


The Effect of Tax Planning and Deferred Tax Expense on Earnings Management (Empirical Study on Financial Service Companies Listed on the Indonesia Stock Exchange for the 2020–2024 Period)

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Article Info	ABSTRACT
<p>Keywords: Tax Planning, Deferred Tax Expense, Earnings Management, Financial Services, Panel Data Analysis.</p>	<p>This study investigates the effect of tax planning and deferred tax expense on earnings management in financial service companies listed on the Indonesia Stock Exchange during a multi-year period. The research adopts a quantitative approach using panel data regression analysis with the fixed effect model, based on secondary data obtained from publicly available financial statements. The findings reveal that tax planning does not have a significant impact on earnings management, while deferred tax expense shows a significant negative relationship with earnings management. Simultaneously, both variables significantly influence earnings management practices. These results suggest that deferred tax expense plays a more critical role than tax planning in shaping financial reporting behavior. The study contributes to the existing literature by offering empirical evidence within the context of financial service firms in a developing country and provides insights for stakeholders to better interpret deferred tax figures in relation to potential earnings manipulation.</p>
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INTRODUCTION

Every company is established with a fundamental objective, to maximize profits while maintaining long-term sustainability. To achieve this goal, shareholders entrust the management with the authority to utilize the company's resources effectively and report financial performance through financial statements (Windi, 2023). These financial reports serve as a communication tool between the company and its stakeholders, including investors, creditors, and regulators. For public companies, transparency in financial reporting is a legal requirement, aligning with the applicable financial accounting standards and tax regulations (Eviana et al., 2023).

In reality, however, financial reports may not always reflect the company's actual financial condition. The pressure to meet earnings targets or maintain financial stability often

leads managers to manipulate earnings, either subtly or deliberately. According to Meita (2019), earnings management is the strategic manipulation of reported income without altering the company's long-term economic value. Although it may be conducted within legal boundaries, this practice can mislead users of financial statements and diminish the credibility of the reported figures.

One of the underlying factors that motivates earnings management is the presence of conflicting interests between managers and shareholders, as emphasized in agency theory (Putri & Lawita, 2019). This theory explains how information asymmetry can lead managers, acting as agents, to prioritize their own interests over those of the principals. In such a context, tax planning becomes one of the strategic tools that managers use not only to reduce tax liabilities but also to influence the presentation of earnings (Handri Rori, 2013 in Cendana, 2024).

Tax planning refers to the legal arrangements made by a company to minimize tax obligations while remaining compliant with tax regulations (Lubis & Suryani, 2018). While it is often considered a legitimate business strategy, tax planning may also be used to shift profits between periods, especially when managers seek to smooth earnings or achieve performance benchmarks. As stated by Firda Nabila et al. (2022), effective tax planning can influence a firm's financial outcomes and may be linked to managerial incentives for earnings manipulation.

In addition to tax planning, deferred tax expense has emerged as another important variable in understanding earnings management behavior. Deferred tax arises from temporary differences between accounting income and taxable income and is recognized as either deferred tax assets or liabilities (Waluyo, 2022). According to Sukiantoro Tang (2021), these differences often reflect timing strategies in recognizing income or expenses, and therefore, can be utilized by management to influence the reported earnings.

The presence of deferred tax expense may signal potential manipulation, particularly when managers attempt to avoid reporting earnings that are too low or too high. Wulanningsih and Sulistyowati (2022) suggest that a significant deferred tax expense may indicate that management is adjusting the timing of income recognition to either boost or defer profit. This is supported by Yulianti (in Pullah et al., 2021), who argues that companies might use deferred tax to reduce visible earnings volatility.

Empirical studies have produced mixed results on the relationship between tax planning, deferred tax expense, and earnings management. For example, Devitasari (2022) found that tax planning negatively affects earnings management, while deferred tax positively influences it. In contrast, Febriani and Chaerunnisa (2022) concluded that tax planning does not have a significant impact, but deferred tax expense is positively associated with earnings management. These contrasting findings reflect the complexity and contextual dependency of earnings management practices.

