



Corporate tax, tax planning, and earnings management in plantation firms on the IDX

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ABSTRACT

This study aims to determine whether the corporate income tax rate and tax planning have a significant effect on earnings management in agricultural companies in the plantation sub-sector listed on the Indonesia Stock Exchange. The population in this study are plantation sub-sector companies listed on the Indonesia Stock Exchange as many as 19 companies. The research sample was 6 companies with purposive sampling technique. The results showed that corporate income tax rates had no significant effect on earnings management in plantation sub-sector companies listed on the Indonesia Stock Exchange, while tax planning had a significant effect on earnings management in plantation sub-sector companies listed on the Indonesia stock exchange. The results of the F test show that the variables of Corporate Income Tax Rate and Tax Planning have a significant effect on Earning Management in plantation sub-sector companies listed on the Indonesia Stock Exchange. The results of the coefficient of determination test indicate that the Earnings Management variable can be explained by the Corporate Income Tax Tariff and Tax Planning variables, while the remaining Earnings Management variables can be explained by other variables not examined in this study such as Leverage and Financial Performance.

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1. INTRODUCTION

In today's increasingly competitive business environment, companies are expected not only to improve financial performance but also to implement efficient fiscal strategies. One critical aspect of financial management is corporate tax planning and the handling of corporate income tax burdens. Taxes are a significant component of a company's financial statements, and the size of the tax burden can influence management's behavior in reporting earnings (Bisogno & Donatella, 2022; Habib et al., 2022). Therefore, it is essential to examine how corporate income tax and tax planning affect earnings management practices (Palacios-Manzano et al., 2021).

The latest tax regulations in Indonesia between 2020–2024 have significantly changed the financial reporting landscape. Companies must not only adapt to new tax rates and provisions, but also be more transparent, accountable, and strategic in preparing financial reports. These changes also require management to balance tax efficiency and legal compliance in order to maintain business reputation and continuity amidst increasingly stringent fiscal oversight.

Earnings management refers to the deliberate actions taken by company management to influence accounting information in financial reports to achieve specific objectives (Kliestik et al.,

2021; Ramalingegowda et al., 2021). In practice, earnings management is often used to present a favorable image of the company's financial health to investors, creditors, and other stakeholders (Y. Chen et al., 2021; Yahaya, 2022). This practice can be influenced by various factors, including tax expenses and the company's tax planning strategies. The influence of taxation on earnings management becomes increasingly relevant as companies seek legal ways to reduce tax burdens through various tax planning schemes (Mnif & Cherif, 2021).

In addition to managing stakeholder perceptions, earnings management is often used by companies to meet financial performance targets outlined in contracts, such as managerial bonuses, debt covenants, or market expectations (Salehi et al., 2024). Techniques used in earnings management include accrual manipulation, such as accelerating revenues or delaying expenses, which remain within the framework of applicable accounting standards but can obscure the company's actual financial condition (Gaio et al., 2022). However, although not always in violation of legal provisions, excessive or unethical use of earnings management can lead to negative consequences. It can reduce the quality of financial information, damage investor trust, and negatively impact the company's long-term reputation. Therefore, it is essential for stakeholders and regulators to understand the driving factors behind earnings management—including tax pressure and tax planning strategies—in order to promote transparency and sound corporate governance.

Tax planning is a strategic effort undertaken by companies to minimize their tax liabilities legally (Zwick, 2021). This strategy typically involves choosing appropriate accounting methods, deferring revenue recognition, or accelerating expense recognition. When implemented effectively, tax planning can reduce the tax burden and also provide opportunities for management to control reported earnings to meet specific targets (Duhoon & Singh, 2023). Therefore, understanding the role of tax planning in influencing earnings management practices is critical.

The plantation sub-sector, which forms part of Indonesia's agricultural industry, faces unique challenges in financial management. Price volatility in commodities, reliance on exports, and dynamic tax regulations push plantation companies to adopt efficient financial and tax strategies (Gechert & Heimberger, 2022; Jacob, 2022). These conditions make plantation companies an interesting object of study, especially in analyzing the relationship between corporate income tax, tax planning, and earnings management.

