Detection of Profit Management Practices through Deferred Tax Expenses that are moderated by Tax Planning Practices

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Abstract—This research is motivated by the existence of two different sides in implementing tax administration, namely the target of the government who wants to maximize revenue but the company also strives to minimize the tax payable. On that basis, this study seeks to detect how companies practice earnings management, one of which is driven by the desire to minimize tax liabilities through Deferred Tax Expenses by involving the practice of tax planning as a moderating variable.

This research uses quantitative methods, where quantitative data derived from financial statements are obtained by descriptive and inductive statistical analysis. Inductive statistics use the classic assumption test before being tested by multiple linear regression analysis, t test, f test and moderation variable test.

Based on the results of the study using quantitative data from the financial statements of 9 companies, samples from 26 population companies in the Food and Beverage Subsector Industry listed on the Indonesia Stock Exchange for the period 2013-2017 indicate that deferred tax expense can detect earnings management practices while tax planning practices cannot detect earnings management, and deferred tax expense can detect earnings management practices that are not moderated by tax planning practices, but together the deferred tax burden and tax planning practices can detect earnings management practices

Keywords—Deferred Tax Expenses, Tax Planning, Profit Managemen, Detection

I. PRELIMINARY

The company's short-term goal in general is to get the maximum profit. However, the achievement of maximum profit is not always considered good for publication because it will depend on its interests. For example, to convince the owners of capital, investors and creditors, the goal is to increase the price of shares, a high profit publication is conducted. However, to minimize tax payments, it is necessary to display the minimum possible profits. The phenomenon of the company raising profits as carried out by PT Garuda Indonesia, Tbk for the 2018 financial statements [1], while companies that tend to reduce their profits as Toyota did, profits reportedly declined by 24%, even though sales volume in the same period was reported to have increased [2]. In summary, Sulistyanto (2008 [3] and Sanjaya (2008) [4] mention motivation to do earnings management is bonus motivation, other contractual motivation,

political motivation, tax motivation, CEO motivation and capital market motivation.

At present, the role of tax is increasingly vital as a source of state revenue. Indonesia Minister of Finance, Sri Mulyani stated that one of the most important components in revenue (APBN) is tax; tax is the national backbone [5]. Realization of Corporate Income Tax revenue in 2018 amounting to Rp255.37 Trillion is the second largest amount of tax revenue after DN VAT of Rp334.21 Trillion [6]

In principle, the fulfillment of tax obligations has been regulated by law, this is a principle that is inherent in the definition of tax itself, as well as each taxpayer is allowed to minimize tax obligations through legal means (in accordance with the regulations and laws), this called Tax Avoidance (Kurana dan Moser Dalam) [7]). So, the phenomenon that also often occurs is that companies as Corporate Taxpayers are encouraged to practice earnings management for tax purposes by processing the components forming the tax payable together with the practice of tax planning.

This study is limited by the variables of earnings management practices, deferred tax burden and tax planning practices. The population is limited to food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2013-2017.

II. LITERATURE REVIEW

Earnings management can be understood as managers' efforts to intervene and influence the information contained in financial statements with the aim of tricking stakeholders who want to know the company's performance (Sulistyanto, 2008). Furthermore Subramanyam and Wild (2010:131) mention the term cosmetics management earnings which means the result of freedom in the application of accrual accounting that may occur [8]. From these two understandings it can be concluded that earnings management is an effort to direct earnings in accordance with the interests of management or the company.

According to PSAK No. 46 (IAI, 2013), deferred tax is the account balance in the balance sheet as a tax benefit, the amount of which is an estimated amount to be recovered in a future period due to a temporary difference between the Financial

Accounting Standards and Tax Regulations and due to the existence of a loss balance that can be compensated in the future period [9]. Deferred tax expense can be used as an approach to detect earnings management practices carried out by companies, because deferred tax expense arises due to differences as described above, so the greater the difference, the stronger the allegation of earnings management practices.

Zain in Saputra (2017) states tax planning is a structural action related to the condition of the potential tax consequences, the pressure on controlling each transaction that has tax consequences, with the aim that the control can streamline the amount of tax that will be transferred to the government, through what is called tax avoidance which is an act legal which is still within the scope of tax legislation and not tax smuggling [10]. The role of tax planning in conceptual earnings management practices can be explained by agency theory and positive accounting theory. Agency in this case is the difference in interests between the tax authorities as the principal and the management of the company as an agent, where the agent will try to pay the smallest tax possible. Based on positive theory it is also stated that companies will tend to engineer profit reduction for the purpose of minimizing political costs in accordance with government regulations [11]

III. RESEARCH METHODS

The type of this research is quantitative research, examining populations or certain samples that are determined by purposive sampling, data analysis is quantitative / statistical in order to test the hypothesis [12]. The stages in this research are:

