International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 2, 2020
ISSN: 1475-7192

Deferred Tax Expenses, Deferred Tax Assets and Tax Planning on Earning Management

(Case Study of Property, Real Estate and Building Construction Service Companies listed on the Indonesia Stock Exchange during 2016-2018)

Yati Mulyati[1], Diana Sari[2], Dyah Purnamasari[3], Citra Mariana[4], Hesty Juni Tambuati[5]

Abstract---*Financial statements presented by companies to stakeholders and tax authorities must provide assurance that no earnings management practices are in place. This study aims to prove whether earnings management is affected by deferred tax expense, deferred tax assets and tax planning. The data used in this study were sourced from financial statements in the Property, Real Estate and Building Construction Service Companies listed on the Indonesia Stock Exchange during 2015-2018. Purposive sampling is a method used in sample selection, so that the selected sample of 40 samples are collected and analyzed using multiple regression analysis. From the observed sampling, the results of the study prove that the deferred tax burden affects earnings management, while the deferred tax assets and tax planning do not affect earnings management*

Keywords---*Deferred Tax Expense, Deferred Tax Assets, Tax Planning, Earning Management*

I. Introduction

Financial statements are reports and presented in a structured manner by an entity. The financial statements have the aim of providing information about financial statement of the entity that is beneficial for most users of the report in making economic decisions (Indonesia, 2018). Profit is the main concern in estimating management performance or accountability and earnings information helps the owner or other parties to estimate the company's earnings power in the future. In the perspective of investment decision making, earnings information is important for investors to know the earnings quality of a company so that they can reduce information risk.

Profit plays a very important role for a company. With profits the company can maintain its survival and carry out various developments for the betterment of its business. Profit is used as a basis for decision making for stakeholders, managers, employees, creditors and the government. High profits make expectations for the company and quality earnings are profits that can reflect the continuity of earnings (sustainable earnings) in the future, which is determined by the accrual and cash components and can reflect the company's actual financial performance.

High profits will be accompanied by company obligations in paying large taxes. On the other hand, companies are reluctant to pay big taxes. Therefore there is a possibility of the company doing earnings management. Earnings management is a behavior carried out by company managers to increase or decrease profits in the external financial reporting process with the aim to benefit himself (Belkaoui, 2007).

[1]*Faculty of Economics, Widyatama University, Bandung, Indonesia*
Corresponding author E-mail: yati.mulyati@widyatama.ac.id

Managers will manage earnings on the basis of tax motivation in an effort to reduce tax payments (Scott, 2014). Earnings management is carried out among others by the use of accounting methods by management in the context of tax savings, so that it is an effort made in order to take advantage of existing gaps or opportunities as long as they are in line with tax laws. Another effort is to determine the types of income as a tax object, but in general the income that is stated as a tax object does not specifically regulate the time of recognition of income and related costs. On that basis, taxpayers have freedom in making accounting policies relating to the determination of the time of recognition of revenues and costs, even though the accounting policies that have been set must be applied in a consistent or consistent manner from year to year. This gap can open opportunities for management to make efforts to delay or accelerate the recognition of revenues and costs, so as to reduce the amount of tax to be paid (Setiawati, 2001)

Earnings management practices carried out by managers are inseparable from the factors that affect a manager's freedom to apply techniques to increase or decrease the company's profits. One of them is tax planning to minimize taxes in the framework of earnings management.

This study refers to previous research that tax planning and deferred tax burden have an influence on earnings management (State, 2017), and deferred tax assets affect earnings management (Timuriana, 2015). Therefore, this study aims to determine the effect of tax planning, deferred tax assets and deferred tax burden on earnings management in companies engaged in real estate and property listed on the Jakarta Stock Exchange for 3 years 2016-2018.

II. Literature Review

Efforts made by management to intervene in the preparation of financial statements with the aim to benefit themselves, namely the related company called Profit Management. Earnings management can be done through income smoothing, taking a bath, and income maximization practices (Scott, 2014). The concept of earnings management can be explained using the agency theory approach. The theory states that the practice of earnings management is influenced by conflicts of interest between the parties concerned (principal) with management as the party running the interests (agent). This conflict arises when each party tries to achieve the level of prosperity it wants.

Earnings management can also be done by changing the accounting method, changing the accounting estimation (estimation) policy and shifting the cost or revenue period, so that by doing so the company can manage its profits Damayanti (2008). Earnings management is measured by assessing the company's total accruals, namely the company's net income minus the cash flow of operational activities Sulistiyanto (2008).