Most of the prior studies have focused primarily on manufacturing or banking sectors. There is still limited research that concentrates on the broader financial services sector, which includes not only banks but also insurance companies, financing firms, and investment

institutions. Given the unique characteristics of financial services, such as regulatory oversight, revenue recognition practices, and risk exposure, it is important to examine whether similar patterns of earnings management exist in this sector.

This study aims to fill that gap by empirically investigating the influence of tax planning and deferred tax expense on earnings management in financial service companies listed on the Indonesia Stock Exchange. By focusing on a broader range of financial firms, this research provides a more comprehensive understanding of how tax-related strategies are used to manage earnings in a sector that plays a crucial role in national economic stability.

Ultimately, the findings of this research are expected to contribute to the academic discourse on earnings management, particularly in the context of developing economies. Additionally, the insights gained can help investors, regulators, and auditors better understand the implications of deferred tax and tax planning in financial reporting, thereby promoting transparency and good corporate governance.

METHODS

This study employs a quantitative research approach, aiming to test the effect of tax planning and deferred tax expense on earnings management. A quantitative method is selected because it allows the researcher to examine numerical data objectively and statistically, enabling a robust analysis of relationships among variables. The research design is explanatory, intending to explain the influence of independent variables on the dependent variable by applying statistical techniques.

To capture the complexity of financial reporting behavior across different firms and time periods, panel data analysis is used. Panel data offers a significant advantage because it combines cross-sectional and time-series data, making it possible to observe variations both across companies and over time. In this study, the sample consists of financial service companies listed on the Indonesia Stock Exchange (IDX) for a five-year period. These companies include banks, insurance firms, financing companies, and other non-bank financial institutions.

The data used in this study is secondary data, sourced from audited annual financial reports published on the official IDX website. The researcher selected these reports due to their reliability, accessibility, and completeness in disclosing tax-related and financial information. The study period spans five consecutive years, ensuring sufficient variation and allowing for a more accurate estimation of the regression model.

Sampling was carried out using purposive sampling, which involves selecting companies based on specific criteria. The sample includes firms that consistently reported profits, disclosed deferred tax expenses, and issued audited annual reports throughout the study period. Companies that were delisted, recorded losses, or failed to meet disclosure standards were excluded. As a result, a final sample of thirty-nine firms was determined, with a total of one hundred ninety-five firm-year observations.

Three variables are analyzed in this study: tax planning, deferred tax expense, and earnings management. Tax planning is measured using the Effective Tax Rate (ETR), which

reflects how efficiently a firm minimizes its tax obligations. Deferred tax expense is calculated as the ratio of deferred tax to total assets, providing an indication of temporary differences between taxable and accounting income. Earnings management is assessed using a scaled income smoothing proxy that compares changes in net income relative to the market value of equity.

To test the hypotheses, panel data regression analysis is conducted using EViews 13 software. The regression model is selected through a series of model selection tests, namely the Chow test, Hausman test, and Lagrange Multiplier test. These tests help determine the most appropriate model among the three available: Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Fixed Effect Model is ultimately chosen, as it best captures individual firm characteristics while controlling for time-invariant effects.

Before performing the regression analysis, classical assumption tests are conducted to ensure the validity of the model. These include tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. Passing these diagnostic checks is crucial, as it supports the reliability of the estimated coefficients and strengthens the robustness of the findings. Descriptive statistics are also provided to present an overview of each variable's characteristics and distribution.

Finally, the study evaluates the relationship between the variables using both partial and simultaneous hypothesis testing. The t-test is applied to assess the individual effect of each independent variable on earnings management, while the F-test is used to determine the joint significance of both variables. The coefficient of determination (R-squared) is also reported to indicate how well the independent variables explain the variation in the dependent variable. Through this methodological approach, the study aims to provide a clear and statistically sound understanding of how tax planning and deferred tax expense relate to earnings management practices in financial service firms.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis Results

Statistic	Earnings Management (Y)	Tax Planning (X1)	Deferred Tax Expense (X2)
Mean	0.014103	-0.085949	-0.00041
Median	0.01	-0.04	0
Maximum	0.21	0.23	0.01
Minimum	-0.19	-0.57	-0.016
Standard Deviation	0.088798	0.143003	0.026255
Skewness	-0.076603	-0.295896	-1.741346
Kurtosis	3.101091	2.70342	13.38152
Jarque-Bera	0.273744	3.56019	974.2284
Probability (JB Test)	0.872082	0.168622	0
Sum	2.75	-16.76	-0.08