Formulation of the problem

Goal Setting

Literature review

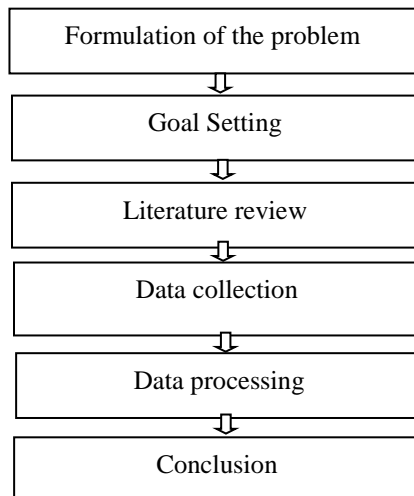Data collection

Data processing

Conclusion

Fig. 1. Research Stages

The problem formulation consists of constructing the background of the problem then identifying the problem and limiting the problem so that this research topic or title is born: Detection of Profit Management Practices through Deferred Tax Burden that is moderated by the Tax Planning Practice. The determination of objectives is based on a hypothesis that is built based on the topic or title, where the hypothesis in this study is an alternative hypothesis to be tested, namely:

H_1: Deferred Tax Expenses affect on Profit Management Practices

H_2: Tax Planning Practices affect on Earnings Management Practices

H_3: Deferred Tax Expenses affect on Earnings Management Practices which are moderated by Tax Planning Practices.

Based on the hypothesis above, the purpose of this study is:
1. To find out whether Deferred Tax Expenses affect Earnings Management Practices
2. To find out whether the Tax Planning Practices affect the Earnings Management Practices
3. To find out if Deferred Tax Expense affects the Profit Management Practices that are moderated by the Tax Planning Practices.

Literature study is carried out by summarizing the various sources of theory. Data collection is done by the method of documentation and secondary data types. The population of this research is the 26 Food and Beverage Subsector Companies listed on the Indonesia Stock Exchange in the 2013-2017 periods. The sample criteria are: companies listed on the Indonesia Stock Exchange in the period 2013-2017, have never been delisted, report the audited Financial Statements in rupiah and display the Deferred Tax Burden in their financial statements. The data processing stage begins with the selection of data analysis techniques, namely by using descriptive statistics to describe the state of the data and inferential statistics to analyze and interpret data such as the Classical Assumption Test which aims to ensure the validity of the model, Multiple Linear Regression Analysis with equations: $Y = \alpha + \beta_1X_1 + \beta_2X_2 + e$, Where α is a constant, β is the coefficient. X is a research variable. In addition to testing the hypothesis using the t test, F test as well as the moderating variable test and the coefficient of determination test (R^2) [13]

TABLE I. POPULATION AND SAMPLE

No	Company Name Population	Sample Criteria
1	PT. Indofood CBP Sukses Makmur Tbk	√
2	PT. Indofood Sukses Makmur Tbk	
3	PT. Mayora IndahTbk	√
4	PT. Multi Bintang Indonesia Tbk	√
5	PT. Ultra Jaya Milk Industry & Trading Company Tbk	√
6	PT. Garudafood Putra Putri JayaTbk	
7	PT. Nippon Indosari Corpindo Tbk	√
8	PT. Delta DjakartaTbk	√
9	PT. Bumi Teknokultura Unggul Tbk	
10	PT. Sariguna Primatirta Tbk	
11	PT. Prima Cakrawala Abadi Tbk	
12	PT. Campina Ice Cream Industry Tbk	
13	PT. Buyung Poetra Sembada Tbk	
14	PT. Sekar Bumi Tbk	
15	PT. Wilmar Cahaya Indonesia Tbk	
16	PT. Akasha Wira Internasional Tbk	

17	PT. Wahana Interfood Nusantara Tbk	
18	PT. Budi Starch & Sweetener Tbk	√
19	PT. Prasidha Aneka Niaga Tbk	
20	PT. Sentra Food Indonesia Tbk	
21	PT. Pratama Abadi Nusa Industri Tbk	
22	PT. Magna Investama Mandiri Tbk	
23	PT. Tri Banyan Tirta Tbk	
24	PT. Tiga Pilar Sejahtera Food Tbk	√
25	PT. Siantar Top Tbk	√
26	PT. Sekar Laut Tbk	

TABLE II. DEFINITION OF VARIABLE OPERATIONS

Variabel	Konsep Variabel	Indikator	Scale
Deferred Tax Expense (X_1)	Defined as the burden arising due to temporary differences between accounting earnings and fiscal profit. [14]	$BPPT_{it} =$ (Corporate tax expense i for the year t) / (Total Assets at the end of the yea t-1)	Ratio
Tax Planning (X_2)	Defined as a capacity owned by mandatory tax to draw up use financial activities get expenses (burden) minimal tax [15]	Effective Tax Rates are formulated = (Tax Charges) / (Profit before tax)	Ratio
Profit management (Y)	Defined as an accounting trick where flexibility is in preparation of reports used finance or exploited by manager who is trying to meet the target profit [16]	$DTA_{it} =$ (TAC_{it}) / (TA_{it-1}- $NDTA_{it}$)	Ratio

