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Relationship between Tax Planning and Deferred Tax Expense on Earnings Management

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Abstract: This study examines and analyzes the relationship between tax planning and deferred tax expense on earnings management. This study involved 20 manufacturing companies that publish an annual financial report (annual report) that is audited and published on the Indonesia Stock Exchange (IDX) from 2015 to 2017. Sampling uses a purposive sampling method with sample criteria. First, companies that report audited financial statements from 2015 to 2017 and publish financial statements for the year ended and as of December 31. Second, manufacturing companies engaged in the food and beverage sub-sector consumer goods industry. Third, the company was not delisted during the observation period. Fourth, the company reports deferred tax expenses in specific years, namely between 2015-2017. Fifth, the company does not carry out acquisitions, mergers, restructuring, and changes in business groups. Sixth, the company reports financial statements in Rupiah (IDR). Furthermore, data collection in this study used the documentation method. After the data is collected, data analysis is carried out using descriptive statistical methods, logistic regression methods, hypothesis testing (conducted multivariate using logistic regression test (Hosmer and Lemeshow's goodness of fit test), coefficient of determination test, individual parameter significant test, and correlation test. Partial). The results showed a positive correlation between tax planning and deferred tax expense on earnings management.

Keywords: deferred tax expense, earnings management, tax planning

INTRODUCTION

Financial statements are presented to communicate all company financial information to interested parties (stakeholders), both internal and external parties (Rahim et al., 2020). Information on earnings as a component of the company's financial statements is provided for assessing management performance, estimating the ability of representative earnings in the long term, predicting profits, estimating risks in investment and credit, as well as conducting tax planning so that the tax burden of a company becomes small. Based on the existing reality, financial statement users often focus on profit information without paying attention to how the profit is generated (Herdawati, 2015). Management is aware of this situation, mainly because its performance is measured based on that financial information. The above encourages company management to perform dysfunctional behavior, including earnings management (Wirabajanti, 2006).

Earnings management is an effort made by management to intervene in preparing financial statements to benefit themselves or the related company (Paramita, 2020). Earnings management can be done through the practice of income smoothing, taking a bath, and maximizing income (Scott, 2000).

According to Sulistyanto, (2008), Earnings management is an attempt to change, hide, and manipulate the numbers in the financial statements and play with the accounting methods and procedures used by the company. The concept of earnings management can be explained by using the agency theory approach. The theory states that the practice of earnings management is influenced by the conflict of interest between the interested party (principal) and management as the party running the interest (agent). This conflict arises when each party is trying to achieve the level of prosperity it wants. Kusumawati & Sasongko, (2005) stated that between external and internal parties, as users of financial statements, sometimes various interests can lead to conflicts that can harm parties with mutual interests. The conflict occurs because the management is trying to improve welfare, while the shareholders want to increase their wealth. In addition, the management wishes to obtain the most significant possible credit with low interest. At the same time, the creditors only want to provide credit according to the company's ability, and the management wishes to pay as little tax as possible. In contrast, the government wants to collect as much tax as possible.

In its action, the government has reduced the practice of managing corporate revenues related to tax collection and administration by issuing the Rules for Implementing the Provisions of Article 4 of Government Regulation Number 18 of 2007 and confirmed by the regulation of the Minister of Finance PMK-238/PMK.03/2008. In addition, the government has revised several tax laws. One of them is revising the income tax law. The reason is to reduce earnings management practices carried out by companies (Dwipayanti, 2013 in Santana & Wirakusuma, 2016). The enactment of Law no. 36 of 2008 is expected to provide tax relief for companies, but companies still consider taxes as a burden. As was the case with PT Coca Cola Indonesia, it was suspected that the tax evasion led to a tax underpayment of IDR 49.24 billion in the 2002-2006 fiscal year. The results of a search by the DGT prove that there is a significant cost overrun, which results in a small profit. Thus, the tax payment also decreases (Setiawan, 2014).

Based on this phenomenon, earnings management practices often occur in Indonesia, with tax as one of the influencing factors. With the management's desire to suppress and make the tax burden as small as possible, the management tends to minimize tax payments. Efforts to minimize the tax burden are often referred to as tax planning. Tax planning (tax planning) is the process of organizing the taxpayer's business. The ultimate goal of this tax planning process is to cause tax debt, both PPh and other taxes, to be in a minimal position, as long as this is still within the framework of the applicable tax regulations. Therefore, tax planning is a legal action because it is allowed by the government as long as it is within the corridor of the applicable tax laws in Indonesia. The role of tax planning in the practice of earnings management has been conceptually explained by agency theory. The company (agent) tries to pay taxes as little as possible because the company assumes that paying taxes means reducing the company's economic capacity. However, on the other hand, the government (principal) requires funds from tax revenues to finance government spending. The conflict of interest between the company and the government triggers the agent to carry out earnings management to minimize tax payments to the government.

