

The Influence of Tax Accounting for Deferred Tax Assets on Profit Management in Food and Beverage Sub-Sector Manufacturing Companies Listed on the Indonesian Stock Exchange

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ABSTRACT

This research aims to determine the effect of tax accounting for deferred tax assets on profit management in food and beverage sub-sector manufacturing companies listed on the Indonesian Stock Exchange. This research uses a descriptive verification method with a quantitative approach which aims to describe whether existing facts are true or not, as well as explaining the relationship between the variables studied by collecting data, processing, analyzing and interpreting data in statistical hypothesis testing. The population in this research is all food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (BEI) in the 2017-2021 period, totaling 25 companies. The sample in this research was 8 companies. The data collection technique uses documentation study techniques where data collection is obtained from financial reports of food and beverage sub-sector manufacturing companies listed on the IDX. The data analysis technique used in this research is simple linear regression using the SPSS (Statistical Product and Service Solution) software program. The partial research results show that tax accounting for deferred tax assets does not have a significant effect on earnings management. The calculated t value obtained is -0.890 where the t table value at α 5% is 1.685, meaning negative. Where the significance level α is 5%, the t value is $0.890 < t \text{ table } 1.685$ and the p-value is in the sig column. $0.378 > 0.05$ means not significant.

Keywords: Deferred Tax Assets, Profit Management

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INTRODUCTION

In general, companies will tend to minimize reported profits with the aim of reducing the amount of tax paid by accelerating the recognition of expenses or deferring income. (Hani, 2007). One of the parameters used to measure and assess a company's performance is profit information. Profit information can help owners (stakeholders) and investors in estimating profit power to assess risks in investment and credit. Profit is closely related to tax because the amount of tax paid is determined by the amount of profit received by the company, so that increasing profits will result in the amount of tax paid. Therefore, managers often take advantage of opportunities to manipulate profit numbers (earnings management) (Yuliza & Fitri, 2020).

According to Scot (2003), earnings management is a manager's action to increase (decrease) the current reported profit for the unit for which the manager is responsible, without resulting in an increase (decrease) in the long-term economic profitability of the unit. Meanwhile, according to Schipper (in Sulistyanto 2008), earnings management is interference in the process of preparing external financial reporting, with the aim of obtaining personal gain. Earnings management is carried out to avoid reporting losses, this is done for the reason that a company with a loss condition will certainly experience slow growth. In fact, a company's loss-making condition will have an impact on share prices falling, and investor and creditor confidence will also fall further. Thus, many companies tend to carry out earnings management so as not to report loss figures.

Achyani & Lestari (2019) in their previous research related to earnings management, stated that deferred tax expenses, deferred tax assets and tax planning have no influence on earnings management. This is different from research conducted by Aminah & Zulaikha (2019) which concluded that deferred tax assets have a positive and significant influence on earnings management. and research by Soliman & Ali (2020) states that management uses the net deferred tax value to manipulate profits through a positive relationship between deferred tax information and earnings management practices.

Companies in Indonesia in terms of preparing financial reports are guided by the Statement of Financial Accounting Standards (PSAK), while for tax purposes they are guided by the Tax Regulations. The differences between accounting principles and tax regulations require managers to make two types of profit and loss reports, namely commercial profit and loss statements and fiscal profit and loss statements. Commercial profit and loss statements are prepared based on Financial Accounting Standards, while fiscal profit and loss statements are prepared based on tax regulations. Tax Regulations require companies to carry out fiscal reconciliation to adjust the differences between tax concepts and commercial accounting concepts.

A number of differences between PSAK and tax rules result in two types of income, namely profit before tax (calculation of accounting profit according to PSAK) and taxable income (calculation of fiscal profit according to fiscal rules). The difference between accounting profit and fiscal profit can cause difficulties in determining the amount of profit, which can affect the position of the financial statements and cause an unbalanced final report. Therefore, it is necessary to adjust the balance between accounting profit and fiscal profit through fiscal reconciliation. Temporary differences between accounting profit and fiscal profit give rise to deferred tax expenses (Yulianti, 2009).