Statistic	Earnings Management (Y)	Tax Planning (X1)	Deferred Tax Expense (X2)
Sum of Squared Dev.	1.529718	4.095899	0.001367
Number of Observations	195	195	195

Descriptive statistical analysis is used to describe and illustrate the frequency distribution of variables in a study, aiming to provide a general understanding of the analyzed data (Muschon, 2017). Based on the results, a total of 195 observations were analyzed. The tax planning variable (X1) has a mean of -0.0859 and a standard deviation of 0.1453, indicating a tendency among companies to apply tax planning strategies that reduce fiscal burden. The skewness value of -0.2959 suggests a slight left-skew, while the kurtosis of 2.7034 is close to normal distribution. The Jarque-Bera test yields a p-value of 0.1686 (> 0.05), confirming that X1 is normally distributed.

In contrast, the deferred tax expense variable (X2) displays more extreme characteristics. It has a mean of -0.0004 with a very small standard deviation of 0.0027, indicating homogeneity across firms. However, a skewness of -1.7413 reflects a strongly left-skewed distribution, and a kurtosis of 13.3815 suggests a leptokurtic pattern, with a sharp peak and heavy tails.

Common Effect Model (CEM)

Table 2. Common Effect Model (CEM) Results

Panel Data Regression Output – Common Effect Model (CEM)

Dependent Variable: Earnings Management (Y)

Method: Panel Least Squares

Sample Period: 2020–2024

Cross-sections (Firms): 39

Total Observations: 195

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	0.017526	0.007369	2.378394	0.0184
X1 (Tax Planning)	0.059514	0.045292	1.295779	0.1966
X2 (Deferred Tax Expense)	-0.124222	2.513896	-1.639854	0.1027

Model Summary

Statistic	Value
R-squared	0.01732
Adjusted R-squared	0.00708
Standard Error of Regression	0.08844
Sum Squared Residual	1.50323
Log Likelihood	197.682
F-statistic	1.69192
Prob(F-statistic)	0.1869

Mean of Dependent Variable	0.0141
Standard Deviation of Dependent Variable	0.0888
Akaike Information Criterion	-1.99674
Schwarz Criterion	-1.94639
Hannan-Quinn Criterion	-1.97635
Durbin-Watson Statistic	1.47826

The results indicate that the tax planning variable (X1) has a positive coefficient of 0.059514, suggesting that an increase in tax planning tends to enhance earnings management. However, this relationship is not statistically significant, as the p-value of 0.1966 exceeds the 5 percent significance level. Meanwhile, deferred tax expense (X2) shows a negative coefficient of -4.122242, implying that higher deferred tax expense tends to reduce earnings management. Although this effect is also statistically insignificant at the 5 percent level (p-value = 0.1027), it is close to the 10 percent threshold, indicating a marginal influence on earnings management.

Fixed Effect Model (FEM)

Table 3. Fixed Effect Model (FEM) Results

Panel Data Regression Output – Fixed Effect Model (FEM)

Dependent Variable: Earnings Management (Y)

Method: Panel Least Squares

Sample Period: 2020–2024

Cross-sections (Firms): 39

Total Observations: 195

Variable	Coefficient	Std. Error	t-Statistic	Probability
C (Constant)	0.019927	0.008448	2.35863	0.0196
X1 (Tax Planning)	0.097685	0.073506	1.328943	0.1858
X2 (Deferred Tax Expense)	-6.28676	2.832291	-2.22037	0.0279

Effects Specification: Cross-section fixed (dummy variables)

Statistic	Value
R-squared	0.295353
Adjusted R-squared	0.112327
Standard Error of Regression	0.088362
Sum Squared Residual	1.077912
Log Likelihood	230.1094
F-statistic	1.613725
Prob(F-statistic)	0.020861
Mean of Dependent Variable	0.014103
Standard Deviation of Dependent Variable	0.088798
Akaike Information Criterion	-1.953984
Schwarz Criterion	-1.254115
Hannan-Quinn Criterion	-1.660952

Durbin-Watson Statistic	2.06069
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Based on the regression results, variable X2 (deferred tax expense) has a statistically significant effect on variable Y (earnings management), as indicated by a p-value of 0.0279, which is below the 5 percent significance level. The negative coefficient of -6.286760 suggests that an increase in X2 leads to a decrease in Y, assuming other variables remain constant. In contrast, variable X1 (tax planning) is not statistically significant, with a p-value of 0.1858, indicating no meaningful impact on Y in this model.