Another factor that affects earnings management is deferred tax (Sudirman & Muslim, 2018). Deferred tax is 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. Recognition of deferred tax impacts reduced net profit or loss as a result of the possibility of recognizing deferred tax expense and deferred tax benefits (Waluyo, 2011). For a company, the tax borne is an element of cost that reduces the company's profit because the higher the tax borne by a company, the smaller the company's profit. Companies face conflicting impulses when it comes to earnings management. On the one hand, company management wants to display good financial performance by maximizing reported profits to shareholders and other external users. However, on the other hand, the company's management also wants to minimize the reported taxable profit for tax purposes (Ettredge, 2008). The steps that are then taken to achieve both are to manipulate earnings to be higher for financial reporting but not for tax reporting.

The difference between accounting profit and fiscal profit can cause difficulties in determining the amount of profit. It can affect the position of the financial statements and cause an imbalance in the ending balance. Therefore, it is necessary to adjust the balance between accounting profit and fiscal profit through fiscal reconciliation. The temporary difference between accounting and fiscal profit creates a deferred tax burden (Yulianti, 2005). The difference between accounting profit and taxable

income becomes one of the instruments for managers to carry out earnings management. It will reflect a higher level of manager policy in manipulating earnings (Ettredge, 2008).

Several researchers have studied this research, such as Aditama & Purwaningsih, 2014 and Ulfah, 2013, which prove that tax planning has a positive and significant effect on earnings management. In contrast to the research conducted by (Endriati et al., 2006; Aditama, 2013; Setiawan, 2015) who also found that tax planning does not significantly positively affect earnings management. Furthermore, research conducted by (Utari, 2007; Junery, 2016; Tundjung & Haryanto, 2015; Lestari, 2012; Yulianti, 2005; Lukman, 2013; Ulfah, 2013) who found that deferred tax had a significant positive effect on earnings management. In contrast to research conducted by (Setiawan, 2015; Amanda & Febrianti, 2015; Ningrat, 2014) prove that deferred tax expense does not significantly affect the probability of companies doing earnings management. Until now, earnings management is the most controversial area in financial accounting. This research is a development that will test and analyze the relationship between tax planning and deferred tax expense on earnings management.

LITERATURE REVIEW

The relationship between tax planning and earnings management can conceptually be explained by agency theory and positive accounting theory, which have been discussed in earnings management theory. Agency theory explains the relationship between agents (company management) and principals (owners). The principal is the party who delegates authority to the agent to perform services on behalf of the principal, and the agent is the authorized party. Therefore, the agent is the party who has the decision-making power, and the principal is the party who evaluates the information. In agency theory, it is emphasized to overcome two problems that can occur Darmawati et al., (2004), namely first, agency problems that arise when the desires or goals of the principal and agent are opposite, and it is difficult for the principal to verify what the agent does; second, the problem of risk sharing that arises when the principal and agent have different attitudes towards risk. Further additional explanation by Darmawati et al., (2004) states that there are assumptions regarding human nature, namely humans are generally self-interested, humans have limited thinking power about future human perceptions (bounded rationality), and humans always avoid risk-averse. These three properties cause the reliability of information produced by humans for other humans is constantly questioned, and the information submitted is usually received not by the actual company conditions or better known as asymmetric information or asymmetry information (Pramuka & Ujiyanto, 2007) so that it provides opportunities for managers to carry out earnings management. It is different from what was stated by (Kusumawati & Sasongko, 2005; Aditama & Purwaningsih, 2014), which stated that between internal and external parties, as users of financial statements in companies sometimes there are various interests so that it can cause conflict and harm the parties who have a common interest. Conflict arises because management is trying to increase wealth, while shareholders want to increase their wealth. Meanwhile, management wants to pay as little tax as possible, and the government wants to collect as much tax as possible. In this regard (Suandy, 2008; Aditama & Purwaningsih, 2014) states that with the management's desire to reduce the tax burden and make it as small as possible, management tends to reduce taxes to a minimum. This effort to minimize the tax burden is often called tax planning.