The plantation sector provides a unique combination of high volatility, long cycles, and accounting flexibility, making it an ideal environment to explore the relationship between tax planning and earnings management. Therefore, this sector is relevant and important to be the focus of research.

The current economic conditions have created intense competition among companies. This competition compels companies to manage their finances effectively in order to generate profits. Profit information can assist stakeholders in estimating earning power to assess investment and credit risks (Duhoon & Singh, 2023). The importance of profit information lies in the responsibility of management, whose performance is measured by the achievement of profits (Heimberger, 2021). Earnings management is an accounting strategy in which flexibility in financial reporting is utilized by managers to meet profit targets. This situation often encourages managers to engage in deviant behavior in presenting and reporting profit information, known as earnings management practices.

One way to assess earnings management is by using discretionary accruals. The factors that influence earnings management can be observed through corporate income tax rates and tax planning. Several recent studies have addressed the issue of earnings management. For instance, a study by Khoerunnisa & Apriliawati, (2021) found that tax planning had a significant negative effect on earnings management in manufacturing companies listed on the Indonesia Stock Exchange. Additionally, research by Murwani, (2023) showed that tax planning negatively affected real earnings management in consumer goods sector companies listed on the Indonesia Stock Exchange. These findings indicate that tax planning strategies can influence companies' earnings management practices.

This study was conducted on plantation sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. The researcher selected plantation sub-sector companies because the large profits generated by these companies naturally result in a high tax

burden, which often leads them to engage in earnings management to maintain business continuity. Based on the explanation above, the researcher is interested in examining whether corporate income tax rates and tax planning have a significant effect on earnings management in plantation sub-sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

Earnings management is defined as the deliberate manipulation of financial statements by management to achieve certain financial results or to influence perceptions of the company's financial health (Ramalingegowda et al., 2021). Earnings management as the actions of managers to use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead stakeholders or to influence contractual outcomes that depend on reported accounting numbers. Earnings management can be conducted through methods such as changing depreciation policies, shifting revenue or expense recognition, or making provisions and reserves (Basri et al., 2021; H. Chen et al., 2021).

Corporate income tax is one of the most significant expenses for a company and directly affects net income. Higher corporate income taxes create incentives for firms to engage in tax avoidance and earnings management practices to reduce tax burdens (Nallareddy et al., 2022). Companies often attempt to report lower earnings to minimize tax liabilities. Thus, the tax burden may drive managers to manipulate reported income to achieve tax efficiency or to meet certain benchmarks (Dakhli, 2022).

Tax planning involves strategic financial arrangements aimed at minimizing tax liability within the boundaries of the law (Schwab et al., 2022). Tax planning can be used as a tool not only for reducing tax expenses but also for managing reported earnings. A well-structured tax planning strategy may involve deferring taxable income, accelerating deductible expenses, or choosing advantageous accounting methods (Fadilla et al., 2024). Effective tax planning may thus be associated with earnings management behavior, especially in firms with high sensitivity to tax expenses.

2. RESEARCH METHOD

This study uses a quantitative approach with an explanatory research design. The purpose of this study is to examine the influence of corporate income tax rates and tax planning on earnings management in plantation companies listed on the Indonesia Stock Exchange.

The type of data used is quantitative data. Quantitative data refers to data in the form of numbers, characterized by its numerical nature, such as income data, population figures, consumption levels, bank interest rates, and so on (Roustaei, 2024; Tyagi et al., 2022).

The population in this study consists of plantation sub-sector companies listed on the Indonesia Stock Exchange during the 2020–2024 period, totaling 19 companies. This study uses a purposive sampling technique, in which the samples are selected based on predetermined criteria. As a result, the total number of research samples is 30, consisting of 6 plantation sub-sector companies listed on the Indonesia Stock Exchange over 5 periods, namely from 2020 to 2024.

