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THE EFFECT OF PROFITABILITY, BOOK TAX DIFFERENCE AND TAX PLANNING ON INCOME MANAGEMENT IN AUTOMATICALLY SUB-SECTOR MANUFACTURING COMPANIES AND COMPONENTS REGISTERED IN INDONESIA STOCK EXCHANGE

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Abstract

The purpose of this study is to determine the effect of profitability (net profit margin), book-tax differences, and tax planning on earnings management in Automotive Sub-Sector Manufacturing Companies and Components Listed on the Stock Exchange for the 2014-2019 Period. The method used in preparing this thesis is a quantitative method using secondary data based on the company's financial statements that researchers got from the Indonesia Stock Exchange (IDX). The data analysis method used is the classical assumption test (normality test, multicollinearity test, heteroscedasticity test and autocorrelation test) and hypothesis testing (multiple linear regression, t-test, F test and coefficient of determination). The results of this study indicate. Partially profitability does not have a significant effect on earnings management. Permanent difference partially has a significant effect on earnings management. Temporary differences partially have a significant effect on earnings management. Tax planning partially does not have a significant effect on earnings management

Keywords: *Profitability, Book Tax Differences, Permanent Differences, Temporary Differences in Tax Planning, Earnings Management.*

INTRODUCTION

The company's responsiveness to stakeholder shareholders at the end of the period is preparing financial reports. Moreover, as a form of responsibility, financial statements are also a medium for company communication to interested parties. Usually, what concerns users of financial statements is the performance of earnings management related to the company's profits. There is a concern for company profits that Management realises, so managers use a method, namely earning Management which is used to make profits in the company's financial statements.

Earning Management is a process that is carried out on purpose, which is based on accounting principles to direct the level of earnings reported by the company. Some accountants consider this process to manipulate financial reports to trick stakeholders who want to know the company's performance and condition. The term manipulating is the basis for referring to earnings management as a form of fraud. Meanwhile, other parties still regard this managerial engineering activity as not cheating. The reason is that company managers carry out this manipulation within the accounting standards framework, namely that they are still using generally accepted and recognised accounting methods and procedures.

Several things can affect earnings management, including Profitability, Book-Tax Difference, and Tax Planning carried out by companies. Profitability is a measurement method used by companies to determine the company's ability to profit from earnings related to sales, assets and equity based on certain measurement bases. Profitability is used to show how much profit or profit is obtained from the performance of a company that affects the notes on financial statements that must be by financial accounting standards; Book Tax-Difference is a method used by Management in (measuring earnings quality) by calculating the company's profit in each year, to meet the reporting objectives by PSAK and comply with the regulations in the Taxation Law as the fulfilment of tax obligations. Meanwhile, Tax Planning is a method that taxpayers can use in managing business taxation or their income without violating the constitution or the applicable Taxation Law.

This research will be examined in the automotive sub-sector companies and components listed on the Indonesia Stock Exchange for the period 2014-2019; the goal is to find out how much profit management the company gets by looking at the application of Profitability, Book Tax-Differences, and tax planning (tax planning).) towards the company. So that this research can be used as the company's foundation in planning the company's financial statements to make it look better.

AGENCY THEORY

According to R.A Supriyono (2018: 63), the concept of agency theory is the contractual relationship between the principal and the agent. This relationship is carried out for a service where the principal gives the agent authority regarding the principal's best decision making by prioritising the interest in optimising corporate profits to minimise the burden, including the tax burden, by doing tax avoidance. Agency theory is the granting of authority by company owners (shareholders) to company management to carry out company operations by the agreed contract; if both parties have the same interest to increase company value, Management will act in the interests of the company owner.

According to the KUP Law Number 28 of 2007 Article 1 Paragraph (1), taxes are mandatory contributions to the state owed by an individual or entity that is compelling based on law, without receiving direct compensation and used for state purposes to the state greatest extent. The prosperity of the people.

PROFIT MANAGEMENT

According to Hery (2015: 48-50), in the business world, Management as the company manager (acting as an agent for the company) is constantly faced with various pressures. These pressures can come from outside the company, and they could also come from within, which will directly or indirectly influence Management in the financial reporting process.

As mentioned earlier, financial statements are a form of management accountability to the principals (investors, fund owners) to report the results or performance that has been carried out throughout the period. Management as the party that the principal has given full authority and trust to manage the company's business often feels burdened by pressures to meet short-term performance targets, such as revenue or profit growth, and meeting other performance indicators such as financial, cash flow ratios. And other measures of performance. Earning Management in the financial reporting process.

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Motivation to meet profit targets can lead a manager or company to complain about healthy business practices. As a result, the quality of earnings and financial reporting has decreased. Earnings management is concerned with individual managers' motivation and the benefit of the company.