Meanwhile, according to positive accounting theory, three recognized agency relationships (Watts & Zimmerman, 1986; Aditama & Purwaningsih, 2014). First, the relationship between management and owners (the bonus plan hypothesis). Accounting methods is a method that can adjust the size of accounting numbers in financial statements. It is done so that managers can get a maximum bonus every year. The success of the manager's performance depends on the level of profit earned by the company. Second, the relationship between management and creditors (the debt to equity hypothesis) relates to the conditions that the company in the debt covenant must meet. Most debt contracts have conditions that the borrower must meet during the contract period. When the company begins to face the threat of breach of debt contracts, management will try to avoid debt agreements by choosing accounting methods that can increase revenue or profits. Furthermore, on the relationship between management and the government (the political hypothesis), it is said that companies that are faced with political costs tend to engineer profit reductions to minimize the political costs they have to bear. Political costs include all costs that companies must bear related to government regulations: the tax burden. The company will

carry out tax planning as effectively as possible to obtain financial benefits and obtain additional capital from investors through the sale of company shares. The status of companies that have gone public generally tends to be high profile than companies that have not gone public. So to increase the value of the company's shares, the management is motivated to provide the best possible company performance information. Therefore, the tax, which is an element of profit deduction available to be shared with investors or invested by the company, will be endeavored by management to optimize the company's net profit.

According to (Scott, 2003; Rehobot, 2012), earnings management is management's action to choose accounting policies from a certain standard, for example, by changing the declining balance method, straight line, and other methods and then comparing whichever is higher the cost to reduce company profits so that the company can reduce the tax burden. Meanwhile, according to Yulianti (2005), the definition of earnings management is a behavior where managers "play" with the discretionary accruals component in determining the number of earnings. Meanwhile, in a broad sense, earnings management is defined as the manager's action to increase (decrease) the currently reported earnings of a unit for which the manager is responsible, without increasing (decrease) in long-term economic profitability. Then, Djamaluddin, (2008) put forward the definition of earnings management as behavior carried out by managers using policies (judgments) in financial reporting and in compiling transactions to change financial statements and mislead stakeholders about the company's economic performance, or to influence contractual outcomes that depend on accounting numbers reported. Because financial statements are often used as performance appraisal indicators, earnings management behavior is possible because management has more accurate information than the principal.

High profits show good performance for investors and other external users. However, high profits will affect the amount of taxation. It creates a desire for management to minimize the tax burden as long as it does not come out of the existing tax rules. This effort is called tax planning. According to (Zain, 2003), tax planning is a structural action related to the condition of potential tax consequences, which is on controlling every transaction with tax consequences. The goal is how the control can streamline the amount of tax transferred to the government, a legal act still within the scope of tax legislation and not tax smuggling. Furthermore, Suandy, (2008) defines tax planning as the process of organizing the business of a taxpayer or a group of taxpayers so that the tax debt, both PPh and other tax burdens, is in a minimal position. Further explanation by Suandy, (2008) states that if the factors that will be used to save taxes are known in tax planning, then the next steps are to implement them both formally and materially. As for the strategies in tax planning efforts, namely, first, tax saving which is an effort by taxpayers to avoid their tax debts by refraining from buying products that have value-added tax or intentionally reducing the hours of work or work that can be done so that their income be small and thus avoid the imposition of significant income taxes. Second, tax avoidance is an effort by taxpayers not to commit acts subject to taxes or efforts that are still within the framework of the provisions of tax laws and regulations to reduce the amount of tax payable. Third, by mastering applicable tax regulations, companies can avoid tax sanctions, namely administrative sanctions in the form of fines, interest or increases, and criminal fines or imprisonment. Fourth, delaying the payment of tax obligations by delaying the payment of tax obligations without violating applicable regulations can be done by delaying VAT payment. This delay is carried out by delaying the issuance of the output tax invoice until the allowed time limit. It is, lastly, optimizing allowable tax credits. For example, PPh Article 22 on the purchase of diesel and imports and foreign fiscal on official travel of employees.