Simultaneously, the model is statistically significant, as shown by the F-statistic probability of 0.020861, confirming that X1 and X2 jointly influence Y. The R-squared value of 0.295353 indicates that approximately 29.54 percent of the variation in earnings management can be explained by the independent variables, while the remaining 70.46 percent is attributed to other factors. The adjusted R-squared of 0.112327 suggests a relatively modest explanatory power after adjusting for model complexity.

Furthermore, the Durbin-Watson statistic of 2.060690, which is close to 2, indicates no serious autocorrelation issues, supporting the reliability of the model estimates. In conclusion, the Fixed Effect Model is appropriate for this study, with X2 being the only variable showing a statistically significant effect on earnings management.

Random Effect Model (REM)

Table 4. Random Effect Model (REM) Results

Panel Data Regression Output – Random Effect Model (REM)

Dependent Variable: Earnings Management (Y)

Method: Panel EGLS (Cross-section random effects)

Estimator: Swamy and Arora

Sample Period: 2020–2024

Cross-sections (Firms): 39

Total Observations: 195

Variable	Coefficient	Std. Error	t-Statistic	Probability
C (Constant)	0.017884	0.008682	2.059932	0.0408
X1 (Tax Planning)	0.066858	0.050208	1.327635	0.1859
X2 (Deferred Tax Expense)	-4.747503	2.511502	-1.890304	0.0602

Effects Specification

Effect Type	Standard Deviation (S.D.)	Rho
Cross-section random	0.029744	0.1122
Idiosyncratic random	0.083663	0.8878

Model Summary – Weighted Statistics

Statistic	Value
R-squared	0.021185
Adjusted R-squared	0.010999
Standard Error of Regression	0.083535
Sum Squared Residual	1.339783
F-statistic	2.077759

Prob(F-statistic)	0.128017
Mean of Dependent Variable	0.011039
Standard Deviation of Dependent Variable	0.083997
Durbin-Watson Statistic	1.657366

Model Summary – Unweighted Statistics

Statistic	Value
R-squared	0.016967
Sum Squared Residual	1.503763
Mean of Dependent Variable	0.014103
Durbin-Watson Statistic	1.476635

The results show that neither X1 nor X2 has a statistically significant effect on the dependent variable Y at the 5% or 10% significance level. The p-values for X1 (0.1859) and X2 (0.0602) indicate that although X2 approaches marginal significance, it still does not meet conventional thresholds. The negative coefficient of X2 (-4.747503) suggests a negative relationship with Y, but the effect is not strong enough to be considered statistically significant. Moreover, the model is not statistically significant overall, as indicated by the F-statistic probability value of 0.128017, which exceeds the 5% level. This implies that X1 and X2, when combined, do not significantly explain variations in Y under the Random Effect Model.

The coefficient of determination (R-squared) is only 0.021185, meaning that just 2.1% of the variance in earnings management can be explained by the independent variables. The adjusted R-squared value is even lower, at 0.010899, further indicating weak explanatory power after adjusting for model complexity. The Durbin-Watson statistic of 1.657366 remains within an acceptable range, though it slightly suggests the potential for positive autocorrelation. However, no serious autocorrelation issue is present, and the model remains diagnostically acceptable.

Chow Test

Table 5. Chow Test Results

Effects Test	Statistic	Degrees of Freedom (d.f.)	Probability (Prob.)
Cross-section F	1.599052	(38, 154)	0.0249
Cross-section Chi-square	64.854469	38	0.0043

The Chow Test is used to determine whether the panel data regression should apply the Fixed Effect Model (FEM) or the Common Effect Model (CEM). In this study, the test compares the FEM and CEM using two approaches: the F-statistic and Chi-square test.

