

## The Effect of Tax Planning on Earnings Management

Tony R Sinambela<sup>1</sup>, Tongam Sinambela<sup>2</sup>

<sup>1</sup>Department of Accounting, STIE Mulia Pratama

<sup>2</sup>Department of Accounting, Faculty of Economic University of Mpu Tantular

### ARTICLE INFO

#### Article history:

Received Sep 30, 2022

Revised Oct 02, 2022

Accepted Oct 20, 2022

#### Keywords:

Tax Planning,  
Earnings Management.

### ABSTRACT

This study aims to determine the effect of tax planning on earnings management. In this study the data used came from audited annual financial reports obtained from the website [www.idx.co.id](http://www.idx.co.id). This type of research is quantitative research. Determination of the sample was carried out using a purposive sampling technique, so that a sample of 16 companies was found. The analysis tool uses simple linear regression with panel data models. Based on the results of the t test research that tax planning has a significant effect on earnings management with a significant value of  $0.0240 < 0.05$ .

*This is an open access article under the [CC BY-NC](https://creativecommons.org/licenses/by-nc/4.0/) license.*



### Corresponding Author:

**Tongam Sinambela**

Department of Accounting, Faculty of Economics,  
University of Mpu Tantular,  
Jalan Cipinang Besar No. 2 Jakarta Timur, Indonesia  
Email: [tongamsinambela@gmail.com](mailto:tongamsinambela@gmail.com)

## 1. INTRODUCTION

Earnings management is an attempt to report company profits over a certain period of time, and is deliberately carried out by management for several purposes, but still based on corridors or generally accepted accounting methods (Dita Rimbawati Dewi, 2021). When management performs earnings management, it will be faced with a situation where large profits reflect good company performance. However, this also gives face to the collection of high taxes. This causes management to be more inclined to practice earnings management to minimize tax payments by keeping the tax burden as small as possible, and efforts to minimize the tax burden are often called tax planing (Syaddyah et al., 2020).

The practice of earnings management is based on agency theory (Jensen & Meckling, 1976) which states that earnings management results from differences in the interests of the company (agency) and government (principal). The emergence of earnings management practices is due to agency theory in which it is assumed that companies have more information than the government because the government cannot continuously observe company activities (Zakiya et al., 2021).

The agency theory approach explains the concept of earnings management which has a conflict of interest between management and the government as a tax collector. The government is interested in collecting taxes according to the identified objectives of the largest contribution to national income. However, company management will try to minimize the tax burden as a cost element. If the company generates large profits, then the tax liability is also large. Therefore tax planning is needed to simplify the payment of income tax from a company (Hilmy, 2020).

Tax planning is a method used by corporate management to administer income tax in order not to violate applicable tax regulations. The government wants businesses to pay as much tax as possible, this is because taxation is a source of state revenue (Syaddyah et al., 2020). The goal of tax planning is to design it in such a way that the tax burden can be fixed as low as possible and use existing regulations to maximize after-tax income. , because taxes are a factor in reducing available profits. Opportunities for companies to carry out earnings management (Zakiya et al., 2021).

Previous studies conducted by (Lestari et al., 2018) revealed that tax planning has a significant positive effect on earnings management. The higher the tax planning, the higher the earnings management. The same results were also expressed by (Amin et al., 2019), (Rusdyanawati & Hidayati, 2020), (Zakiya et al., 2021). However, studies conducted (Juniarsih, 2018), (Achyani & Lestari, 2019), (Irma Suryani & Sudjiman, 2020) state that tax planning has no effect on earnings management.

## 2. RESEARCH METHOD

### 2.1 Research Locations

This research was conducted at the Indonesia Stock Exchange (IDX) in Jakarta.

### 2.2 Metode Penelitian

In this study, a quantitative approach was used, namely a method based on the philosophy of positivism, used to examine certain populations or samples. The secondary data used is in the form of the company's annual report for the 2019-2021 period. The data was obtained from the Indonesia Stock Exchange website via the [www.idx.co.id](http://www.idx.co.id).

