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Determinants of Earnings Management Viewpoint of Tax Planning, Deferred Tax Expense and Deferred Tax Assets

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Abstrak: Previous research or relevant research is very important in a research or scientific article. Previous or relevant research serves to strengthen the theory and phenomenon of the relationship or influence between variables. This article analyzes the factors that influence earnings management, namely tax planning, deferred tax expense, and deferred tax assets, a literature review study on tax accounting. The purpose of writing this article is to build a hypothesis of the influence between variables to be used in further research. The results of this literature review article are: 1) tax planning affects earnings management; 2) deferred tax expense affects earnings management; and 3) deferred tax assets affect earnings management.

***Keyword*:** earnings management, tax planning, deferred tax expense, and deferred tax assets

Introduction

Background of the Issue

The management of a company is responsible for safeguarding assets, increasing investor equity wealth, and protecting creditors (Wild et al., 2013), so management must be able to manage company finances properly. The tool used by company management to convey the company's financial and economic condition is the financial statements.

One of the information presented in the financial statements is the company's profit. Company profit is one of the most important things to present because it shows the financial performance that a company has achieved in a certain period. Profit is often used to provide compensation for management, assess the company's work, and as a basis for calculating taxable income (Ramadhan, 2017).

Earnings management is defined as an action taken to adjust earnings in accordance with the will of certain parties, namely company management for various purposes or certain motivations (Fahmi, 2014). One of the motivations for earnings management is tax savings.

This article will present articles that discuss matters affecting earnings management from a tax perspective. This aims to make it easier for lecturers, students, researchers, and other functional staff to find relevant articles to strengthen the theory under study, in order to see the relationship or influence between variables and determine hypotheses. This article discusses the effect of tax planning, deferred tax expense, and deferred tax assets on earnings management, a literature review study in the field of tax accounting.

Rumusan Masalah

Based on the background of the problems that have been presented, the problem formulations that will be discussed to determine hypotheses for further research are:

1. Does tax planning affect earnings management?

2. Does deferred tax expense affect earnings management?

3. Do deferred tax assets affect earnings management?

THEORETICAL STUDIES

Earnings Management

Earnings management is an effort to report the company's financial condition, especially profits in a certain period, carried out by management intentionally for certain purposes with the authority possessed in accordance with the corridors of generally accepted accounting policies / methods so as to influence interested parties, with the Discretionery Accruals measurement formula by reducing total accruals with non-discretionary accruals (Puji Lestari, 2018). Earnings management is referred to as a controversial and very important part in the field of financial accounting, earnings management is not always related to efforts to manipulate data but is more associated with the choice of accounting methods consciously chosen by management for specific purposes (Fathur Izani & Kuntadi, 2022).

Meanwhile (Fahmi, 2014) earnings management is defined as follows:
"Earning management is an action that adjusts earnings in accordance with what is desired by certain parties or especially by company management. Earnings management actions are actually based on various objectives and purposes contained therein ".

Tax Planning

Tax planning is interpreted as an effort by taxpayers to take advantage of various possible loopholes that exist in the corridor of tax laws and regulations so that taxpayers can pay the lowest tax (Pohan & Anwar, 2016).
Tax planning according to (D. S. A. L. Lestari et al., 2018) is defined as:
"The first step in tax management, which emphasizes controlling every transaction that has tax consequences. At this stage, collection and research on tax regulations are carried out so that the type of tax saving actions that will be taken can be selected to streamline the amount of tax to be paid to the government, through tax avoidance and not tax evasion which is a fiscal crime that will not be tolerated ".

Deferred Tax Expenses

Deferred tax expense is the value of deferred tax expense (income) that arises due to the recognition of deferred tax liabilities or assets (Waluyo, 2017). Where deferred tax occurs if there is a difference between the Income Tax Payable which is calculated from the Taxable Income actually paid to the government and the Income Tax burden which is calculated from accounting income before tax which is caused by temporary differences (Sibarani et al., 2015).

According to (Puji Lestari, 2018) deferred tax expense is the amount of income tax payable in the coming year as a result of temporary differences which may be deducted from deductible loss compensation.