Based on this description, the better the tax planning, the greater the scale of corporate earnings management. One of the tax plans is to regulate reported earnings so that they can be included in the instructions for earnings management practices. In this regard, Fitriany et al., (2016) prove that tax planning has a positive and significant effect on earnings management. Thus, the hypothesis is formulated as follows:

H1: Tax Planning Affects Earnings Management

In addition to tax planning, deferred tax expense can also be used to detect earnings management practices carried out by company management. Deferred tax is 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. Recognition of deferred tax impacts reducing net

profit or loss as a result of the possibility of recognizing deferred tax expense and deferred tax benefits (Waluyo, 2008). According to PSAK No. 46, deferred tax is the amount of income tax for future periods due to temporary deductible differences and the remaining compensation for losses. According to (Harnanto, 2003; Fitriany et al., 2016), deferred income tax expense refers to costs arising from temporary differences between accounting profit (earnings in external financial statements) and taxable income (profits used as the basis for calculating taxes). Taxable profit is positively correlated with financial reporting incentives (such as financial distress and bonuses), so managers can manage earnings by increasing or decreasing the amount of deferred tax expense recognized in the income statement. Thus, the deferred tax expense can affect the company's earnings management because the deferred tax expense can reduce the company's profit level. In this regard, Ulfah, (2013) has proven in his research that deferred tax expense has a positive effect on earnings management. Based on this, the hypothesis is formulated as follows:

H2: Deferred Tax Expense affects Earnings Management

Based on the description that has been stated previously, the variables related to this research can be formulated through the following scheme.

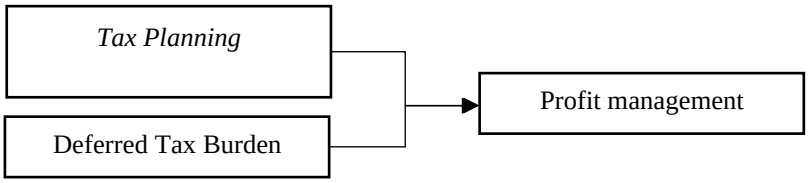

Figure 1. Research Model

METHOD

This study involved 20 manufacturing companies that publish annual financial reports that are audited and published on the Indonesia Stock Exchange (IDX) from 2015 to 2017 from the entire population. Sampling using purposive sampling method with sample criteria, namely first, companies that report audited financial statements from 2015 to 2017 and publish financial statements for the year ended and as of December 31. Second, manufacturing companies engaged in the food and beverage sub-sector consumer goods industry. Third, the company was not delisted during the observation period. Fourth, the company reports deferred tax expense in specific years, namely between 2015-2017. Fifth, the company does not carry out acquisitions, mergers, restructuring, and changes in business groups. The existence of acquisitions, mergers, restructuring, and changes in business groups will cause the financial statements to be presented differently, thus affecting the company's financial position and performance. Sixth, the company reports financial statements in Rupiah (IDR). Furthermore, data collection in this study used the documentation method. After the data is collected, data analysis is carried out using descriptive statistical methods, logistic regression methods, hypothesis testing (conducted multivariate using logistic regression test (Hosmer and Lemeshow's goodness of fit test), coefficient of determination test, individual parameter significant test, and correlation test. Partial). The logistic regression model used is as follows.

$$Ln\frac{EM}{1-EM} = \alpha + \beta_1 TRR_{it} + \beta DTE_{it} + \varepsilon$$

Information:

$Ln\frac{EM}{1-EM}$: earnings management category dummy variable

TRRit : Tax Retention Rate of company i in year t
DTEit : Deferred Tax Expense of company i in year t divided by Total Assets at the end of year t
E : error term

Table 1. Definition of Operational Variables

Variable	Measurement	Information
Tax Planning (X1)	The formula for tax retention rate (tax retention rate): $TRR = \frac{Net\ Income_{it}}{Pretax\ Income\ (EBIT)_{it}}$	TRRit : Tax Retention Rate of company i in year t. Net Income it : The net profit of company i in year t. Pretax Income (EBITit) = Profit before tax of company i year t
Deferred Tax Burden (X2)	$\frac{BDeferred\ Tax_{it}}{Total\ Assets_{t-1}}$	Deferred Tax Expense : Deferred tax expense of company i in year t. Total Assetsit : Total assets of the company in the previous year.
Profit management (Y)	$Scaled\ Earning\ Changes_{it} = \frac{Net\ Income_{it} - Net\ Income_{i(t-1)}}{Market\ Value\ Equity_{i(t-1)}}$ $MVE_{i(t-1)} = Shares\ Outstanding \times Share\ Price$	Scaled Earning Changesit : profit change. Net Incomeit : company i's profit in year t. Net Incomei(t-1) : company i's profit in year t-1. Market Value Equityi(t-1) : Market Value Equity in company i in year t-1.