The results show that the probability values for the Cross-section F (0.0249) and Chi-square (0.0043) are both below the 5% significance level. Therefore, the null hypothesis (H_0), which states that fixed effects are not significant, is rejected in favor of the alternative hypothesis (H_1). This indicates that the Fixed Effect Model is statistically more appropriate than the Common Effect Model. Theoretically, this suggests that each firm in the panel has unique characteristics that remain constant over time and significantly influence the

dependent variable. Thus, the Fixed Effect Model is better suited to capture these unobserved individual effects.

Hausman Test

Table 6. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Cross-section random	1.413211	2	0.0493

Cross-section Random Effects Test Comparisons				
Variable	Fixed	Random	Var (Diff.)	Probability
X1	0.097685	0.066658	0.002882	0.5633
X2	-6.26876	-4.747503	1.66333	0.2382

The Hausman test is used to determine whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more appropriate for panel data regression. The null hypothesis (H_0) assumes that REM is suitable, while the alternative hypothesis (H_1) supports the use of FEM. The test results show a Chi-square statistic of 1.4132 with a p-value of 0.0493. Since the p-value is below the 5% significance level, the null hypothesis is rejected.

This indicates that the Fixed Effect Model is more appropriate for this study, suggesting the presence of correlation between individual effects (unobserved heterogeneity) and the independent variables. Therefore, FEM is preferred, as it can control for firm-specific characteristics that may influence the dependent variable. These findings are also consistent with the previous Chow test, which recommended the use of the Fixed Effect Model.

Lagrange Multiplier Test

Table 7. Lagrange Multiplier Test Results

Test	Cross-section	Time	Both
Breusch-Pagan	3.897789 (0.0483)	67.70812 (0.0000)	71.60590 (0.0000)
Honda	1.974282 (0.0242)	8.228494 (0.0000)	7.214452 (0.0000)
King-Wu	1.974282 (0.0242)	8.228494 (0.0000)	8.436136 (0.0000)
Standardized Honda	2.177197 (0.0147)	9.506656 (0.0000)	3.225380 (0.0006)
Standardized King-Wu	2.177197 (0.0147)	9.506656 (0.0000)	6.472263 (0.0000)
Gourieroux, et al.	--	--	71.60590 (0.0000)

Lagrange Multiplier (LM) Test is used to determine whether the appropriate panel regression model should be the Random Effect Model (REM) or the Common Effect Model (CEM). This test was conducted using several approaches, including Breusch-Pagan, Honda, King-Wu, and their standardized versions.

The results show that the probability values from all approaches, for cross-section, time, and both, are below 0.05. For instance, the Breusch-Pagan test for the combined hypothesis yielded a statistic of 71.60590 with a p-value of 0.0000. Similarly, the Honda and King-Wu tests also presented statistically significant values across all categories. These results indicate the presence of significant individual effects, suggesting that the Common Effect Model is not suitable.

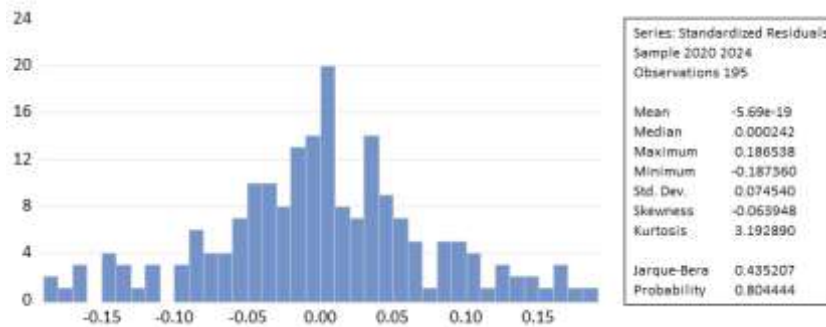


Figure 1. Normality Test Results

Therefore, it can be concluded that the Random Effect Model is more appropriate than the Common Effect Model. However, the final choice between REM and the Fixed Effect Model (FEM) should refer to the results of the Hausman test discussed previously.