The data collection technique used in this study is literature study. According to Djiwandono (2015), a literature study or library research involves searching for sources or expert opinions related to the research objectives. The data includes audited financial reports of plantation sub-sector companies for the 2020–2024 period, which were obtained from the Indonesia Stock Exchange website at <http://www.idx.co.id>, and the researcher simply copied the necessary data as needed.

Tax planning variables in research are generally measured using a quantitative approach based on financial reports, with some of the most frequently used indicators such as Effective Tax Rate (ETR), Cash ETR, and Book-Tax Differences (BTD).

Multiple regression analysis is used to determine whether there is a significant partial or simultaneous effect of two or more independent variables on a single dependent variable (Roustaei, 2024; Tyagi et al., 2022). The formula for multiple linear regression analysis is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \quad (1)$$

Explanation:

Y : Earnings Management
 X1 : Corporate Income Tax Rate
 X2 : Tax Planning
 α : Constant
 $\beta_1 \dots \beta_2$: Regression Coefficients
 e : Error Term

3. RESULTS AND DISCUSSIONS

Descriptive Statistics

The results of the descriptive statistical analysis are as follows:

	N	Minimum	Maximum	Mean	Std. Deviation
Earnings Management	30	-,0644	,1000	,0101	,03598
Corporate Income Tax	30	62,431	479,829	196,3627	95,80783
Tax Planning	30	,12	1,51	,4653	,39075
Valid N (listwise)	30				

The Earnings Management variable in this study has a minimum value of -0.0644, recorded by TBLA (PT. Tunas Baru Lampung Tbk) in 2017, and a maximum value of 0.1000, recorded by SGRO (PT. Sampoerna Agro Tbk) in 2016. The average value is 0.0101, with a standard deviation of 0.03598. The Corporate Income Tax variable has a minimum value of 62.431, recorded by TBLA (PT. Tunas Baru Lampung Tbk) in 2015, and a maximum value of 479.829, recorded by AALI (PT. Astra Agro Lestari Tbk) in 2015. The average value is 196.3627, with a standard deviation of 95.80783. The Tax Planning variable has a minimum value of 0.12, recorded by SSMS (PT. Sawit Sumbermas Sarana Tbk) in 2016, and a maximum value of 1.51, also recorded by SSMS (PT. Sawit Sumbermas Sarana Tbk) in 2019. The average value is 0.4653, with a standard deviation of 0.39075.

Normality Test

Normality testing can be conducted by examining the results of the Kolmogorov-Smirnov test.

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		30
Normal Parameters ^{a,b}	Mean	0E-7
	Std. Deviation	,02925672
Most Extreme Differences	Absolute	,092
	Positive	,092
	Negative	-,084
Kolmogorov-Smirnov Z		,502
Asymp. Sig. (2-tailed)		,963

a. Test distribution is Normal.

b. Calculated from data.

The Kolmogorov-Smirnov test shows an Asymp. Sig. (2-tailed) value greater than 0.05, which is 0.963. This result indicates that the residual data is normally distributed.

Multicollinearity Test

The multicollinearity test is conducted by examining the Tolerance and Variance Inflation Factor (VIF) values. The tolerance (α) value for the variables Corporate Income Tax and Tax Planning is greater than 0.1, which is 1.000. The Variance Inflation Factor (VIF) value for both variables is less than 10, which is also 1.000.