Deferred tax expense is an expense arising from temporary differences between accounting earnings (earnings in financial statements for external parties) and fiscal profits (earnings used as the basis for calculating taxes) (Harnanto, 2011). The difference between accounting and fiscal financial statements is caused in the preparation of financial statements, accounting standards provide more flexibility for management in determining accounting principles and assumptions than is allowed according to tax regulations (Yulianti, 2005).

Philips et al. (2003) found that deferred tax expense is more incrementally useful in detecting earnings management than total accruals and abnormal accruals. The greater the percentage of deferred tax expense to the total corporate tax burden shows increasingly liberal accounting standards (Yulianti, 2005). Managers may be able to engineer profits or earnings management by increasing or reducing the amount of deferred tax expense recognized in the income statement. The negative difference between accounting profit and fiscal profit results in deferred tax burden (Djamaludin, 2008). Therefore, deferred tax expense can influence a company to manage earnings because deferred tax expense can reduce a level of profit in the company. Deferred tax expense is measured using a ratio scale, by weighting deferred tax expense by total assets or total assets.

H_1: Deferred tax expense affects earnings management.

Deferred tax assets are the amount of income tax recovered in the coming periods as a result of temporary differences that may be deducted and the remaining compensation for losses (Indonesia, 2018). Deferred tax assets arise if the difference between the reported profits of the company (commercial profits) and fiscal profits, so that the difference causes a positive correction, then the tax burden according to accounting will be smaller than the tax burden according to tax regulations. (Sukrisno Agus, 2019). The small tax burden on a commercial basis will have a large profit so the tax to be paid is also large, resulting in companies trying to postpone payment of the tax payable for the coming period.

Deferred tax assets are used as a proxy as an indicator of the company's earnings management practices. then the role of deferred tax assets that can be possible can be used as an indicator of earnings management. If the amount of deferred tax assets increases, the higher the management will do earnings management (Zulaikha, 2007). Deferred tax assets are measured by the ratio of changes in the value of deferred tax assets at the end of the period to the previous period.

H_2: Deferred tax assets affect earnings management.

Tax planning is a systematic process to minimize income tax by considering the consequences of alternative business or investment actions. The choice of organizational form, capital structure, decision and the right time for transaction are the determining factors in doing tax planning (Hidayat, 2013). Tax planning is also a process of organizing taxpayer businesses whose ultimate goal is the tax planning process which causes tax debt to be kept to a minimum, as long as it is still within the framework of applicable tax regulations. Therefore, tax planning is a legal action because it is permitted by the government as long as it is in the corridor of the applicable tax laws in Indonesia.

The management tries to reduce profits with the aim of making the tax burden as small as possible, so the management tends to minimize tax payments. Efforts to minimize the tax burden is often referred to as tax planning (tax planning) or tax sheltering (Suandy, 2008). Tax planning is measured by the Tax Retention Rate, which analyzes the effectiveness of tax management on financial statements, using the ratio between net income and profit before tax (Wild et al, 2004)

H_3: Tax Planning affects earnings management

III. Methodology

This research is descriptive research. The study was conducted at the Property, Real Estate and Building Construction Service Companies listed on the Indonesia Stock Exchange during 2015-2018 which is the population in this study, where by using the purposive sampling method 10 companies were selected as research samples with a total number of samples over four years the observation period is 40 companies

Data collection techniques used in this study are documentation techniques in the form of financial reports obtained from the Indonesia Stock Exchange at the internet address www.idx.co.id and the Indonesia Market Capital Directory (ICMD).

The statistical method used to analyze data and test hypotheses is using descriptive statistics and multiple regression analysis using the help of Microsoft Excel 2010 software and SPSS version 22.

IV. Result and Discussion

Result

Descriptive Statistic

Table 4.1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std Deviation
DTE	40	,00001	,00645	,0013733	,00186083
DTA	40	-,93787	28,45845	1,7765420	6,21836185
TP	40	-1,00661	2,87585	,1036505	,50787013
EM	40	-,13607	,12836	,0076998	,06197289

Source: Research Data Processing Results with SPSS (2020)

The description of deferred tax expense is obtained based on Table 1 as a whole the condition of deferred tax expense as a representation of 10 companies over the past 5 years, showing an average of 0.0013733 (0.14%), standard deviation of 0.00186083 (0.19%), from 31 units of analysis. Descriptions of deferred tax assets as a whole during the observation period showed an average of 1.7765420 (177.65%), standard deviation of 6.21836185 (622.00%).