Classical Assumption Testing

This section aims to assess the quality of data in the multiple linear regression model. It includes the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Normality Test

The normality test shown in the figure uses a histogram of standardized residuals and is supported by the Jarque-Bera statistic. This test aims to determine whether the residuals in the regression model are normally distributed, which is a crucial assumption in classical linear regression.

Visually, the histogram shows a symmetric bell-shaped distribution centered in the middle, indicating a resemblance to a normal distribution. The Jarque-Bera statistic is 0.435207 with a probability value of 0.804444, which is significantly above the 0.05 significance level. Thus, the null hypothesis cannot be rejected, meaning the residuals are normally distributed.

Supporting descriptive statistics also confirm this conclusion. The skewness value of -0.063948 is close to zero, indicating near symmetry, while the kurtosis value of 3.192890 is close to the normal distribution value of 3, suggesting a normal tail thickness. Therefore, the normality assumption of residuals is fulfilled, and the regression model can be considered reliable in terms of residual distribution.

Multicollinearity Test

Table 8. Multicollinearity Test Results

Date: 07/13/25 Time: 09:39

Sample: 1 195

Included observations: 195

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	5.46E-05	1.347733	NA
X1	0.003363	2.353919	1.746577

X2	9.218412	2.005265	1.746577
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Multicollinearity testing in the figure was conducted using the Variance Inflation Factor (VIF). This test aims to detect high correlations between independent variables that could compromise the stability and accuracy of regression coefficient estimates.

Based on the results, the centered VIF values for both X1 and X2 are 1.746577, which are well below the common threshold of 10, and even below the more conservative limit of 5. This indicates no serious multicollinearity problem between the independent variables in the model.

The low VIF values suggest that X1 and X2 are not highly correlated and each contributes unique information in explaining the dependent variable. Therefore, the regression model is free from multicollinearity issues, and the coefficient estimates can be considered stable and interpretable.

Heteroskedasticity Test

Table 9. Heteroskedasticity Test Results

Test Statistic	Value	Probability
F-statistic	0.326427	Prob. F (2,192) = 0.7219
Obs*R-squared	0.660809	Prob. Chi-Square (2) = 0.7186
Scaled explained SS	0.773875	Prob. Chi-Square (2) = 0.6791

The heteroskedasticity test in the figure uses the Glejser method to examine whether the variance of the residuals is constant (homoskedastic) or not. The results show probability values for the F-statistic (0.7219), Obs*R-squared (0.7186), and Scaled Explained SS (0.6791), all of which are well above the 0.05 significance level.

These results indicate no sufficient evidence to reject the null hypothesis of homoskedasticity. Therefore, the regression model does not exhibit signs of heteroskedasticity.

Autocorrelation Test

Table 10. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test

Null Hypothesis: No serial correlation up to 2 lags

Statistic	Value	Probability
F-statistic	3.649703	Prob. F(2,190) = 0.2784
Obs*R-squared	7.214336	Prob. Chi-Square(2) = 0.2713

The autocorrelation test aims to detect whether residuals in the regression model exhibit serial correlation, particularly up to lag 2. This is essential because classical linear regression assumes that residuals are independent. The Breusch-Godfrey LM test was used, with the null hypothesis stating that there is no serial correlation up to lag 2.

Based on the results, the probability values for both the F-statistic (0.2784) and Obs*R-squared (0.2713) are greater than the significance level of 0.05. Therefore, the null hypothesis cannot be rejected, indicating no evidence of serial correlation. This means the residuals are independent across time, and the model satisfies the assumption of no autocorrelation.

Panel Data Regression Analysis

Panel regression analysis combines cross-sectional and time-series data to examine the influence of independent variables X1 and X2 on dependent variable Y over the period 2020–2024. The study includes 39 entities and 195 balanced observations. The Fixed Effect Model (FEM) was employed to account for unobserved heterogeneity across entities. The estimation results show:

- Tax Planning (X1) has a positive coefficient (0.097685) but is not statistically significant ($p = 0.1858$), implying no significant partial effect on earnings management.
- Deferred Tax Expense (X2) has a negative and significant coefficient (-6.268760, $p = 0.0279$), suggesting that higher deferred tax expenses are associated with lower earnings management.