$$Percentage = \frac{\sum Answer\ "Yes"}{\sum Questionnaire\ Answer} x100\%$$

Table 2. List of Companies that Become the Object of Research

No	List of Companies	Code
1	Tiga Pilar Sejahtera Food Tbk.	AISA
2	Wilmar Cahaya Indonesia Tbk.	CEKA
3	Delta Djakarta Tbk.	DLTA
4	Indofood CBP Sukses Makmur Tbk.	ICBP
5	Indofood Sukses Makmur Tbk.	INDF
6	Multi Bintang Indonesia Tbk.	MLMBI
7	Mayora Indah Tbk.	MYOR
8	Nippon Indosari Corpindo Tbk.	ROTI
9	Sekar Laut Tbk.	SKLT
10	Ultra Jaya Milk Industry & Trading Company Tbk.	ULTJ
11	Alumindo Light Metal Industry Tbk	ALMI
12	Astra International Tbk.	ASII
13	Astra Otoparts Tbk.	AUTO
14	Betonjaya Manunggal Tbk.	BTON
15	Citra Tubindo Tbk.	CTBN
16	Goodyear Indonesia Tbk.	GDYR
17	Gajah Tunggal Tbk.	GJTL
18	Sumi Indo Kabel Tbk.	IKBI
19	Indomobil Sukses Internasional Tbk.	IMAS
20	Indal Aluminium Industry Tbk.	INAI

RESULT AND DISCUSSION

Result

Table 3. Tax Retention Rate (TRR)

No	Code	2015	2016	2017
1	AISA	0.508158943	0.561132332	0.319827807
2	CEKA	0.636942582	0.783832822	0.667294073
3	CPIN	0.525389806	0.503813347	0.692210741
4	ICBP	0.732227291	0.746541032	0.735755234
5	INDF	0.503810118	0.635715334	0.634558483
6	MLMBI	0.735538181	0.743932294	0.807342835
7	MYOR	0.671222433	0.599796911	0.6475966
8	ROTI	0.596350114	0.631486643	0.511993818

9	SKLT	0.591993818	0.614336299	0.582927089
10	ULTJ	0.754980039	0.798468813	0.741849032
11	ALMI	0.915951841	0.73994895	0.672594935
12	ASII	1.084420271	0.706242401	0.776868866
13	AUTO	0.658521351	1.382788582	0.48431944
14	BTON	0.141574523	0.190410966	0.070167498
15	CTBN	0.73218076	0.755611836	0.750994189
16	GDYR	0.789391241	0.715038948	0.70932948
17	GJTL	0.773937585	0.747421317	0.773690714
18	IKBI	0.744783817	0.76042616	0.751371005
19	IMAS	1.287793332	1. 118847403	0.354099833
20	INAI	0.72267492	0.66887003	0.734188379

Table 4. Tax Planning Descriptive Statistics Results

Categories	2015	2016	2017	2015-2017
Min	0.141574523	0.190410966	0.070167498	0.070167498
Max	1.287793332	1.382788582	0.807342835	1.382788582
Mean	0.705392148	0.720233121	0.620949003	0.682191424
Standard Deviation	0.230357343	0.230531289	0.188170257	0.024407094

Based on tables 3 and 4, it can be seen that in 2014 the lowest tax planning value was at Betonjaya Manunggal Tbk (BTON), amounting to 0.141574523. In 2016, the lowest value was still at Betonjaya Manunggal Tbk (BTON), which was 0.190410966. Meanwhile, for 2017 the lowest value was at Betonjaya Manunggal Tbk (BTON), which was 0.070167498. In 2015, the highest score was at Indomobil Sukses Internasional Tbk (IMAS) of 1.287793332. For 2016, the highest score was at Astra Otoparts Tbk (AUTO) of 1.382788582. Meanwhile, in 2017 the highest score was at Multi Bintang Indonesia Tbk (MLBI) of 0.070167498.

Descriptive statistical results of tax planning variables for 2015-2017 show a minimum value of 0.070167498, a maximum value of 1.382788582, a mean value of 0.682191424, and a standard deviation 0.024407094.

