

## The Effect of Tax Planning On Profit Management In Listed Companies In Jakarta Islamic Index Period 2016-2018

Abdul Roni<sup>1</sup>, Tuti' Nadhifah<sup>2</sup>

<sup>1,2</sup>Faculty of Economics and Business, Institute Syekh Maulana Qori Bangko

<sup>1</sup>University Muhammadiyah Kudus

<sup>1</sup>[abdulrony555@gmail.com](mailto:abdulrony555@gmail.com) <sup>2</sup>[Evanadhifah96@gmail.com](mailto:Evanadhifah96@gmail.com)

### ARTICLE INFO

Research Paper

#### Article history:

Received: 1 October 2022

Revised: 12 October 2022

Accepted: 30 October 2022



[doi.org/10.54099/ijmdb.v1i1.325](https://doi.org/10.54099/ijmdb.v1i1.325)

### ABSTRACT

Recognition of the value of tax planning and deferred tax expense provides management with the opportunity to practice revenue management. This study aims to determine how much influence tax planning and tax burden have on earnings management in companies listed on the Jakarta Islamic Index for the 2016-2018 period. The method used in this research is multiple linear regression. The population in this study were companies registered at JII for the 2016-2018 period, totaling 15 companies. The sampling technique used is purposive sampling. The type of data used is secondary data obtained from the company's published financial statements at [www.idx.co.id](http://www.idx.co.id). The data is processed through several statistical test methods of multiple linear regression using SPSS 18 software. Based on the results of statistical tests, it can be concluded that tax planning has a positive effect on earnings management, and deferred tax expense has a positive effect on the probability of companies making earnings management. This study finds that earnings management does occur to avoid reporting losses on companies listed on the Jakarta Islamic Index in 2016-2018..

**Keywords:** Tax Planning, Deferred Tax Expense, Profit management

*This work is licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.*

### INTRODUCTION

Financial statements are a form of mediator that provides an overview for the company, whether the company is in a safe or less secure condition, from which financial statements can provide information for management, investors or interested parties. In financial reports, management can see the performance of the company itself and is able to encourage motivation for investors and economic actors in making decisions. (PSAK.2017:1) other benefits other than that are a form of professionalism from the management towards the trust that is delegated responsibility to the company. Financial reports for management are a means of providing information for participation in their participation to invest in the company. (Achyani et al, 2015)

Several types of financial reports exist, profit and loss are the ones that are often used as a reference and corrected by users. An income statement that provides information in the form of a company's performance which is described to the company as very good in obtaining profit or loss. Profit describes the company has achieved good performance. Profit is identical to the distribution of dividends for the company. Management is motivated in achieving good profit targets so that the

company is even more effective in making decisions. Management is alleged to have played in the company's financial statements with a certain desire (Deviana et al., 2021; Iskamto, 2015, 2022; Iskamto et al., 2022; Jatmiko, 2022; Novita & Rahmi Fahmy, 2022; Prihastuti et al., 2022; Sukmadewi, 2021).

Earning management practice is often used for high-ranking officials and management to gain their own profit, because they are lulled by profits, so managers try to take advantage of these opportunities, by not wasting the opportunity, several factors that influence earnings management, namely tax planning, tax burden deferred, deferred tax assets, managerial ownership Free cash flow.

The company focuses on the taxes contained in the company itself because taxes are expenses for the company, companies are looking for ways to make small tax expenditures. Thus, if the company pays a small nominal tax, the company will have cash, the company can use this opportunity to finance the company's operations and expansion (Kieso 2008: 1). The application of taxes in the company causes a factor or has an impact on earnings management. Tax planning is one form of usefulness of tax management, in order to predict the rise and fall of taxes. In Astutik's research (2016) in his research that the company's motives are to use taxes sparingly, by following tax regulations.

The factor that causes earnings management is deferred tax expense. The cause of deferred tax expense can be deducted from earnings management. This is in line with the opinion of the experts Watt and Zimmerman (1990) that tax delays or tax savings are a company's tendency to reduce reported profits which is a form of hypothesis related to positive accounting theory, namely the Political Cost Hypothesis so that deferred tax burdens can cause management profit as an incentive to save taxes. This can delay income and accelerate costs so that it can inhibit taxes, one of the strategies used by interested parties is to manipulate the tax burden (Imam & Astini, 2022; Rifa'i et al., 2022).