Model	Coefficients ^a	Collinearity Statistics
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	Tolerance	VIF
(Constant)		
Corporate Income Tax	1,000	1,000
Tax Planning	1,000	1,000

a. Dependent Variable: Earnings Management

Multiple Linear Regression Analysis and Hypothesis Testing

The results of the multiple linear regression analysis are as follows:

Table 4. Multiple Linear Regression Analysis Test

Model		Unstandardized Coefficients		Standardized Coefficients	T test
		B	Std. Error	Beta	
1	(Constant)	,015	,014		
	Corporate Income Tax	-,001	,000	-,336	,041
	Tax Planning	,044	,014	,473	,005

a. Dependent Variable: Earnings Management

$$\text{Earnings Management} = 0.015 - 0.001 \text{ Corporate Income Tax} + 0.044 \text{ Tax Planning} + e.$$

If the values of Corporate Income Tax and Tax Planning are 0 (zero), then the value of Earnings Management will increase by 0.015 units. If Corporate Income Tax increases by 1 unit, then Earnings Management will decrease by 0.001 units. Conversely, if Tax Planning increases by 1 unit, then Earnings Management will also increase by 0.044 units. The results of the partial significance test show that the Corporate Income Tax variable has a t-value of -2.144, which is less than the t-table value of 2.04841, and a significance value of 0.041 < 0.05, indicating that Corporate Income Tax does not have a significant effect on Earnings Management. Meanwhile, the Tax Planning variable has a t-value of 3.021, which is greater than the t-table value of 2.04841, and a significance value of 0.005 < 0.05, indicating that Tax Planning has a significant effect on Earnings Management. Simultaneous testing results show that the F-value is 6.920 > F-table value of 3.35, and the significance value is 0.004 < 0.05, meaning that Corporate Income Tax and Tax Planning simultaneously have a significant effect on Earnings Management.

The coefficient of determination (R^2) value of 33.9% indicates that the Earnings Management variable can be explained by the variables Corporate Income Tax and Tax Planning. Meanwhile, the remaining 66.1% is explained by other variables not examined in this study, such as Leverage and Financial Performance.

Based on the results of the partial test using the t-test, the Corporate Income Tax variable shows a t-value of -2.144, which is lower than the t-table value of 2.04841, and a significance value of 0.041, which is less than 0.05. These results indicate that the Corporate Income Tax variable does not have a significant effect on Earnings Management in plantation sub-sector companies listed on the Indonesia Stock Exchange. This finding is consistent with previous studies by Octavia & Sari, (2022), which concluded that corporate tax negatively affects earnings management. An increase in corporate tax tends to reduce earnings management. Arisandy, (2021) also stated that corporate income tax expense negatively affects earnings management. On the other hand, based on the t-test, the Tax Planning variable shows a t-value of 3.021, which is greater than the t-table value of 2.04841, and a significance value of 0.005, which is less than 0.05. This means that Tax Planning has a significant effect on Earnings Management in plantation sub-sector companies listed on the Indonesia Stock Exchange.

4. CONCLUSION

The results of this study indicate that Corporate Income Tax and Tax Planning have an effect on Earnings Management, as shown by the results of multiple linear regression analysis, which suggests that any increase in these variables tends to lead to an increase in earnings management. Partially, Corporate Income Tax does not have a significant effect on Earnings Management in plantation sub-sector companies listed on the Indonesia Stock Exchange, meaning H1 is rejected. In contrast, Tax Planning has a significant effect on Earnings Management, meaning H2 is accepted. Simultaneously, Corporate Income Tax and Tax Planning have a significant effect on Earnings Management in plantation sub-sector companies listed on the

Indonesia Stock Exchange, meaning H3 is accepted. Companies are expected to develop effective planning strategies to manage their finances properly. In carrying out tax planning, companies must pay close attention to applicable tax regulations in order to minimize potential tax-related risks. Management needs to ensure that all tax planning activities are carried out within the corridor of law and business ethics. Strengthening the principles of transparency, accountability, and integrity can reduce the opportunity for unfair profit manipulation that is detrimental to long-term stakeholders. Economically, the influence of tax planning on earnings management reflects that companies actively manage fiscal burdens as part of their earnings reporting strategy. This shows that tax decisions are not merely a response to earnings, but part of the company's financial planning and accounting architecture. In contrast, income tax only reflects the final result of earnings calculation, so it does not play an active role in the formation of earnings management.

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