Table 5. Deferred Tax Burden

No	Code	2015	2016	2017
1	AISA	0.004107944	0.003282713	0.02782079
2	CEKA	0.00488033	0.027089919	0.023646798
3	CPIN	0.001872759	0.002930263	0.003985467
4	ICBP	0.002212444	0.022943747	0.019383599
5	INDF	0.022687	0.024877798	0.709032446
6	MLMBI	0.017824466	0.017119779	0.014829021
7	MYOR	0.00159864	0.003740618	0.00552742
8	ROTI	0.014046324	0.021154127	0.016970593
9	SKLT	0.043060738	0.033591705	0.03503776
10	ULTJ	0.003331524	0.004645042	0.004520198
11	ALMI	0.00076536	0.000581698	0.000644347
12	ASII	0.003542807	0.002366115	0.002074673
13	AUTO	0.000378053	0.022574528	0.006874484
14	BTON	0.000667671	0.000713229	0.000385055
15	CTBN	0.001278215	0.000887039	0.00107029
16	GDYR	0.004754176	0.000185468	0.000578914
17	GJTL	0.000140559	0.000003671	0.00034767
18	IKBI	0.002539452	0.004596077	0.001022974
19	IMAS	0.019231803	0.024744207	0.010696591
20	INAI	0.002060766	0.007282715	0.001256432

Table 6. Deferred Tax Expense Statistic Results

Categories	2015	2016	2017	2015-2017
Min	0.000140559	0.000003671	0.00034767	0.000003671
Max	0.043060738	0.033591705	0.709032446	0.709032446
Mean	0.007549052	0.011265523	0.044285276	0.021033284
Standard Deviation	0.010822646	0.011397543	0.156807856	0.084119133

Based on tables 5 and 6, it can be seen that in 2015deferred tax expense (Deferred Tax Expensethe lowest value of/ DTE) was at Gajah Tunggal Tbk (GJTL) of 0.000140559. In 2016, the lowest score was still with Gajah Tunggal Tbk (GJTL) of 0.000003671. While in 2017, the lowest value was at Gajah Tunggal Tbk (GJTL) of 0.00034767. The highest value in 2015 was at Sekar Laut Tbk (SKLT) of 0.043060738. For 2016, the highest value was still at Sekar Laut Tbk (SKLT) of 0.033591705. Meanwhile, in 2017, the highest score was at Indofood Sukses Makmur Tbk (INDF) of 0.709032446.

The descriptive statistical results of the 2015-2016 deferred tax expense variable show a minimum value of 0.000003671, a maximum value of 0.709032446, a value mean of 0.021033284, and a standard deviation of 0.084119133.

Tabel 7. Scaled Earning Changes

No	Code	2015	2016	2017
1	AISA	0.000001075	0.000246203	-0.001627112
2	CEKA	0.000633739	0.000725478	-0.007549757
3	CPIN	0.000243431	0.000725221	-0.000567943
4	ICBP	0.000128042	0.000122023	-0.000966859
5	INDF	0.000012129	0.000016776	-0.000069687
6	MLMBI	-0.001646272	0.001922289	-0.000066331
7	MYOR	0.001565687	0.000107664	-0.000440935
8	ROTI	0.000586685	-0.000001969	-0.001436178
9	SKLT	0.000673872	0.007096568	-0.002011005
10	ULTJ	0.000109471	0.000068938	-0.000007273
11	ALMI	3. 165122223	-2.802043316	-0.004329406
12	ASII	10. 84857379	0.039904988	0.010469731
13	AUTO	-0.023335219	0.093712877	-0.285028549
14	BTON	-0.018373937	0.004446838	-0.002074217
15	CTBN	-0.355364066	0.262017772	-0.095326615
16	GDYR	0.266062553	-0.262143136	-0.153512978
17	GJTL	0.675753016	0.706305595	-1.350108632
18	IKBI	0.01154683	-0.107110167	0.122354548
19	IMAS	0.120855947	-0.128687285	0.232584506
20	INAI	0.053898567	-0.700033289	0.263034522

Tabel 8. Variable Dummy

No	Code	SEC 2015	SEC 2016	SEC 2017	TOTAL SEC
1	AISA	1	1	0	2
2	CEKA	1	1	0	2
3	CPIN	1	1	0	2
4	ICBP	1	1	0	2
5	INDF	1	1	0	2
6	MLMBI	0	1	0	1
7	MYOR	1	1	0	2
8	ROTI	1	0	0	1
9	SKLT	1	1	0	2
10	ULTJ	1	1	0	2
11	ALMI	1	0	0	1
12	ASII	1	1	1	3
13	AUTO	0	1	1	2
14	BTON	0	1	1	2
15	CTBN	0	1	1	2

16	GDYR	1	0	0	1
17	GJTL	1	1	1	3
18	IKBI	1	0	0	1
19	IMAS	1	0	0	1
20	INAI	1	0	0	1

Tabel 9. 2015-2017 Descriptive Statistics Results

Variable	N	Min	Max	Mean	Standard Deviation
Profit management	60	-2.802043316	10.84857379	0.176462791	1.527182018

The results of descriptive statistics on earnings management variables in 2015-2017 show a minimum value of -2.802043316, a maximum value of 10.84857379, a mean value of 0.176462791, and a standard deviation of 1.527182018.