Deferred tax assets

Deferred tax assets occur if fiscal profit is greater than commercial profit or there is a positive fiscal correction so that the company can postpone the tax payable to the next period (Mettawidya, 2015). Deferred tax assets are recorded when there is a realization of tax benefits in the future period, so the ability is needed to estimate how likely the deferred tax assets are to be realized.

Deferred tax assets are used as a proxy as an indicator of the implementation of earnings management carried out by the management of a company, which is motivated by providing compensation, political burdens on the size of the company and reducing tax payments so as not to harm the company (Suranggane, 2007).

Tabel 1
Penelitian terdahulu yang relevan

No	Author (year)	Previous research results	Similarities to this article	Differences with this article
1	(Islamiah & Apollo, 2020)	Tax planning, company size, and leverage have a simultaneous effect on earnings management.	Tax planning influences earnings management	Company size and leverage influence earnings management.
2	(D. S. A. L. Lestari et al., 2018)	Tax planning and tax measures simultaneously have a significant influence on earnings management in manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2017 period.	Tax planning influences earnings management	Company size influences earnings management.
3	(Baraja et al., 2019)	Deferred tax expenses, tax planning, and deferred tax assets influence earnings management.	Tax planning, deferred tax expenses and deferred tax assets influence earnings management.	-
4	(Puji Lestari, 2018)	Profitability and deferred tax expenses have a positive effect on earnings management carried out by the company.	Deferred tax expenses affect earnings management.	Profitability influences earnings management.

5	(Sutadipraja et al., 2019)	Current tax, deferred tax and deferred tax assets have an effect on earnings management, while deferred tax liabilities have no effect on earnings management.	Deferred taxes and deferred tax assets have an effect on earnings management.	Taxes now have an effect on earnings management.
6	(Aminah & Zulaikha, 2019)	Deferred tax assets have an effect on earnings management, while ownership concentration and company size variables have a negative effect on earnings management.	Deferred tax assets have an effect on earnings management.	Ownership concentration and company size have a negative effect on earnings management.

Method

Qualitative methods and library research are used as methods for writing scientific articles. Research theories and relationships or effects between variables in books and journals both offline in the library and online via Mendeley, Google Scholar and other online media.

Literature reviews should be used in qualitative research in accordance with methodological assumptions. This means that it must be used inductively so that it does not direct the questions asked by the researcher. One of the main reasons for conducting qualitative research is its exploratory nature (Ali & Limakrisna, 2013).

DISCUSSION

The discussion of the literature review article in the tax accounting concentration based on theoretical studies and previous research is as follows:

1. The Influence of Tax Planning on Profit Management

Islamiah & Apollo (2020) conducted research using data analysis consisting of descriptive statistical methods, classical assumption testing, and hypothesis testing to determine the effect of tax planning, company size, and leverage on earnings management with a population of consumer goods industry sector companies in 2014-2018 . The test results are as follows:

a. Descriptive Statistical Test Result

	Minimum	Maksimum	Mean	Standar Deviasi
Manajemen Laba	-0,0798	0,1629	0,008522	0,0412031
Perencanaan Pajak	0,6663	0,9337	0,753423	0,0375715

b. Simultaneous Significant Test Result (F Test)

From the test results, the Sig value was obtained. equal to 0.002 < 0.05, it can be said that tax planning, company size, and leverage together have a significant effect on earnings management.

c. Particial t-statistical Test Result

From the test results, a significance value for tax planning was obtained of 0.000, which means that tax planning has a significant effect on earnings management. The significance values for company size and leverage are 0.404 and 0.608 respectively, which means they have no effect on earnings management.

The results of this research indicate that the higher the tax planning carried out, the greater the company's opportunity to carry out earnings management.

Tax planning has a significant influence on earnings management in manufacturing companies listed on the Indonesia Stock Exchange. This is because the company's goal in carrying out tax planning is to save on tax payments, so earnings management is carried out to obtain company profits (D. S. A. L. Lestari et al., 2018).