### 2.3 Operasional Variabel

The independent variable in this study is tax planning. The tax planning variable can be measured by a tax retention rate proxy which functions to analyze a measure of the effectiveness of tax management in a current year's financial reports (Dewi & Mahwiyah, 2021). The measure of the effectiveness of tax planning in a study uses the Tax Retention rate formula.

$$TRR = \frac{NetIncome}{PretaxIncome(EBIT)}$$

Information:

TRR : Tax Retention Rate Company i in year t.  
 Net Income : Net profit of company i in year t.  
 Pretax Income (EBIT) : Company profit before tax i year t.

The dependent variable in this study is earnings management, which is an act that regulates earnings according to what is desired by certain parties. Based on research (Amin et al., 2019) earnings management calculation model uses the model (Jones, 1991), as follows:

$$TA_{it} = Nit - CFO_{it}$$

Information:

TA<sub>it</sub> : total accruals of company i in period t.  
 Nit : net profit of company i in period t.  
 CFO<sub>it</sub> : company i's operating cash flow in period t.

Calculating the accrual value with a simple linear regression equation or Ordinary Least Square (OLS) to get the regression coefficient. The formula is as follows:

$$\frac{TA_{it}}{A_{it-1}} = \beta_1 \left( \frac{1}{A_{it-1}} \right) + \beta_2 \left( \frac{\Delta REV_{it}}{A_{it-1}} \right) + \beta_3 \left( \frac{PPE_{it}}{A_{it-1}} \right) + e_{it}$$

By using the regression coefficients above, estimate  $\beta_1$ ,  $\beta_2$  and  $\beta_3$  from the OLS regression and use it to calculate the value of non-discretionary accruals (NDA) with the equation:

$$NDA_{it} = \frac{TA_{it}}{A_{it-1}} = \beta_1 \left( \frac{1}{A_{it-1}} \right) + \beta_2 \left( \frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}} \right) + \beta_3 \left( \frac{PPE_{it}}{A_{it-1}} \right) + e_{it}$$

Information :

- $A_{it-1}$  = Total assets of company i in year t-1.  
 $\Delta REV_{it}$  = Company i's revenue in year t minus company i's revenue in year t-1.  
 $\Delta REC_{it}$  = Company i's net receivables in year t minus company's net receivables in year t-1.  
 $\Delta PPE_{it}$  = fixed assets of the company in year t-1.  
 $NDA_{it}$  = No discretionary accruals for company i in year t.  
 $\beta_1, \beta_2$  dan  $\beta_3$  = Koefisien Regretion.  
 $E_{it}$  = eror term  
 Discretionary Accrual (DA)

Discretionary Accrual (DA) is estimated in the following way:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Information :

- $DA_{it}$  = Discretionary Accrual company i in year t.  
 $TA_{it}$  = Total accruals of company i in period t.  
 $A_{it} - 1$  = Total assets of company i in year t-1.  
 $NDA_{it}$  = No discretionary Accrual company i in year t.

## 2.4 Data Analysis Methods

The method of data analysis used descriptive statistical tests, then the selection of the panel data estimation model used OLS (Ordinary Least Square) with the help of Eviews 9 software. The classical assumption test was carried out to find out whether the assumptions needed in a simple linear regression analysis could be fulfilled. The classic assumption test used in this study is the normality test, autocorrelation test, and heteroscedasticity test. This study also uses a simple regression analysis which is used to determine whether there is an influence of an independent variable on the dependent variable.

## 3. RESULTS AND DISCUSSION

The results of descriptive statistics for tax planning have a mean value of 0.752 with a standard deviation of 0.136240. The highest value was owned by PT Tiga Pilar Sejahtera Food Tbk in 2020 of 1.194 while the lowest value was owned by PT Sekar Bumi Tbk in 2019 of 0.185. While the results of descriptive statistics for earnings management have a mean value of 5.590 with a standard deviation of 5.424. The highest score was owned by PT Campina Ice Ccream Industry Tbk in 2020 of 3,132. While the lowest score was owned by PT Tiga Pilar Sejahtera Food Tbk in 2020 of -2,293.