Managers or financial report compilers carry out earnings management because they expect a benefit from the actions taken. Earnings management can provide an overview of the behaviour of managers in reporting business activities in a certain period, namely the possibility of reporting business activities in a certain period, namely the possibility of specific motivations that encourage them to manipulate financial data. This kind of earnings management hurts earnings quality because it can distort the information contained in the income statement.

PROFITABILITY

According to Kasmir (2017: 196), profitability is a ratio that assesses a company's ability to seek profit. This ratio can also provide a measure of the level of management effectiveness in a company. This can be seen from the profits obtained based on sales and investment income.

The profitability of a company is one of the bases for assessing the condition of a company; for that, we need an analysis tool to assess it. The analytical tool in question is financial ratios. Profitability ratios measure management effectiveness based on the returns obtained from sales and investment.

BOOK TAX DIFFERENCES

Book tax differences are the differences in the profit calculated based on accounting with profits calculated by tax regulations. In general, companies engaged in business will prepare financial reports for two purposes each year. The first objective is financial reporting by Generally Accepted Accounting Principles (GAAP), and the second is by tax law to determine the number of corporate tax obligations that must be paid to regulators, in this case, the government, according to Hanlon (2005) in Purnama, (2016). This difference arises due to differences in recognition of income and expenses between financial reports and tax reports, categorised as Temporary Differences and Permanent Differences.

TEMPORARY DIFFERENCES

According to Fitri (2014), temporary differences arise due to differences in accounting methods and the timing of revenue and expense recognition. Temporary differences are projected to affect profits in future periods because these temporary differences will create deferred tax assets and deferred tax liabilities, according to Herawati. (2017: 13) temporary differences are a reflection of specific accrual policies applied by the company—this accrual policy results in a difference in recognising income or expenses between accounting and tax.

PERMANENT DIFFERENCES

There is in Febiyanto (2014: 15), in general, permanent differences that occur due to differences in recognition of income and expenses. Permanent differences are differences in the treatment of income and expenses where income and expenses are recognised by commercial accounting but not recognised by tax accounting. An example of a permanent difference is income in kind (rice, oil, etc.). In commercial accounting, income in in-kind is recognised as income, but in tax accounting, income in the form of in-kind is not a tax object. Another example is the cost of donations. In commercial accounting, the cost of a contribution is recognised as an expense, but in tax accounting, the cost of a contribution is not recognised as an expense (not a tax object).

TAX PLANNING

According to Nur Hidayat (2013: 307-308), tax planning is a soft effort to minimise tax liabilities to adjust the amount of tax to be paid, or it can be called tax planning tax planning and done that there is no excess in paying taxes. Tax planning does not mean an effort not to pay taxes because it is contrary to the applicable tax law. Taxes that companies are based on are presented in the financial statements, thus carrying out tax planning will be more appropriate when it is at the same time as when preparing financial statements to be presented primarily for external purposes.

Tax planning that is prepared at the time of presenting the financial statements must keep in mind that tax planning aims to regulate tax payments or minimise tax obligations without violating applicable tax rules so that the tax paid is not more than the amount it should be and of course this will help the company's cash flow conditions. Lumbantoruan (1996) says that "Tax management (tax planning) is a means of fulfilling tax obligations properly (not violating laws), but the amount of tax paid can be reduced as low as possible to obtain the expected profit and liquidity.

METHOD

Types and sources of data used in this study used secondary data types and sources. Secondary data is a source of research data obtained by researchers indirectly through intermediary media (obtained and recorded by other people). Secondary data are generally in the form of evidence, records, and historical reports compiled in archives (documentary data) published and not published.

Secondary data used are published financial reports of automotive subsector manufacturing companies and components listed on the IDX in 2014-2019. The data is from www.IDX.co.id. The selection of the IDX as the source of data was based on the reason that the IDX is the largest and representative stock exchange in Indonesia, wherein 2014 to 2019 it is considered sufficient to represent the relatively normal conditions of the IDX.

RESULTS AND DISCUSSION

1. Multiple Linear Regression

Based on the Multiple Linear Regression table, the calculation results of computerised data processing using IBM SPSS V.22, the regression equation is obtained as follows:

$$Y = -0.431 + 0.005X1 + 5.123X2 + 2.963X3 + 0.635X4 + e$$

The coefficients of the multiple linear regression equation can be interpreted as follows.

a. Constant (α)
   α = -0.431 means that if the value of X (Profitability, Temporary Difference, Permanent Difference, and Tax Planning) = 0 (zero), then the value of Y (Profit Management) will show a level or equal to -0.431 or in other words if there is no profitability. A temporary difference, a permanent difference, the earnings management is -0,431 points.

