

## The Influence of Ownership Structure, Current Tax Expense, Deferred Tax Expense and Tax Planning on Profit Management

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**Abstrak:** Tujuan dari penelitian ini adalah untuk menguji pengaruh dari struktur kepemilikan, beban pajak tangguhan, beban pajak kini dan perencanaan pajak terhadap manajemen laba. Penelitian ini menggunakan 112 perusahaan manufaktur yang digunakan sebagai sampel penelitian yang dianalisis dengan menggunakan metode kuantitatif. Sampel dalam penelitian ini diuji dengan menggunakan analisis regresi linear berganda dengan menggunakan SPSS versi 24. Melalui penelitian yang telah diuji, peneliti mendapatkan hasil bahwa : Kepemilikan institusional berpengaruh signifikan negatif terhadap manajemen laba, kepemilikan manajerial berpengaruh signifikan negatif terhadap manajemen laba, beban pajak kini berpengaruh signifikan positif terhadap manajemen laba, beban pajak tangguhan berpengaruh negatif terhadap manajemen laba, dan perencanaan pajak tidak berpengaruh terhadap manajemen laba.

**Abstract:** The purpose of this study was to examine the effect of the ownership structure, deferred tax expense, current tax expense and tax planning on earnings management. This study used 112 manufacturing companies which were used as research samples which were analyzed using quantitative methods. The sample in this study was tested using multiple linear regression analysis using SPSS version 24. Through the research that has been tested, the researchers obtained the results that: institutional ownership has a significant negative effect on earnings management, managerial ownership has a significant negative effect on earnings management, current tax expense has a significant positive effect on earnings management, deferred tax expense has a negative effect on earnings management, and tax planning has no effect on earnings management.



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## **INTRODUCTION**

Financial reports are a medium that is used as an information tool or liaison between parties who have an interest in the company's financial data, both internal and external. Managers use financial reports to account for operational activities within the company in the current year. Financial reports must provide and provide clear and relevant information, in order to be able to provide information to all parties who need it clearly and easily understood. The financial statements presented must be neutral, which does not benefit certain parties who want to take personal advantage, financial reports must present complete and comprehensive information, and must have comparability and testing (Sulistiyanti, 2008). Financial statements are used as a measuring tool to assess the company's performance in that year, which can be seen from the profit (earnings) or losses in the company in the current year. Profit information can also be known as a tool in assessing company performance, by making estimates of representative profit capabilities in the long term and estimating investment risks. If in that period it turns out that there is no profit, then the previous financial statements can be used as the basis for evaluation for the following year.

Management realizes that it is important to have profit information. By knowing profit information, management can measure many aspects and things that can happen in a company. In the concept of agency theory it is known that management generally performs inappropriate behavior (dysfunctional behavior), this is known to occur due to information asymmetry. In this case the parties, both the principal as the shareholder and the agent as management, have personal interests that are not the same, but have similarities to defend their respective interests, thus encouraging managers to take actions of earnings management or manipulation of profits (Suheri et al. al., 2020). Fraud of the numbers presented in the financial statements often occurs, this is done by the management to provide the assumption to all parties that the company has good performance, which may not

be like that in reality. This is done by the company solely as an attraction for investors to invest in the company. Fraud in reporting earnings is carried out by management, namely to reduce the occurrence of earnings volatility and maximize or minimize profits depending on the manager's decision to process the profits earned. One of the goals of managers doing profit manipulation is to save on tax payments.

Manipulation of financial reports often occurs in companies, research on earnings management is also being carried out to analyze what factors can cause or influence management in carrying out earnings management actions. Factors that can influence include ownership structure, current tax burden, deferred tax expense and tax planning . Does ownership structure, current tax burden, deferred tax expense, and tax planning affect earnings management in manufacturing companies listed on the IDX in 2018-2020? To analyze whether ownership structure, current tax burden, deferred tax expense and tax planning affect earnings management listed on the IDX in 2018-2020. This research is expected to increase knowledge about the effect of ownership structure, current tax expense, deferred tax expense and tax planning on earnings management.

## **METHODS**

### **Data Types and Sources**

In this study, the type of data used is by using a quantitative method approach. Source of data used in this research is to use secondary data. Data obtained from financial reports on manufacturing companies listed on the Indonesia Stock Exchange (IDX). Test data in this study was conducted in 2018-2020. Testing comes from audited financial reports obtained from the website ( [www.idx.co.id](http://www.idx.co.id) ).

### **Population and Sample**

The population of this study are manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020.

In this study, the technique used in obtaining sampling is *purposive sampling*.