Deferred tax assets are assets that arise if time differences cause positive corrections which result in the tax burden according to commercial accounting being smaller than the tax burden according to the tax law (Waluyo, 2008: 217). Deferred tax assets are one of the

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common factors causing earnings management actions, this is because there are temporary differences which result in the recovery of the tax amount in the future period. Temporary differences occur when there is an adjustment to behavior in taxation according to accounting and taxation provisions (Imarotul Mufidah, 2020).

The rules contained in taxation require companies to make adjustments to the company's fiscal profit due to differences in concepts and methods used to measure income and costs, which will cause a difference between the amount of accounting profit and the amount of fiscal profit (Jiwanggono, 2014). Deferred tax accounting is regulated in Statement of Financial Accounting Standards Number 46. In general, PSAK No. 46 was issued to improve the quality of financial reports relating to income tax (Daud, 2017).

The amount of deferred tax assets which is increased by management is motivated by the provision of bonuses, political burdens on the size of the company in carrying out earnings management so that it motivates the company to manage earnings so that if the amount of deferred tax assets is greater, the higher management will carry out earnings management (Fitriany, 2016).

Table 1. Data on Deferred Tax Assets and Profit Management of Food and Beverage Sub Sector Manufacturing Companies Listed on the Indonesian Stock Exchange

Company	Deferred Tax Assets	Profit Management
CAMP 2017	0,0553	-0,1765
CAMP 2018	0,0196	0,4266
CAMP 2019	-0,0671	0,2391
CAMP 2020	-0,1968	-0,4262
CAMP 2021	-0,4006	1,2719
CEKA 2017	0,0307	-0,5698
CEKA 2018	0,2271	0,1375
CEKA 2019	0,3886	1,3255
CEKA 2020	0,5189	-0,1562
CEKA 2021	0,6315	0,0289
ICBP 2017	0,0819	-0,0098
ICBP 2018	0,0891	0,1006
ICBP 2019	0,1495	0,0922
ICBP 2020	0,1151	0,1322
ICBP 2021	0,1483	0,1102
INDF 2017	0,1658	-0,0283
INDF 2018	0,1435	0,1927
INDF 2019	0,1774	0,0417
INDF 2020	0,1286	0,2213
INDF 2021	-0,0731	0,2653
MYOR 2017	0,1937	0,0536

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MYOR 2018	-0,0783	0,1613
MYOR 2019	-0,0688	0,1251
MYOR 2020	-0,0841	0,0518
MYOR 2021	-0,0882	-0,0155
SKBM 2017	-0,2508	0,0076
SKBM 2018	-0,1009	0,0156
SKBM 2019	-0,1173	-0,0094
SKBM 2020	0,0655	0,0217
SKBM 2021	0,0544	0,0382
SKLT 2017	-0,1438	0,1721
SKLT 2018	-0,0597	0,0065
SKLT 2019	-0,1304	-0,0787
SKLT 2020	0,0797	-0,0119
SKLT 2021	0,0216	0,0304
TBLA 2017	0,0135	0,1801
TBLA 2018	0,1258	0,1434
TBLA 2019	0,1086	-0,0912
TBLA 2020	0,2125	0,0381
TBLA 2021	0,0165	0,0583

Source: www.idx.com (Data Processed 2022)

From the data above, it can be seen that the annual earnings management implemented by the company has not gone well. It can be seen in the CEKA company where in 2017-2021 the amount of deferred tax assets increased but the reported profits experienced fluctuations.

Research conducted by (Jenny Dwi Annysya, 2021) on the influence of deferred tax assets on earnings management proves that deferred tax assets have a significant effect on earnings management. Then research conducted by (Timuriana Tiara & Rezwan, 2015) with the title The Effect of Deferred Tax Assets and Deferred Tax Expenses on Profit Management proves that the results of research on deferred tax assets have an effect on earnings management.