Table 10. Logistics Regression

Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	7.113	8	.524

Source: Data processed

The feasibility of the logistic regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test. If the statistical value of Hosmer and Lemeshow's of Fit Test is more significant than 0.05, then H0 is accepted, resulting in hypothesis H1 and hypothesis H2 being rejected. The model can predict the value of the observations. It can be said that the model is acceptable because it is by the observational data to predict the population so that the resulting model can be used to draw conclusions based on research studies. The test results in table 10 show that the chi-square value is 7113 with a sig (opportunity) value of 0.524. From these results, it can be seen that the sig value is greater than the 5% alpha significance level (0.05), which means that the decision taken is to accept h0, which means there is no difference between the predicted classification and the observed classification. That means the logistic regression model can be used to analyze further the population based on sample data and then conclude. It can be concluded that the model has adequately explained the data.

Table 11. Coefficient of Determination Test (R)

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	79.265[a]	.037	.049

a. Estimation terminated at iteration number 8 because parameter estimates changed by less than .001.

Based on table 11, it can be seen that the value of R2 is 0.49 or 49%, which means that the variable X1 (tax planning) and variable X2 (deferred tax expense) affects Y (earnings management) by 49%. the variables studied. It can also be said that the ability of variable X1 (tax planning) and variable X2 (deferred tax expense) is able to explain variable Y (earnings management) of 0.49 or 49%. For the rest, about 51% of the Y variable is explained by other factors that have not been studied in this study. The number 0.49 also explains that the correlation between X1 and Y and X2 with Y is categorized as having a weak relationship and based on the results of the significance test, it means that the association of the two pairs of variables is not significant.

Table 12. Individual Parameter Significance Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.492	.245		2.004	.050
	X1	.165	.354	.061	.465	.643
	X2	.870	.713	-.159	-1.219	.228

a. Dependent Variable: Y

Based on the results of simple linear regression analysis in table 12, it can be seen that the tax planning variable (X1) has a positive regression coefficient value of 0.165 and can be categorized as having a weak relationship with earnings management. While the deferred tax expense (X2) has a coefficient value of 0.870 and can be categorized as having a positive linear relationship with earnings management.

Table 13. Partial Correlation Test Results

Correlations

		Y	X_1	X_2
Y	Pearson Correlation	1	.064	-.160
	Sig. (2-tailed)		.627	.221
	N	60	60	60
X_1	Pearson Correlation	.064	1	-.020
	Sig. (2-tailed)	.627		.879
	N	60	60	60
X_2	Pearson Correlation	-.160	-.020	1
	Sig. (2-tailed)	.221	.879	
	N	60	60	60

From the partial correlation, it can be seen that tax planning (X1) has a value of 0.064 with a significance value of 0.627, which can be categorized that the correlation of tax planning (X1) with earnings management (Y) has a positive relationship. While deferred tax expense (X2) has a value of -0.160 with a significance value of 0.221, which can be categorized that deferred tax expense (X2) and earnings management (Y) have a weak negative relationship.

Table 14. Variables Not in the Equation

			Score	Df	Sig.
Step 0	Variables	X_1	.245	1	.620
		X_2	1.542	1	.214
	Overall Statistics		1.764	2	.414

Tabel 15. (Advanced)

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	.336	.262	1.651	1	.199	1.400

In tables 14 and 15, the sign of exp (BPT) shows tax planning with a coefficient value of 0.245, meaning that tax planning (X1) has a weak positive effect on earnings management, meaning that the higher the tax planning, the more excellent the opportunity for the company to carry out earnings management. Similarly, the deferred tax burden (X2) has a coefficient value of 1.542, which means that the deferred tax burden has a positive effect on earnings management (that is, it shows the elasticity between the deferred tax burden and the profitability of the company doing earnings management, meaning that if the deferred tax burden increases by 1%, the company's profitability will increase by 1%). Performing earnings management will increase by 1%. On the other hand, if deferred tax expense decreases by 1%, the profitability of companies performing earnings management will decrease by 1%). The significance level is for tax planning of 0.620 or 62% and deferred tax burden of 0.214 or 21%. From these results, it can be seen that sig is greater than the significance level of alpha 5% (0.05), so it can be concluded that neither tax planning nor deferred tax expense has a significant effect on earnings management.