**Research Model**

$$MI = \beta_0 + \beta_1 KM + \beta_2 KI + \beta_3 CPC + \beta_4 BPT + \beta_5 PP + \varepsilon$$

**Variable Operationalization**

The dependent variable (Y) in this study is Earnings Management. The independent variable (X) used in this study consists of 5 variables, namely: Managerial Ownership (X1), Institutional Ownership (X2), Current Tax Expense (X3), Deferred Tax Expense (X4), and Tax Planning (X5).

Table 1

Variable Operationalization	Measurement	Scale
Profit management	1. $TACT = (Nit - CFFOt)$ 2. $NDA_{it} = a_1 \times (1/A_{it-1}) + a_2 ((AREV_{it} - AREC_{it}) / A_{it-1}) + a_3 (PPE_{it} / A_{it-1}) + \varepsilon$ 3. $DA_{it} = (TAC_{it} / A_{it-1}) - NDA_{it}$	Ratio using Modified Jones Model
institutional ownership		Ratio
Managerial ownership		Ratio
Current Tax Burden		Ratio
Deferred Tax Expense		Ratio
Tax Planning		Ratio

**Data analysis method**

Testing the hypothesis that will be used is using multiple regression analysis method, namely with a statistical program, namely SPSS version 24. The choice of regression analysis method is due to the use of more than one independent variable. In

this study the data were analyzed using descriptive statistics, classical assumption tests, and hypothesis testing .

**RESULTS AND DISCUSSION**

**Classical Assumption Test Results**

Determination Coefficient Test

Table 2. Test Results for the Coefficient of Determination

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.298 <sup>a</sup>	.089	.075	.214	1.922

a. Predictors: (Constant), Perencanaan Pajak , Kepemilikan Institusional , Beban Pajak Tangguhan, Beban Pajak Kini , Kepemilikan Manajerial

b. Dependent Variable: Manajemen Laba

Source: SPSS 24.0 output

Based on table 1 above, it can be seen that the Adjusted R Square value is 0.075. This shows that the dependent variable in this study is earnings management, which can be explained by independent variables which include institutional ownership,

managerial ownership, current tax expense, deferred tax expense and tax planning of 7.5%. While the remaining 92.5% is influenced by other variables not included in this study.

**Model fit test (Test F)**

Table 3. F Test Results

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.475	5	.295	6.435	.000 <sup>b</sup>
	Residual	15.128	330	.046		
	Total	16.603	335			

a. Dependent Variable: Manajemen Laba

b. Predictors: (Constant), Perencanaan Pajak , Kepemilikan Institusional , Beban Pajak Tangguhan, Beban Pajak Kini , Kepemilikan Manajerial

Source: SPSS 24.0 output

Based on the results in table 2, it can be seen that the Fcount value is  $6.435 > 2.24$  (Ftable) and has a Sig value of  $0.000 < 0.05$ . Thus, it can be concluded that the variables institutional ownership, managerial ownership, current tax expense, deferred tax expense and tax planning simultaneously have a positive effect on earnings management listed on the IDX for the 2018-2020 period. The hypothesis that has been tested states that the institutional ownership

variable, managerial ownership, current tax expense, deferred tax expense and tax planning have a positive impact on earnings management, so that the hypothesis can be accepted.

### Hypothesis test (T test)

The t-test was conducted to test the effect of each independent variable individually on the related variables.

Table 4. T test results  
Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.334	.047		-7.064	.000		
	Kepemilikan Institusional	-.151	.060	-.165	-2.528	.012	.647	1.545
	Kepemilikan Manajerial	-.441	.132	-.217	-3.339	.001	.655	1.528
	Beban Pajak Kini	1.986	.582	.182	3.414	.001	.971	1.030
	Beban Pajak Tangguhan	-4.126	1.303	-.167	-3.167	.002	.988	1.012
	Perencanaan Pajak	.012	.020	.033	.618	.537	.991	1.010

a. Dependent Variable: Manajemen Laba

Source: SPSS 24.0 output

Based on the test results in table 3 it can be explained as follows:

1. The results of testing for the institutional ownership variable are known to have a Sig value of 0.012. In this case it is known that the Sig value is  $0.012 < 0.05$ , the coefficient value is -0.151 so that it can be said that institutional ownership has a negative and significant effect on earnings management.
2. The results of testing for the managerial ownership variable are known to have a sig value of 0.001. In this case it is known that the sig value is  $0.001 < 0.05$ , the coefficient value is -0.441 so that it can be said that managerial ownership has a negative and significant effect on earnings management.
3. the results of testing for the current tax burden variable are known to have a sig value of 0.001. In this case it is known

that the sig value is  $0.001 < 0.05$ . The coefficient value is 1.986 so it can be concluded that the current tax burden has a positive and significant effect on earnings management.