LITERATURE REVIEW

Tax accounting

Accounting is the process of recording, classifying, summarizing, summarizing and presenting in certain ways financial transactions that occur in a company/organization as well as interpreting the results (Zulia Hanum, SE, 2010).

Accounting presents information about conditions that occurred during a certain period for management or other interested parties with the aim of assessing the condition and performance of the company. Meanwhile, in taxation the term bookkeeping/recording is used, not the term accounting. Bookkeeping/recording itself has a narrower scope compared to accounting. Tax accounting is a part of accounting that arises from an element of specialization that requires expertise in a particular field. Tax accounting was created because of the basic principles regulated in the tax law and bookkeeping is influenced by the tax function in implementing it as government policy (Prastiwi Dewi & Narsa I Made, 2019).

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Deferred tax assets

Deferred tax assets occur when accounting profit is smaller than fiscal profit due to temporary differences. The smaller accounting profit than fiscal profit means that the company can postpone the tax payable in the future period. However, if it is impossible for fiscal profits to be available in sufficient amounts to be compensated with a balance of fiscal losses that can be compensated for, or if it is possible that future tax benefits will be realized with a probability of less than 50 percent (Kiswara 2007), then deferred tax assets are not recognized and the company will record a deferred tax asset reserve (Suranggane, 2007).

Deferred tax assets are one of the common factors causing earnings management actions, this is because there are temporary differences which result in the recovery of the tax amount in the future period. Temporary differences occur when there is an adjustment to behavior in taxation according to accounting and taxation provisions. The rules contained in taxation require companies to make adjustments to the company's fiscal profit due to differences in concepts and methods used to measure income and costs, which will cause a difference between the amount of accounting profit and the amount of fiscal profit (Jiwanggono, 2014).

Profit management

Earnings management is a condition where management intervenes in the process of preparing financial reports for external parties so that they can equalize, increase and decrease profits (Schipper, 1989). Healy and Wahlen (1999) state that earnings management occurs when management uses certain decisions in financial reporting and preparing transactions that change the financial statements. This aims to mislead users of financial reports about the condition of the company's economic performance, as well as to influence the contractual income that controls the reported accounting numbers. (Aminah & Zulaikha, 2019)

Earnings management is an effort to change, hide and manipulate numbers in financial reports and to modify the accounting methods and procedures used in the company (Sulityanto, 2008). This practice is carried out by companies for several reasons, one of which is to reduce tax payments by reporting low profits. But on the other hand, companies also need to present good financial performance to attract investors. So every year the company will make two versions, namely financial reports based on generally accepted accounting principles and financial reports based on generally accepted accounting principles and financial reports calculated based on applicable tax provisions in accordance with the law.

Conceptual framework

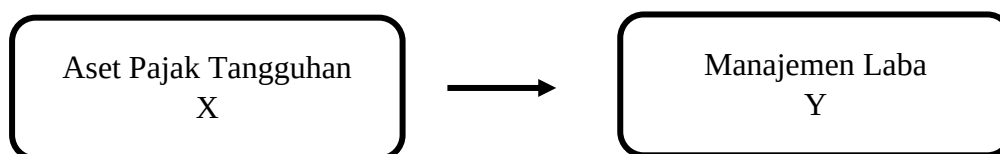


Figure 1. Conceptual Framework

METHOD

Types of research

This research uses a descriptive verification method with a quantitative approach. According to Sugiyono (2013:8) the descriptive verification method is a method that aims to describe whether existing facts are true or not, as well as explaining the relationship

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between the variables studied by collecting data, processing, analyzing and interpreting data in statistical hypothesis testing. By using this research method, significant relationships between the variables studied will be known so that conclusions will clarify the picture of the object being studied.