The next factor that can affect earnings management is deferred tax. The opinion of Sukrisno et al (2009:244) tax assets arise when the times that lead to positive tracking, the tax burden according to accounting scholars is lower than the tax burden eliminating the Tax Operational Standard (SOP) revision 46 2017 informs Deferred tax assets are the amount of the tax refund as before, in the future as a form of temporary non-conformance of the deductible figures, because it reduces the amount of taxable profit so that paying taxes is low. In the issues raised, researchers are interested in examining the Effect of Tax Planning on Profit Management in Listed Companies in Jakarta Islamic Index Period 2016-2018

## LITERATURE REVIEW

In Agency theory is a theory that focuses on the interests of organizations, management, society and individuals who have their own desires and interests so that they try to fulfill their own interests. This raises social problems in fulfilling the interests of each party so that it can cause complications between the organization and management and investors. The agent is an encouragement in achieving an economic goal in the form of an effort to achieve personal and social interests (Scott, 2015:445).

*Positive Accounting Theory*, The views of Watts and Zimmerman (1986) say The Positive Accounting Theory is very closely related to earnings management, positive accounting theory is a collection of three elements of the interests of owners and management, management with society.

### Tax Planning

The desire of the tax plan is the first step taken by the company to anticipate the amount of tax costs incurred by the company, the desire of the company always wants a small tax fee so that the company can get bigger profits. The company can be managed as well as possible in order to fulfill the company's performance mission. Managers will make efforts and look for deficiencies to be able to maximize profits in order to reduce the cost of the tax burden so that the company can take large ones.

Tax planning is "the initial action that is passed by an obligation for a company to reduce taxes as little as possible in order to achieve an ambition to obtain large profits, from this desire the company has not been able to exempt the company from taxation. load (Astutik, 2016).

A study conducted by (Wildet al 2004) tax planning can be described from the tax retention rate formula to analyze tax management over time. The formula for measuring tax planning is as follows:

$$TRRit = \frac{NetIncome}{Pretax\ Income\ (EBIT)}$$

### Deferred Tax Expense

Deferred tax expense is tax expense that is deferred or delayed in payment, due to time differences that cause commercial profit to differ from taxable profit. Deferred tax expense results in a future deferred tax liability. So that the company can delay the payment of taxes that are its responsibility within a certain period, so that the reported profit of the company in the period concerned will be greater. The strategy taken by managers in dealing with deferred tax burdens or delays in tax payments is included in earnings management actions. Deferred tax expense is an expense arising from the difference between accounting profit (ie profit in financial statements for the benefit of outsiders) and fiscal profit (profit used as the basis for calculating taxes) (Harnanto, 2003:115).

The calculation of deferred tax expense is calculated using the weighting indicator of deferred tax expense with total assets. This is done to weight the deferred tax expense with the total assets in period t-1 so that the value is calculated proportionally.

Formula:

$$DTEit = \frac{Beban\ Pajak\ tangguhan}{Total\ Assett-1}$$

### Earnings Management

According to Scott that earnings management is a strategy of managers to systematically influence the company's profit figures with accounting standards, for company performance. To measure the earnings management, the researcher uses the modified Jones model. (Budi setiyawan, Harnovinah 21:2014)

### Hypothesis

In Dyah Purnama Sari's research (2019) and Srie Nuning Mulatsih's research (2019) that tax planning has a positive effect on practicing earnings management for the sake of profit. Therefore, in this study the researcher formulates a hypothesis: Tax Planning has a significant effect on Profit Management of Listed Companies in the Jakarta Islamic Index for the 2016-2018 Period

This earnings management provision is driven by profit by utilizing deferred tax burden emphasizing deferred tax costs in Alex A.T.'s research. Rathke (2017) Minanari Ratu (2017) that deferred tax expense has a positive effect on earnings management. Therefore, in this study, the researcher formulates the hypothesis: Deferred Tax Expense has a significant effect on Profit Management of Listed Companies in the Jakarta Islamic Index for the 2016-2018 Period