IV. RESULTS AND DISCUSSION

TABLE III. DESCRIPTIVE STATISTICS TEST RESULT

	N	Minimum	Maximum	Mean	Std. Deviation
X_1	45	-.050162	.024328	.00042111	.009971134
X_2	45	-.253150	.595741	.20721482	.167617751
Y	45	-.727953	.150129	-.16197213	.151937072

Based on the table, the amount of data processed is 45, also shown the lowest and highest values, the average and standard deviations of each variable

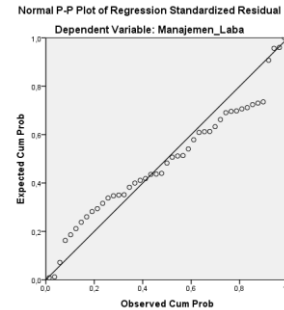Test data normality using P-P plot analysis

Fig. 2. chart 1 P-P Plot Analysis

From the graph above shows the distribution of the points approaching and following the diagonal line, meaning that the data in this study have been normally distributed.

To find out whether there are symptoms of heteroscedasticity can be seen in scatter plot images:
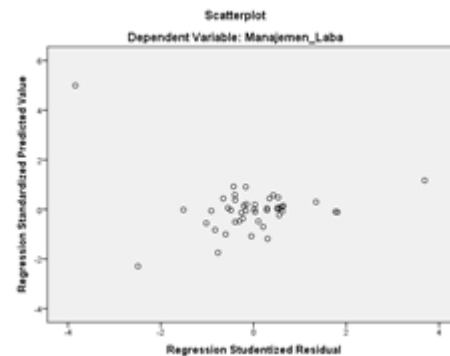

Fig. 3. Scatterplot

Multicollinearity test aims to test whether the regression model found a correlation between independent variables.

TABLE IV. MULTICOLLINEARITY TEST RESULTS.

Model		t	Sig.	Collinearity Statistics	
				Tolerance	VIF
1	(Constant)	-5,429	,000		
	Diferred_Tax_Expense	-2,867	,006	,957	1,045
	Tax_Planning	-,362	,719	,957	1,045

Based on the table, it can be seen the values of tolerance and VIF as follows: The tolerance value for the Deferred Tax Expense variable is 0.957> 0.10 and the VIF value is 1.045 <10, so that the deferred tax expense variable is stated to not occur with multicollinearity symptoms. Likewise for the Tax Planning variable, the value of tolerance and VIF are 0.957 and 1.045, respectively.

TABLE V. AUTOCORRELATION TEST

Mo del	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,423[a]	,179	,140	,174638904	1,576

a. Predictors: (Constant), Tax_Planning, Deferred_Tax_Expense

b. Dependent Variable: Earning_Management

Based on table 5, Durbin Watson's value of 1.576 is obtained. This shows that the value is -2 and +2 then the assumption that no autocorrelation has been fulfilled.

The multiple linear regression analysis can use the table below.

TABLE VI. MULTIPLE LINEAR REGRESSION TEST

Model		Unstandardized Coefficients		T	Sig.
		B	Std. Error		
1	(Constant)	-,147	,027	-5,429	,000
	X1	-7,739	2,699	-2,867	,006
	X2	-,038	,104	-,362	,719

Based on the table, the regression equation is
$Y = -0{,}147 - 7{,}739X1 - 0{,}038X2 + \varepsilon$

Where earnings management will be worth -0.147 when the variable Deferred Tax Expense Profit Planning is worth 0. And when there is an increase in one unit of Earnings Management: the effect is -7.739 for the Deferred Tax Expenses and other variables are constant, and -0,038 for Tax Planning and other variables constant. From table 6 you can also see the t test, based on the effect of each variable:

(1) Deferred tax expense has a negative and significant effect on earnings management, meaning that earnings management practices can be detected through deferred tax expense. This means that H1 is accepted.

(2) Tax planning has no significant effect on earnings management. This means that H1 is rejected.

Moderating variable testing using the interaction test method (Moderated Regression Analysis / MRA) can be considered in the following table.

TABLE VII. MODERATING VARIABLE TEST

Model		F	Sig.
1	Regression	3,565	,022[b]
	Residual		
	Total		

From table 7, it shows that deferred tax expense has a significant effect but is not moderated by tax planning; in this case H3 is rejected.
Result for the simultaneous test, simultaneously deferred tax expense and tax planning affect earnings management.

V. CONCLUSIONS AND RECOMMENDATIONS

Deferred tax expense can detect earnings management practices, but tax planning cannot detect it, together these two variables can detect earnings management practices. Furthermore, this research has not proven that the practice of tax planning can weaken or strengthen the influence of the tax deferred burden on earnings management practices. This is a weakness in this study.

For further research, in order to add to the independent variable, it is necessary to increase the population, namely other industries, because this study only examined the population of the Food and Beverage Subsector Industry. Then further research is expected to be explored with qualitative methods to find out more about the hidden motivations of company management in managing earnings.

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