RESULT AND DISCUSSION

Simple Linear Regression Test

Based on the SPSS calculation results of simple regression analysis of deferred tax assets on earnings management, the results of the analysis can be seen in the following table:

Table 2. Simple Linear Regression Test

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	,067	,013		5,078	,000
	Deferred Tax Assets	,099	,111	,143	-,890	,379

a. Dependent Variable: Profit Management

Source: Research data is processed SPSS (2022)

Based on table 2, a simple linear regression equation can be obtained, namely:

$$Y = 0.067 + 0.099X$$

T test

Table 3. t-test

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	,067	,013		5,078	,000
	Deferred Tax Assets	,099	,111	,143	-,890	,379

a. Dependent Variable: Profit Management

Source: Research data is processed SPSS (2022)

Based on the parameter results in the table above, the calculated t value is -0.890, while the t table value is 1.685, so it can be understood that $t_{\text{calculated}} < t_{\text{table}}$. Next, to see the significance value, it can be seen from the sig value in the coefficients table and compared with the standardized value of 0.05 (sig. 0.379 > 0.05), it can be concluded that H_0 is accepted and H_a is rejected, which means that deferred tax assets have no effect on earnings management.

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Table 4. Determination Coefficients (R Square)

Model	Model Summary ^b			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,143 ^a	,020	-,020	,07774

a. Predictors: (Constant), Aset Pajak Tangguhan

b. Dependent Variable: Manajemen Laba

Source: Output Processed by SPSS (2022)

Based on the calculation of the coefficient of determination, it can be seen that the R Square value obtained is 0.020. This figure shows that 2% of earnings management (dependent variable) can be explained by deferred tax assets. The remaining 98% is influenced by other factors not explained in this study. Then the Std value. Error of the Estimate is 0.07774, where the smaller the value of this number, the more accurate the regression model will be in predicting earnings management.

DISCUSSION

The Effect of Deferred Tax Assets on Earnings Management

Based on the results of testing the hypothesis of this research, the research results were obtained, namely based on the results of a negative t value of -0.890 with a t table value of 1.685 and a p-value in the sig column. $0.378 > 0.05$ means not significant. This explains that deferred tax assets do not have a significant effect on earnings management.

Theoretically, deferred tax assets can be used as an opening for earnings management. But the consequence on the fiscal financial statements is that the amount of tax paid by the company is greater. Management considers the risks and losses of engineering deferred tax assets. The main risks resulting from the recognition of deferred tax assets are: (1) recognition of deferred tax is temporary, if in the following year the difference becomes a PPh liability that must be paid, then the deferred tax liability is recognized as PPh payable, (2) for companies that recognize deferred tax assets then transactions will hang and pile up. In the following year, if new deferred tax assets are recognized, they will pile up even more, (3) because the recognition of deferred tax assets and liabilities continues to increase and is never written off, this will result in financial reports that are not credible so that they will be of concern to users who have profits. This will reduce the level of trust by interested parties in the financial reports presented regarding the unreliability of the financial reports.

Another reason why company management in Indonesia does not utilize deferred tax assets to manipulate profits is because there is a close relationship between deferred tax assets and tax provisions, that is, if managers utilize deferred tax assets in commercial financial statements to carry out earnings management, then this can have an impact. in the fiscal financial statements because the deferred tax assets reported in the long-term commercial financial statements must match the fiscal financial statements; Thus, managers have to "rack their brains" so that the amount of deferred tax assets that are engineered does not result in large tax payments that will be detrimental to the company.

CONCLUSION

Based on the results of the data analysis and discussion explained in chapter four, the conclusion that can be drawn is that tax accounting for deferred tax assets does not have a

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significant effect on earnings management in food and beverage sub-sector manufacturing companies listed on the IDX. This is because the calculated t value obtained is -0.890 where the t table value at α 5% is 1.685 and the p-value is in the sig column. $0.378 > 0.05$ means it is not significant, so H_0 is accepted so it can be concluded that tax accounting for deferred tax assets has no significant effect on earnings management.

SUGGESTION

From the conclusions above, suggestions for further research are:

1. It is hoped that future researchers will add more variables related to factors that can influence earnings management.
2. Apart from that, for the next study you can increase the number of company samples by adding other sectors or using all companies for research
3. For further research, it is recommended to add other research methods.

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