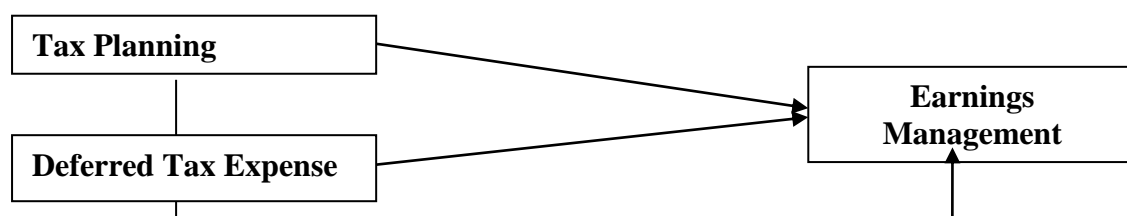


Figure 1. Framework

## RESEARCH METHODS

This study uses quantitative research, the data used in this study is secondary data sourced from the annual financial statements registered with JII (Jakarta Islamic index) from 2016 to 2018. To obtain this data, you can access the official JII website.

The population in this study were companies registered at JII for the period 2016 to 2018. The sampling in this study used a purposive sampling technique, namely sampling using certain criteria. The criteria for sampling companies registered with JII and issuing audited financial statements are consistent and complete from 2016 to 2018. The financial reporting period ends on December 31 and companies that are not delisted during the observation period. The financial statements use the Indonesian state currency (IDR). The company has a positive profit during the study period. Reporting data needed by researchers during 2016-2018.

### Data Analysis Method

In this study, the researcher analyzed using 3 types of tests, as follows: 1) classical assumption test 2) regression test 3) hypothesis testing. In this study using multiple regression, the equation is as follows: Note:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Dependent variable

Y : Earnings Management

a : Constant

$\beta_1, \beta_2$  : Regression coefficient

Independent Variable

X1 : Tax Planning

X2 : Deferred Tax

e : Standard Error

## RESULTS AND DISCUSSION

In this study, researchers tested the classical assumptions, the next several stages of testing were:

### 1. Normality test

Table 1. Normality Test  
One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
Kolmogorov-Smirnov Z	,780
Asymp. Sig. (2-tailed)	,577

a. Test distribution is Normal.

b. Calculated from data.

The basis for decision making, the data is said to be normally distributed if the Sig value is greater than 0.05. Based on the KS test, it can be seen from the sig value of 0.577 > 0.05, which means that it can be concluded that the data is normally distributed.

### 2. Multicollinearity test

Table 2. Multicollinearity Test  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	Collinearity Statistics
-------	-----------------------------	---------------------------	---	------	-------------------------

	B	Std. Error	Beta			Tolerance	VIF
(Constant)	,153	,052		2,956	,005		
PEPA	,037	,014	,388	2,609	,013	,898	1,113
PTA	,034	,012	,421	2,825	,007	,898	1,113

a. Dependent Variable: MLA

The coefficients table shows that the results of the multicollinearity test can be seen from the regression model for all variables less than a value of 10, that if the VIF value is <10, it can be concluded that there is no multicollinearity and if the VIF value is >10, multicollinearity occurs. In the table that VIF <10 means that the regression model does not occur multicollinearity

### 3. Heteroscedasticity test

Table 3. Heteroscedasticity  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,181	,035		5,143	,000
PEPA	-,006	,010	-,104	-,637	,528
PTA	-,014	,008	-,286	-1,757	,087

a. Dependent Variable: ABS\_RES

The heteroscedasticity test section in this study uses the Glajser test with a decision if the value of sig > 0.05 then the regression model is free from variance inequality, it can be interpreted that there is no heteroscedasticity.

### 4. Autocorrelation test

Table 4. Autocorrelation  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,473 <sup>a</sup>	,224	,184	,29542	1,254

a. Predictors: (Constant), PTA, PEPA

b. Dependent Variable: MLA

In the autocorrelation test of the Durbin-Watson model 1.254 that the value is between -2 to +2, in the DB test there is no autocorrelation problem.