Description of tax planning obtained by the condition of the representation of 10 companies over the past 5 years, showing an average of 0.1036505 (10.36%), standard deviation 0.50787013 (50.79%), from 31 units of analysis. Description of earnings management is obtained based on Table 1. Overall condition of earnings management as a representation during the observation period, showing an average of 0.0076998 (0.77%), standard deviation 0.06197289 (6.20%), from 31 units of analysis.

Panel Data Regression Results

The results of the regression analysis using the SPSS program obtained the following results:

Table 4.2

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
(Constant)	,027	,012		2,221	,033
DTE	-11,84	5,103	-,356	-2,323	,026
DTA	-,002	,002	-,161	-1,051	,300

TP	-,001	,019	-,008	-,055	,956

Source: Research Data Processing Results with SPSS (2020)

The results of the regression coefficient analysis through the linear regression analysis approach can be seen the following equation:

EM = 0,027 – 11,854BPT – 0,002APT- 0,001

Hypothesis Testing (t-test)

Hypothesis testing or t test is used to test hypotheses in research, by showing how much influence each independent variable has on the dependent variable.

Hypothesis test results for each independent variable used in this study are shown in the following table:

Table 4.3

Hypothesis Test Results (t Test)

Variabel	t hitung	α hitung	Keterangan
Deferred tax expense	-2.323	0.026	Significant
Deferred tax assets	-1.051	0.300	Not Significant
Tax Planning	-0.055	0.956	Not Significant

Source: Research Data Processing Results with SPSS (2020)

Hypothesis test results as shown in table 3 show that Deferred Tax Expense affects Earnings Management with a probability value of 0.026 <0.05. Furthermore, the second hypothesis test results show that Deferred Tax Assets do not affect Profit Management with a probability value of 0.300> 0.05. and the results of hypothesis testing prove that Tax Planning has no effect on earnings management with a probability value of 0.956> 0.05.

V. Discussion

Deferred Tax Expense and Earnings Management

The results of testing the hypothesis of the comparison between tcount and ttable, shows tcount> ttable that is -2,323> -2,026 decided to reject Ho so that Ha is accepted. Thus it can be concluded that the deferred tax burden affects earnings management in real estate companies listed on the Indonesia Stock Exchange. The results of this study indicate that the deferred tax burden has sufficient information in explaining earnings management variables.

Deferred tax expense can be used to detect earnings management by a company in fulfilling three objectives, namely: (1) to avoid a decline in profit, (2) to avoid losses, and (3) to avoid failure to meet earnings predictions by analysts. The higher the deferred tax liabilities recognized by the company as deferred tax expense, the higher the earnings management practices in the company (Philips: 2003). The results of the study are in line with research (Raka, 2017) and (Amanda, 2015) which prove that Deferred Tax Burden influences Earnings Management.

Deferred Tax Assets and Earnings Management

Hypothesis testing results from the comparison between tcount and ttable, obtained tcount value of Deferred Tax Assets variable is smaller than ttable, and a probability value of 0.300> 0.05 then at a level of error of 5% it was decided to accept Ho and reject Ha. The results of this study indicate that Deferred Tax Assets do not affect earnings management in property and real estate companies listed on the Indonesia Stock Exchange. This means that the Deferred Tax Assets variable does not have sufficient information to detect earnings management.

Widjatmoko and Mayangsari (2016) stated that this positive relationship between tax planning and earnings management shows that the greater tax planning, the greater of earnings management practices. The greater the value of deferred tax assets will indicate that the management carries out earnings management (Zulaikha, 2007). But the results of this study do not prove this opinion, in this case the author sees during the observation period that the value of deferred tax assets is highly volatile, so that deferred tax assets can or do not have an impact on management in conducting earnings management. These results are in line with research conducted by Zulaikha (2007) and Tiara (2015) which states that deferred tax assets have no effect on earnings management.

Tax Planning and Profit Management

Hypothesis testing results obtained tcount value of the tax planning variable of -0.055 and ttable (2.026), and a probability value of 0.956> 0.05 then at a level of error of 5% it was decided to accept Ho and reject Ha. The results of this study indicate that Tax Planning has no effect on earnings management in property and real estate companies listed on the Indonesia Stock Exchange. This means that with this variable tax planning does not have sufficient information to detect earnings management.