The research results that tax planning influences earnings management are also in line with research conducted by (Romantis et al., 2020), (Hapsari & Manzilah, 2016), and (Yunila et al., 2018).

1. The Effect of Deferred Tax Expenses on Profit Management

The results of the T test in statistical analysis show that the deferred tax burden partially has a positive and significant influence on earnings management, where the deferred tax burden is measured using the indicator of the weight of the deferred tax burden on total assets in period t-1 (Baraja et al., 2019) .

In line with the research above, (Puji Lestari, 2018) conducted research on the influence of profitability and deferred tax burden on earnings management using the correlation method with the results of the deferred tax expense variable having a fairly large influence with the results of the T test with the greatest significance value compared to other variables. .

Research with the same results that deferred tax expenses influence earnings management was carried out by (Mawaridi Mazini Tundjung, 2015), (Sibarani et al., 2015), and (Baraja et al., 2019).

2. The Effect of Deferred Tax Assets on Profit Management

In research (Sutadipraja et al., 2019) using descriptive statistical methods, the results show that deferred tax assets have an effect on earnings management. This can be read as saying that deferred tax assets can be used as an opening for earnings management practices. The deferred tax asset variable which influences earnings management practices shows that company management is exploiting loopholes in the policies in PSAK No. 46, where managers utilize deferred tax asset reserves in financial reports for earnings management practices (Sutadipraja et al., 2019).

Similar to the research above, research conducted by (Aminah & Zulaikha, 2019) resulted in the conclusion that deferred tax assets have a significant positive effect on earnings management.

Research with the results of deferred tax assets influencing earnings management was carried out by (Maria Michelle & Friendly Simbolon, 2022), and (Simanjuntak, 2022).

CONCEPTUAL FRAMEWORK

Based on the problem formulation, theoretical studies, relevant previous research and discussion of the influence between variables, the framework for this article is as follows.

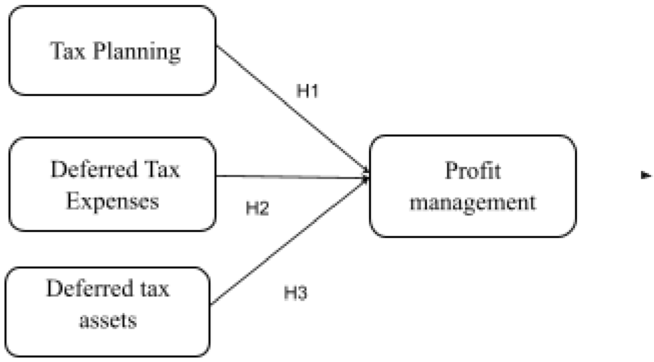

Figure 1
Conceptual Framework

Based on the conceptual framework image above, it is known that tax planning, deferred tax expenses and deferred tax assets influence earnings management. Apart from these three exogenous variables that influence earnings management, there are many other variables that influence it, including:

a) Company size: (Islamiah & Apollo, 2020), (D. S. A. L. Lestari et al., 2018)

b) Leverage: (Islamiah & Apollo, 2020), (Dewi & Wirawati, 2019)

c) Profitability: (Puji Lestari, 2018), (K. C. Lestari & Wulandari, 2019)

d) Current tax: (Sutadipraja et al., 2019), (Amanda & Febrianti, 2015)

e) Concentration of ownership: (Aminah & Zulaikha, 2019), (Wirayana & Sudana, 2018)

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on theory, relevant articles and the discussion above, a hypothesis can be formulated for further research:

1. Tax planning influences earnings management.

2. Deferred tax expenses affect earnings management.

3. Deferred tax assets have an effect on earnings management.

Recommendations

Based on the hypothesis formulated in the conclusion above, the suggestion in this article is that there are many other factors that influence earnings management, apart from tax planning, deferred tax expenses, and deferred tax assets at all types and levels of organizations or companies, therefore Further studies are still needed to find out what other factors can influence earnings management besides the variables examined in this article. These other factors include company size, leverage, profitability, current taxes and deferred taxes.

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