### 5. Multiple regression test

Table 5. Hypothesis Test  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,153	,052		2,956	,005
PEPA	,037	,014	,388	2,609	,013
PTA	,034	,012	,421	2,825	,007

a. Dependent Variable: MLA

The multiple regression test equation can be seen as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

$$MLA = 0,153 + 0,037PEPA + 0,034PTA + e$$

From the above analysis, it can be seen that the value of the constant  $a$  is 0.153. this value shows that when PEPA is 0 then earnings management will be worth 0.153. And the PEPA coefficient of 0.037 this number has a positive meaning which means that PEPA has a direct relationship with increasing profits depending on the tax planning issued.

Likewise with PTA if the value of the constant  $a$  is 0.153. This means that when PTA is 0 then earnings management will be worth 0.153 and the PTA coefficient has a positive linear relationship with profit depending on how much deferred tax has not been issued.

### Statistic test

#### 1. R2 test (determination test)

Table 6. Test of Determination

##### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,473 <sup>a</sup>	,224	,184	,29542

a. Predictors: (Constant), PTA, PEPA

b. Dependent Variable: MLA

In the summary table that shows the value of R Square = 0.224 or ( $R^2 \times 100\% = 0.224 \times 100 = 22.4\%$ ) it can be concluded that the independent variables, namely Tax Planning and Dependent Tax, affect Earning Management by 22.4% while 77.6 % is influenced by other variables that are not used in this study.

#### 2. Partial Test

Partial Test is used to test the partial effect of each independent variable on the dependent variable. Each criterion is determined if the value of sig  $< 0.05$  then the hypothesis can be accepted, meaning that the independent variable has an effect on the dependent variable. If the value of sig  $> 0.05$  means that the independent variable has no effect on the dependent variable.

Table. 7 Partial Test

##### Coefficients<sup>a</sup>

Model	T	Sig.
1 (Constant)	2,956	,005
PEPA	2,609	,013
PTA	2,825	,007

a. Dependent Variable: MLA

In the Partial Test Table it can be seen that:

- The tax planning sig value shows a value of 0.013, it can be concluded that tax planning has significant effect on earnings management.
- The deferred tax sig value shows a value of 0.007. It can be concluded that deferred tax has significant effect on earnings management.

#### 3. Simultaneous Test

Simultaneous test to determine the effect of independent variables simultaneously (together) on the dependent variable. The characteristic of decision making is comparing the value of sig. If the value of Sig < 0.005, the independent variable has a simultaneous effect on the dependent variable. If the value of sig > 0.05 the independent variable has no simultaneous effect on the dependent variable. It can be seen in the ANOVA table.

Table 8. Simultaneous Test  
**ANOVA<sup>b</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	,980	2	,490	5,614	,007 <sup>a</sup>
Residual	3,404	39	,087		
Total	4,384	41			

a. Predictors: (Constant), PTA, PEPA

b. Dependent Variable: MLA

In the Anova table, the sig value of 0.007 can be concluded that the independent variables simultaneously have a significant effect on the dependent variable.

H1: Tax planning has a positive effect on earnings management

Based on the results of the research conducted, it can be seen that the tax planning variable shows a positive regression coefficient value of 0.037, the value of sig 0.013 is smaller than 0.05. It can be concluded that tax planning has an effect on earnings management. it can be interpreted that the higher the tax planning, the more possibilities the company will carry out revenue management, conversely the lower the tax planning, the smaller the opportunity for the company to generate management profits.

This study proves that the various methods used by companies to avoid taxation, minimize the tax burden paid have the main goal of making earnings management. These results support the research of Dyah Purnamasari (2019) and the research of Srie Nuning Mulatsih (2019) because the company does not want to be subject to high taxes, so the company carries out earnings management with tax planning activities that result in small taxes.

In the context of the company, tax avoidance is deliberately carried out by the company to minimize the amount of tax payments that must be made and at the same time increase the company's cash flow. Tax avoidance in earnings management is carried out by companies that use income and expense items to achieve the desired profit. Earnings management can use existing accounting weaknesses to minimize profits so that tax obligations are low. Tax avoidance makes the potential for state tax revenues that should be used to reduce the burden on the state budget (Budiman and Setiyono, 2012).