The model's constant is 0.019927, indicating the estimated level of earnings management when both predictors are zero. The R-squared value of 0.295353 indicates that about 29.54% of the variation in earnings management can be explained by the independent variables and fixed effects, while the adjusted R-squared of 0.112327 adjusts for the number of predictors and observations.

The F-statistic probability (0.020861) confirms that the model is jointly significant at the 5% level, meaning tax planning and deferred tax expenses significantly influence earnings management. The Durbin-Watson statistic of 2.060690 suggests no autocorrelation, supporting the reliability of the model's estimates. Overall, the panel regression model satisfies classical assumptions and is statistically and econometrically valid for drawing conclusions.

Hypothesis Testing

Once the most appropriate regression model is selected, hypothesis testing is conducted to determine the individual (t-test) and joint (F-test) significance of the independent variables on the dependent variable. This step assesses the validity of the proposed hypotheses.

Coefficient of Determination (R^2)

Table 11. Coefficient of Determination (R^2) Results

Statistic	Value	Statistic	Value
R-squared	0.295353	Mean dependent variable	0.014103
Adjusted R-squared	0.112327	S.D. dependent variable	0.088798
Standard Error of Regression	0.083663	Akaike Information Criterion	-1.93958
Sum Squared Residual	1.077912	Schwarz Criterion	-1.25142
Log Likelihood	230.1094	Hannan-Quinn Criterion	-1.66095
F-statistic	1.613725	Durbin-Watson Statistic	2.06069
Prob (F-statistic)	0.020861		

According to Ghazali and Ratmo (2017), the coefficient of determination (R^2) is used to assess how well a regression model explains the variability of the dependent variable. The closer the R^2 value is to 1, the better the model explains the variation. In this study, the R-squared value is 0.295353, indicating that approximately 29.54% of the variation in earnings

management is explained by tax planning and deferred tax expenses, along with fixed effects across companies. The adjusted R-squared value is 0.112327, reflecting adjustments based on the number of predictors and observations. While this indicates a modest explanatory power, the model still provides relevant insight into the relationship between the independent variables and earnings management. The remaining variation is likely influenced by other unobserved factors such as corporate governance, regulation, or internal company practices.

Partial Test (t-test)

The t-test evaluates the individual significance of each independent variable. For tax planning, the coefficient is 0.097685 with a p-value of 0.1858, which exceeds the 0.05 threshold, suggesting it has no significant effect on earnings management. In contrast, deferred tax expense has a coefficient of -6.268760 with a p-value of 0.0279, indicating a significant negative relationship. This implies that as deferred tax expenses increase, earnings management decreases. Thus, among the two variables, only deferred tax expense significantly influences earnings management on a partial basis.

Simultaneous Test (F-test)

The F-test assesses the joint influence of all independent variables. The model yields an F-statistic of 1.613725 with a p-value of 0.020861, which is below the 0.05 significance level. Therefore, the null hypothesis is rejected, confirming that tax planning and deferred tax expense together significantly affect earnings management. Although only one variable (deferred tax) shows significance individually, their combined effect validates the overall model, supporting its use in analyzing the studied relationships.

CONCLUSION

This study aimed to examine the influence of tax planning and deferred tax expenses on earnings management using a panel data regression approach with a fixed effects model. The findings revealed that tax planning, although positively associated with earnings management, did not exhibit a statistically significant effect. This suggests that the variations in tax planning strategies among the observed companies do not contribute meaningfully to the practice of earnings management when considered individually. In contrast, deferred tax expenses showed a negative and statistically significant influence on earnings management, indicating that higher deferred tax obligations may discourage the manipulation of earnings. Furthermore, the model demonstrated acceptable explanatory power, as a meaningful portion of the variation in earnings management could be attributed to the independent variables and fixed effects across entities. The simultaneous test confirmed that both tax planning and deferred tax expenses, when considered together, have a significant impact on earnings management, supporting the relevance of the model in explaining the studied phenomenon. Overall, the results emphasize the importance of understanding how deferred tax mechanisms influence managerial behavior in financial reporting. Future studies are encouraged to incorporate additional variables that may further explain the dynamics of earnings management, particularly in the context of regulatory and corporate governance environments.

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