The management tries to reduce profits with the aim of making the tax burden as small as possible, so the management tends to minimize tax payments. Efforts to minimize the tax burden is often referred to as tax planning (tax planning) or tax sheltering (Suandy, 2008). In this study during the observation period, the authors found indications of the existence of a company in a loss condition, so with that there is a small possibility that a company that is in a loss condition will manage earnings. The results of this study are in line with Aditama's research (2014) which proves that tax planning has no effect on earnings management, but is not in line with research by Gede Raka (2017) and Lucy Fitriany (2016) which states that tax planning affects earnings management.

VI. Conclusion

Based on the analysis and discussion described above, it can be concluded that deferred tax expense affects earnings management, while deferred tax assets and tax planning do not affect earnings management.

Limitations in this study, the first author only uses the variable deferred tax expense, deferred tax assets and tax planning in measuring the extent to which companies do earnings management. The two authors only used 40 research samples from ten companies during the 2015-2018 observation period so that it might not give maximum results.

Based on the limitations of this study, the authors advise the next researcher, first the research can be further developed against other variables that can affect earnings management. Both research samples can be more numerous and the observation period can be carried out longer so as to provide maximum results.

REFERENCES

[1] Aditima, F. (2014). Pengaruh Perencanaan Pajak terhadap Manajemen Laba. *Journal MODUS, 26*(1), 33-50.
[2] Amanda, F. (2015, Juni). Analisis Pengaruh Beban Pajak Kini, Beban Pajak Tangguhan dan Basis Akrual terhadap Manajemen Laba. *Ultima Accounting, 7*(1), 20.
[3] Belkaoui, A. R. (2007). *Accounting Theory.* Jakarta: Salemba Empat.
[4] Djamaludin, S. (2008, Januari). Analisis Perbedaan Antara Laba Akuntansi dan Laba Fiskal terhadap Presistensi Laba, Akrual dan aliran Kas pada Perusahaan Perbankan yang terdaftar di Bursa Efek Jakarta. *Jurnal Riset Akuntansi Indonesia, 11*(1), 52-74.
[5] Fitriany, L. C. (2016). Pengaruh Aset Pajak Tangguhan. Beban Pajak Tangguhan dan Perencanaan Pajak terhadap Manajemen Laba. *OM FEkon, 3*(1), 1150.
[6] Harnanto. (2011). *Akuntansi Perpajakan.* Yogyakarta: BPFE-Yogyakarta.
[7] Hidayat, N. (2013). *Pemeriksaan Pajak.* Bandung: Elex Media Komputindo.
[8] Indonesia, I. A. (2018). *Pernyataan Standar Akuntansi Keuangan (PSAK).* Jakarta: Ikatan Akuntan Indonesia.
[9] John Philips, M. P. (2003, April). "Earnings Management: New Evidence Based on Deferred Tax Expense". *The Accounting Review, 78*, 491-521.
[10] Negara, A. A. (2017, September). Pengaruh Perencanaan Pajak dan Beban Pajak Tangguhan terhadap Manajemen Laba. *E Jurnal Akuntansi Universitas Udayana, 20*(3), 2045-2072.
[11] Raka, G. (2017). *Pengaruh Perencanaan Pajak dan Pajak Tangguhan terhadap Manajemen Laba* (Vol. Volume). Bali: E-Jurnal akuntansi Universitas Udayana.
[12] Scott, W. R. (2014). *Financial Accounting Theory* (Vol. 7th Edition). Scarrborough Ontario: Pearson.
[13] Setiawati, L. N. (2001). Manajemen Laba. *Jurnal Ekonomi dan Bisnis Indonesia*, 159-176.
[14] Suandy, E. (2008). *Perencanaan Pajak.* Jakarta: Salemba Empat.
[15] Sukrisno Agus, E. T. (2019). *Akuntansi Perpajakan* (3 ed.). Jakarta: Salemba Empat.
[16] Timuriana, T. (2015). Pengaruh Aset Pajak Tangguhan dan Beban Pajak Tangguhan terhadap Manajemen Laba. *Jurnal Ilmiah Akuntansi Fakultas Ekonomi (JIAFE), 1*(2), 12-20.
[17] Yulianti, Y. (2005). Kemampuan Pajak Yangguhan dalam Mendeteksi Manajemen Laba. *Jurnal akuntansi dan Keuangan Indonesia, 2*(1).
[18] Zulaikha, S. (2007). Analisis Aktiva Pajak Tangguhan dan Akrual sebagai Prediktor Manajemen Laba. *Jurnak akuntansi dan Keuangan Indonesia, 4*(1), 49-77.