### 3.1 T Statistik Test (Parsial Test)

Partial test was conducted to show how far the influence of the independent variables individually in explaining the dependent variable. The provisions in making a decision on the t test are, if the probability (prob value) is  $> 0.05$  then  $H_0$  is not rejected and if the probability (prob value) is  $< 0.05$  then  $H_0$  is rejected, the following results of the t test research are presented in the following table.

**Tabel 1. T test results**

C	7.150	6.699	10.682	0.0000
X	-2.080	8.759	-2.373	0.0240

Sources : Output Eviews (Data is processed, 2022)

From the table above shows that the t statistical test or partial test with a probability value of X 0.0240 <0.05 so that H0 is accepted, which means that the tax planning variable has a significant effect on earnings management.

#### 4. CONCLUTION

The conclusion of this study reveals that tax planning has a negative and significant effect on earnings management, where the coefficient value is -2.08 and profitability is 0.0240 <0.05.

#### REFERENCES

- Achyani, F., & Lestari, S. (2019). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba.
- Amin, M., Susyanti, J., & ABS, M. K. (2019). PENGARUH PERENCANAAN PAJAK TERHADAP MANAJEMEN LABA PADA PERUSAHAAN MANUFAKTUR YANG TERDAFTAR DI BURSA EFEK INDONESIA PERIODE 2015-2017. 115–125.
- Andreas, H. H., Ardeni, A., & Nugroho, P. I. (2017). Konservatisme Akuntansi di Indonesia. *Jurnal Ekonomi Dan Bisnis*, 20(1), 1. <https://doi.org/10.24914/jeb.v20i1.457>
- Dewi, R. S., & Mahwiyah. (2021). Pengaruh Perencanaan Pajak dan Manajemen Laba Terhadap Nilai Perusahaan pada Perusahaan Manufaktur Sektor Rokok yang Terdaftar di Bursa Efek Indonesia tahun 2016 – 2020. 92–105.
- Dita Rimbawati Dewi, D. A. N. (2021). Pengaruh Beban Pajak Tangguhan dan Perencanaan Pajak Terhadap Manajemen Laba. 4(3).
- Hilmy, N. A. (2020). Pengaruh Beban Pajak Tangguhan Dan Perencanaan Pajak Terhadap Praktik Manajemen Laba Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2014-2018 The Effect of Differed Tax Expense and Tax Planning on Earnings Management Practices in . 1(1), 76–85.
- irma Suryani, & Sudjiman, L. S. (2020). PENGARUH PERENCANAAN PAJAK TERHADAP MANAJEMEN LABA PADA PERUSAHAAN MANUFAKTUR PENGHASIL BAHAN BAKU SUB-SEKTOR LOGAM DAN MINERAL DI BURSA EFEK INDONESIA TAHUN 2019-2020. 20–33.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Jones, J. J. (1991). Earnings Management during Import Relief Investigations. *Journal of Accounting Research*.
- Juniarsih, D. (2018). PENGARUH PERENCANAAN PAJAK TERHADAP MANAJEMEN LABA (Studi Empiris Perusahaan Food and Beverages Yang Terdaftar Di Bursa Efek Indonesia Tahun 2013-2017). 3(1).
- Lestari, D. S. A., Kurnia, I., & Yuniati. (2018). PENGARUH PERENCANAAN PAJAK DAN UKURAN PERUSAHAAN TERHADAP MANAJEMEN LABA (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2015-2017). 2(3), 129–150.
- Rusdyanawati, E., & Hidayati, K. (2020). Pengaruh Perencanaan Pajak Terhadap Manajemen Laba pada Perusahaan Manufaktur Subsektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia. 1, 90–97. <https://doi.org/10.46821/ekobis.v1i2.32>
- Syaddyah, A. Y., Ratnawati, V., & Wahyuni, N. (2020). Pengaruh Asimetri Informasi, Perencanaan Pajak, Dan Kompensasi Bonus Terhadap Manajemen Laba. *The Journal of Taxation: Tax Center*, 1(2), 190–219.
- Zakiya, N., Pullah, A., & S, R. E. W. A. (2021). Pengaruh Perencanaan Pajak , Beban Pajak Tangguhan dan Kualitas Audit Terhadap Manajemen Laba. 1, 1–8.