Tax payments that increase or decrease will affect the net profit that will be generated. If the profit before tax is constant, the greater the tax burden paid, the smaller the net profit and vice versa. In the research of Nurzi Sebrina DKK (2018) which found that tax avoidance has a positive effect on earnings management due to differences in tax regulations and accounting regulations in terms of revenue recognition that management can use to manipulate earnings.

H2: Deferred tax has a positive effect on earnings management

The deferred tax variable shows a positive regression coefficient value of 0.034 with a sig value of 0.007 smaller than 0.05. It can be concluded that deferred tax has an effect on earnings management. If deferred tax expense increases from tax liability, companies that perform earnings management will increase. Conversely, if the deferred tax burden is reduced, then the probability of the company doing earnings management will decrease.

This research supports the research of Dyah Purnamasari (2019) Alex A.T. Rathke (2017) Minanari Ratu (2017) deferred tax has a positive effect on earnings management. Deferred tax

expense is an expense that arises as a result of temporary differences in accounting profit, namely the profit in the financial statements for the benefit of outside parties and the taxable profit of the profit is used as the basis for calculating tax. Profits reported by management are not only the responsibility of the stakeholders but also for the benefit of the tax authorities. If the profit reported by management is large, it will also be good news not only for stakeholders but also for the tax authorities, because the basis for calculating the tax burden is the profit generated by the company. If the profit generated is large, the tax burden will be large so that it can reduce the profits earned by the company.

Deferred tax expense has a positive effect, meaning that every increase in deferred tax expense, the possibility of companies doing earnings management will increase. Temporary differences arise from the actual components and operating cash flows, due to temporary differences that affect deferred tax expense in an effort to detect the effect of actual engineering to minimize taxes in earnings management.

## CONCLUSIONS

Based on the discussion that has been described, it can be concluded that Tax planning has a positive effect on earnings management, the higher the tax planning, the greater the opportunity for the company to be involved in earnings management, and vice versa, although the effect is weak, it means that there are many other factors that determine the occurrence of earnings management.

Deferred tax expense has a positive effect on the probability of a company doing earnings management, every increase in deferred tax expense, the probability of doing earnings management will increase and vice versa. That deferred tax expense affects earnings management.

## REFERENCES

- Achyani, F., Triyono, & Wahyono. (2015). Pengaruh Praktik *Corporate Governance* Terhadap Nilai Perusahaan dengan Manajemen Laba Sebagai Variabel Intervening. *University Research Colloquium* 172-187
- Alex A,T, R., Amaury J, R., Rafael M, A., & Marselo, B, M. M. (2017) *Earning Management Through deferred Taxes in Brazil* University of Sao Paulo. *Journal Accounting* 1-13
- Astutik, R, E, P., & Titi, M. (2016). *Pengaruh Perencanaan Pajak dan Beban Pajak Tangguhan Terhadap Manajemen Laba*. *Jurnal Ilmu dan Riset Akuntansi*. 1-17
- Budiman, J., & Setiyono. (2012). *Pengaruh Karakteristik Eksekutif terhadap Penghindaran Pajak*. *Simposium Nasional Akuntansi XV*. Universitas Lambung Mangkurat. Banjarmasin. 1-22
- Chen, L, H., Dan S., D., & Mark A. T. (2007). *The Impact of Earnings Management and Tax Planning on the Information Content of Earnings*. University of Arizona. *Journal Accounting* 1-34
- Deviana, D. S., Agusra, D., & Prihastuti, A. H. (2021). Does Standardization of Service Tax Volunteer and Location Affect on Taxpayer Satisfaction? *International Journal of Islamic Business and Management Review*, 1(1), Article 1. <https://doi.org/10.54099/ijbmr.v1i1.52>
- Dyah Purnamasari. (2019). *How The Effect Of Deferred tax Expenses and Tax Planning On Earning Management*. *Internasional journal Of Seientifie & Tecnology Research*. 78-83
- Harnanto. (2003). *Akuntansi Keuangan Menengah*. BPFE: Yogyakarta.
- Ikatan Akuntansi Indonesia (IAI). (2017). *Pernyataan Standar Akuntansi Keuangan (PSAK) No. 1: Penyajian Laporan Keuangan*. Jakarta: IAI.
- Imam, S. F., & Astini, R. (2022). The Effect Of Green Transformation Leadership On Government Performance Accountability: Through Organizational Learning. *International Journal of Law Policy and Governance*, 1(1), Article 1. <https://doi.org/10.54099/ijlpg.v1i1.194>
- Iskamto, D. (2015). Anomali Pasar Pada Bursa Efek Indonesia. *Jurnal Tepak Manajemen Bisnis*, VII(3).