4. the results of testing for the deferred tax expense variable are known to have a sig value of 0.002. In this case it is known that the sig value is  $0.002 < 0.005$ , the coefficient value is -4.126 so it can be concluded that deferred tax expense has a negative and significant effect on earnings management.
5. the results of testing for the tax planning variable are known to have a sig value of 0.537. In this case it is known that the sig value is  $0.537 > 0.05$ , the coefficient value is 0.012 which means that tax planning has a positive but not significant effect. With this it can be concluded that tax planning has no

significant effect on earnings management.

### **Effect of ownership structure on earnings management**

Based on the results of the tests that have been carried out, it is known that the institutional ownership variable has a negative regression coefficient. Therefore, the first hypothesis that has been hypothesized in this study states that institutional ownership has a negative effect on earnings management is acceptable. With these results, it can be said that the higher the institutional ownership in a company, the lower the earnings management that the company will carry out. Because with high institutional ownership means the level of supervision of management will also be more optimal. Thus, errors or carelessness will be increasingly optimized due to an increase in people in the supervision process. The results of this study are in accordance with research conducted by Cahyani and Hendra (2020) which says that institutional ownership has a negative effect on earnings management.

Based on the results of the tests that have been carried out, it can be seen that the managerial ownership variable has a negative regression coefficient value. Thus, the second hypothesis in this study which states that managerial ownership of earnings management is acceptable. this shows that with a high level of managerial ownership, the smaller the earnings management. This affects internal control within the company, with a small level of earnings management, the company performs and controls quite well in the current period. Vice versa. If earnings management is carried out high enough, it is one of the things that the manager does in providing that the resulting financial reports look good. The results of this study are in line with research from Ermawati (2020) which states that managerial ownership affects earnings management.

### **Effect of current tax burden on earnings management**

Based on the results of the tests that have been carried out, it can be seen that the current tax burden variable has a positive regression coefficient value. thus, the third hypothesis in this study which states that the current tax burden has a positive effect on earnings management can be accepted. it is explained that the greater the current tax burden, the greater the tendency for earnings management to occur. This is in line with research from Suheri (2020) which also states that the current tax burden affects earnings management. the current tax burden is considered capable of detecting the possibility of earnings management because the current tax burden reflects PKP which is also the result of a reconciliation of time differences as well as a fixed difference to existing profits in accounting.

### **Effect of deferred tax expense on earnings management**

Based on the results of the tests that have been carried out, it can be seen that the deferred tax expense variable has a negative regression coefficient value. in this case the fourth hypothesis which states that deferred tax expense has an effect on earnings management is acceptable but in an unexpected direction. it is known that the management performs earnings management because there are many factors in the process of saving tax payments. Deferred tax expense is classified and is one of the expenses. Thus, the concept is that if the deferred tax burden is greater, the profit to be obtained by the company will be lower, automatically the tax paid will also be smaller. Thus, earnings management actions do not need to be carried out. This is in line with research from Puji Lestari (2018), Putra (2018), Widowati (2019) and Yuliza & Fitri (2020) which also states that deferred tax expenses affect earnings management.

### The effect of tax planning on earnings management

Based on the results of the tests that have been carried out, it can be seen that the tax planning variable has a positive regression coefficient value. In this case the fifth hypothesis, which states that tax planning has a positive effect on earnings management is unacceptable.

According to the author, this is influenced by many factors that support management to obtain good performance, one of which is by obtaining a bonus or *reward* for achieving an achievement. That way, the management will be more enthusiastic to carry out activities and achieve better performance. Thus, the tendency to do earnings management is no longer a tax plan, but is a personal interest to fulfill the interests of the company owner. These results are in line with research from Santi & Wardani (2018) which states that there is no effect of tax planning on earnings management.

### CONCLUSION

Institutional ownership has a negative effect on earnings management. Thus, institutional ownership plays a role in preventing earnings management in companies. Managerial ownership has a negative effect on earnings management. Thus, with higher managerial ownership, it can play a role in preventing earnings management in the company. The current tax burden has a positive effect on earnings management. Thus, the higher the current tax burden affects the greater level of earnings management in the company. Deferred tax expense has a negative effect on earnings management. So, in this case it will affect the level of earnings management which is relatively smaller in the company. Tax planning has no effect on management.

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