Discussion

Based on the results of H1 testing, tax planning has a positive correlation with earnings management variables. It shows that the higher the tax planning, the more excellent the opportunity for companies to carry out earnings management in manufacturing companies listed on the Indonesian stock exchange. It is because the company does not want to pay too much tax based on the profits earned by

the company so that the company can manage profits through tax planning. Thus, the profit earned is small, and the company will pay a small amount of tax. Through tax planning, corporate tax payments can be delayed. That is why many companies use tax planning for corporate earnings management. This statement is supported by (Suandy, 2008; Aditama & Purwaningsih, 2014) which states that with the management's desire to reduce the tax burden and make it as small as possible, management tends to reduce taxes to a minimum by doing tax planning. In this regard, positive accounting theory suggests a relationship between management and government (the political hypothesis). It is said that companies that are faced with political costs tend to engineer a decline in profits to minimize the political costs they have to bear, including the tax burden. The results of this study are in line with research conducted by Aditama & Purwaningsih, 2014 and Ulfah, 2013 which proves that tax planning has a positive and significant effect on earnings management. However, the results of this study were contradicted by research conducted by Endriati et al., 2006; Aditama, 2013; Setiawan, 2015, who also found that tax planning does not have a significant positive effect on earnings management.

The results of the H2 test show that the deferred tax expense has a positive correlation with earnings management, meaning that the higher the deferred tax expense, the higher the profitability of the company doing earnings management. The difference between fiscal profit and accounting profit is more significant. According to (Plesko, 2002; Phillips et al., 2003), the amount of management discretion will be reflected in the deferred tax expense. It can be used to detect earnings management practices in companies. It is also in line with what was disclosed by Yulianti, (2005), which states that the greater the percentage of deferred tax expense to the company's total tax burden, the more liberal the use of accounting standards is. The more liberal the accounting standards used, the more assumptions and judgments that result in the amount of profit in accounting. The use of assumptions and judgments can constitute an earnings management effort by company management. The differences that arise between tax and commercial accounting can provide additional information for users of financial statements to assess the quality of current earnings (Phillips et al., 2003). The reason is that tax regulations limit the flexibility to use discretion in calculating taxable income, which causes the difference between commercial profit and fiscal profit (book-tax gap) to inform management's discretion in the accrual process. Another explanation that can support the statement that deferred tax expense can be used to detect earnings management practices is looking at the results of fiscal corrections in the form of negative corrections. Negative correction is a condition where income is smaller than commercial accounting and expenses according to fiscal accounting are greater than commercial accounting. It is what causes an increase in deferred tax liability in the balance sheet items for the current period and subsequent periods recognized by the company as deferred tax expense in the income statement. The results of this study are in line with research conducted by (Utari, 2007; Junery, 2016; Tundjung & Haryanto, 2015; Lestari, 2012; Yulianti, 2005; Lukman, 2013; Ulfah, 2013) who found that deferred tax had a significant positive effect on earnings management. In contrast to research conducted by (Setiawan, 2015; Amanda & Febrianti, 2015; Ningrat, 2014) prove that deferred tax expense does not significantly affect the probability of companies doing earnings management.

CONCLUSIONS AND SUGGESTIONS

Based on the results of the study, tax planning has a positive correlation to earnings management. The higher the tax planning, the more excellent the opportunity for the company to carry out earnings management (and vice versa) even though the effect is weak, meaning that many other factors determine the occurrence of earnings management. Meanwhile, deferred tax expense has a positive correlation with the probability of the company doing earnings management. With every increase in deferred tax expense, the probability of the company doing earnings management will increase (and vice versa). This research can be expanded by adding independent variables suspected to have a strong influence in detecting earnings management. Furthermore, it is hoped that further researchers will extend the interval of their research years, for example, five years. In addition, further researchers are expected to expand or add samples such as non-manufacturing companies listed on the Indonesia Stock Exchange so that they do not only examine manufacturing companies.

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