- Iskamto, D. (2022). Analysis of The Impact of Competence on Performance: An Investigative In Educational Institutions. *Asean International Journal of Business*, 1(1), 68–76. <https://doi.org/10.54099/aijb.v1i1.74>
- Iskamto, D., Ghazali, P. L., & Afthanorhan, A. (2022). Conflict management in the workplace and its impact on employee productivity in private companies. *Adpebi International Journal of Multidisciplinary Sciences*, 1(1), Article 1. <https://doi.org/10.54099/aijms.v1i1.210>
- Jatmiko, D. P. (2022). Event Study Analysis of The Covid-19 Outbreak On Stock Prices Listed on The Indonesia Stock Exchange. *Adpebi International Journal of Multidisciplinary Sciences*, 1(1), Article 1. <https://doi.org/10.54099/aijms.v1i2.221>
- Kieso, Donal E, dkk. (2008). *Akuntansi Intermediate*. Edisi 12. Jakarta: Erlangga.
- Novita, W. & Rahmi Fahmy. (2022). Tax Planning on The Multinational Companies in Indonesia. *Asean International Journal of Business*, 1(1), 1–9. <https://doi.org/10.54099/aijb.v1i1.65>
- Nuning, S, M., Nela D, & Aisyah, R. (2019). *The Effect of Tax Planning, Asset of Deferred Tax, Deferred Tax Expense on Profit Management*. University Islamic Syekh Yusuf. International Journal 933-947.
- Prihastuti, A. H., Agusra, D., Sofyan, D., & Sukri, S. A. (2022). The Effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance with the Voluntary Disclosure Program. *Adpebi International Journal of Multidisciplinary Sciences*, 1(1), Article 1. <https://doi.org/10.54099/aijms.v1i1.202>
- Ratu, M., A., K. (2017). *Effect of Tax Deferred Charges, Leverage and Size of Management Company Earning*. University Mercu Buana Journal Accounting. 93-104
- Rifa'i, A., Tan, S., Edward, E., & Adriani, Z. (2022). Effect of Political Will Perception and Executive Job Satisfaction Toward Managerial Performance. *International Journal of Law Policy and Governance*, 1(1), Article 1. <https://doi.org/10.54099/ijlpg.v1i1.290>
- Scott, R. William. (2015). *Financial Accounting Theory. Seventh Edition*. Pearson Prentice Hall: Toronto.
- Sebrina, N., Nayang H., & Wilda D., K. (2018). *The Influence of Tax Avoidance Modified by Corporate Governance on Earning Management*. International Journal. 59-66
- Setiawan, B & Harnoviansah. (2014). *Pengaruh Beban Pajak Tangguhan Profitabilitas, dan Perencanaan Pajak Terhadap Manajemen Laba*. 15-40
- Sukmadewi, R. (2021). Analysis of the Effect of Current Ratio, Working Capital, Debt Ratio on the Performance of Various Industrial Companies Listed on the IDX. *Husnayain Business Review*, 1(1), Article 1. <https://doi.org/10.54099/hbr.v1i1.25>
- Sulistyanto Sri. (2008). *Manajemen Laba: Teori dan Model Empiris*. Jakarta:Grasindo.
- Watts, R., L. & J., L., Z. (1990). *Positive Accounting Theory: A Ten Year Perspective*. American Accounting Association. 131-156
- Watts, Ross L dan Jerold L. Zimmerman. (1986). *Positive Accounting Theory*. Prentice Hall New Jersey. University States of America.
- Wild, S., et al. (2004) *Global Prevalence of Diabetes: Estimates for 2000 and Projections for 2030*. Diabetes Care. 1047-1053