tax	2.597	6.519	.035	.398	.691
	Firm size	.186	.041	.401	2.532	.000
a. Dependent Variable: Earning Management						

Source: Processed, 2022

DISCUSSION

1. Effect of Tax Planning

The statistical test results in table 6 show that the t-count value -1.066 is smaller than the t-table 1.98063, and the significance value is 0.288> 0.05, meaning that there is no significant effect of tax planning on earnings management, so H1 is rejected. These results indicate that tax planning by management in the company has nothing to do with earnings management carried out. This means that the tendency of earnings management here may be more oriented to the interests of management so that the higher or lower tax planning does not encourage earnings management.

The role of tax planning in earnings management practices is identical to agency problems and positive accounting theory, which explains that agents and principals have different interests in paying taxes. Another tendency is due to various government policies that provide various conveniences and tax breaks such as tax amnesty, reduction of import duty rates for several types of imported goods, and others, thus encouraging companies not to again do earnings management, especially for the manufacturing companies that are the sample of this study. This study's results align with research conducted by Achyani and Lestari (2019), which states that tax planning does not affect earnings management.

2. Effect of Deferred Tax on Earnings Management

The results of the t-test in table 6 show the t-count value of 0.398, which means it is smaller than the t-table value of 1.98063 and a significance value of 0.691> 0.05, so it can be concluded that the dependent tax has no significant effect on earnings management, so H2 is rejected. The consequence of deferred tax is to reduce current tax payments, so reducing the current tax payments will show a more considerable current net income. This indicates that if the company takes action by deferring taxes, it will not make it carry out earnings management. On the other hand, if it does earnings management at this time, the consequence is that it will increase the tax burden in the following year. The results of this study are in line with Lubis and Suryani (2018), as well as research from Achyani and Lestari (2019), which states that deferred tax expense does not affect earnings management.

3. Effect of Firm Size on Earnings Management

The results of the t-statistical test in table 6 above show that the t-count value is 2.532, which means it is greater than the t-table value of 1.98063, while the significance value is 0.000 <0.05, which means that the size of the company has a positive and significant effect on earnings management in manufacturing companies on the Indonesia Stock Exchange in the 2018-2020 period so that H3 is accepted. This illustrates that companies with large sizes tend to earn large profits so that with large profits, they will become objects of multiple taxations. This is where the company tends to do earnings management because the company's profits tend to be minimized. On the other hand, large companies usually want to show that their performance is good because they desire to influence the market through financial statement information that shows large profits so that the market response to

the company's stock price is higher. This encourages management to take earnings management actions by increasing profit achievements.

Another tendency is that large companies are more careful in presenting their financial statements because large companies usually have enough investors, in this case, to maintain their financial condition so that they can always look good. The company will do earnings management. So that companies with larger company sizes tend to carry out earnings management to be able to stabilize the company finances and in terms of maintaining their financial condition. The results of this study are in line with research by Agustia and Suryani (2018), Lubis and Suryani (2018), and Aissyah et al. (2020), which state that company size affects earnings management.

CONCLUSION

Based on the results of research and discussion, the following conclusions can be drawn:

1) Tax planning does not significantly affect earnings management in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020. This means that if tax planning increases or decreases, earnings management does not follow up or down significantly
2) Deferred tax does not significantly affect earnings management in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020. This shows that if the company takes action by deferring taxes, it will not make the company perform earnings management because if you do earnings management at this time, the consequence is that it will increase the tax burden in the following year.
3) The company's size affects earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020, which means that the bigger the company, the higher the earnings management. This illustrates that companies with large sizes tend to earn large profits so that with large profits, they will become objects of considerable taxation.

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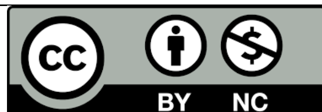

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