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b. Profitability Regression Coefficient
β1 = 0.005 at this moment states the coefficient of the Profitability variable has a positive regression direction where every 1 point increase in the X1 Profitability value, the Y value (Earnings Management) will increase by 0.005 points.

c. Temporary Difference Coefficient of Regression
β2 = 5.123 at this moment states that the coefficient of the temporary difference variable has a positive regression direction where every 1 point increase in the X2 value of the temporary difference then the Y value (Earnings Management) will increase by 2,123 points.

d. Permanent Different Regression Coefficient
β3 = 2.963 as a result, the coefficient of the temporary difference variable has a positive regression direction where every 1 point increase in the X3 value is permanently different, the Y value (Earnings Management) will increase by 2.963 points.

e. Tax Planning Regression Coefficient
β4 = 0.653 as a result, the coefficient of the temporary difference variable has a positive regression direction where every 1 point increase in the X4 value of tax planning, the Y value (Earnings Management) will increase 0.653 points.

Coefficients

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-,431	,300		-1,434	,168
PROFITABILITAS	,005	,450	,002	,011	,991
BEDA PERMANEN	5,123	2,029	,481	2,525	,021
BEDA TEMPORER	2,963	1,462	,395	2,127	,047
PERENCANAAN PAJAK	,635	,411	,312	1,543	,139

a. Dependent Variable: MANAJEMEN LABA
Source: SPSS output. V22

2. The coefficient of determination test (R2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	,611[a]	,374	,242	,12543788	1,186

a. Predictors: (Constant), PERENCANAAN PAJAK, BEDA PERMANEN, BEDA TEMPORER, PROFITABILITAS

b. Dependent Variable: MANAJEMEN LABA

Source: SPSS output. V22

Based on the table above states that the value of R Square or R2 is 0.374, the results indicate that the earnings management variable is influenced by the Profitability variable (X1) Permanent Difference (X2) Temporary Difference (X3) Tax Planning (X4) on the Profit Management variable (Y) of 0.374 or 37.4% so that other variables determine 62.6%.

3. T-TEST

Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,431	,300		-1,434	,168
	PROFITABILITAS	,005	,450	,002	,011	,991
	BEDA PERMANEN	5,123	2,029	,481	2,525	,021
	BEDA TEMPORER	2,963	1,462	,395	2,127	,047
	PERENCANAAN PAJAK	,635	,411	,312	1,543	,139

a. Dependent Variable: MANAJEMEN LABA

Source: SPSS output. V22

Based on the results of the SPSS V.22 output in table 4:13, the following conclusions can be drawn:

a) Partial Profitability Effect on Earnings Management

From the results of the calculation of the T-test based on table 4.13, it can be seen that count ≤ t table (0.11 <2.093) with a significance value of the Profitability variable (X1) of 0.991> 0.05 or 5%; it can be concluded that H01 is accepted, which means that the profitability variable partially does not affect significantly to earnings management.

b) The effect of permanent differences partially on earnings management

From the results of the calculation of the T-test based on table 4.13, it can be seen that count ≥ table (2.525> 2.093) with a significance value of the Permanent Difference variable (X2) of 0.021> 0.05 or 5%; it can be concluded that H02 is rejected, which means the Permanent Difference variable (X2) partially has a significant effect on earnings management.

c) Partial effect of temporary differences on earnings management

From the results of the calculation of the T-test based on table 4.13, it can be seen that count ≥ table (2.127> 2.093) with a significance value of the Permanent Difference variable

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(X3) of 0.047> 0.05 or 5%; it can be concluded that H03 is rejected, which means the Temporary Difference variable (X3) partially has a significant effect on earnings management.

d) Partial effect of tax planning on earnings management.

From the results of the calculation of the T-test based on table 4.13, it can be seen that tcount ≤ ttable (1.543 <2.093) with a significance value of the Tax Planning variable (X4) of 0.139> 0.05 or 5%, it can be concluded that H04 is rejected, which means the Tax Planning variable (X4) partially does not have a significant effect on earnings management.

4. F TEST

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	,178	4	,045	2,934	,043[b]
Residual	,299	19	,016		
Total	,477	23			

a. Dependent Variable: MANAJEMEN LABA

b. Predictors: (Constant), PERENCANAAN PAJAK, BEDA PERMANEN, BEDA TEMPORER, PROFITABILITAS

Based on the calculation of the F Test shown in Table 4.14, it can be seen that Fcount <Ftable (2.934> 2.90) with a significant value of 0.043 <0.05. So it can be concluded that H05 is rejected, which means that the Profitability variable (X1) Permanent Difference (X2) Temporary Difference (X3) Tax Planning (X4) simultaneously has a significant effect on Earnings Management (Y).

CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter regarding "The Effect of Profitability, Book Tax-Differences and Tax Planning on Profit Management in manufacturing companies in the automotive sub-sector and components listed on the Indonesia Stock Exchange for the period 2014-2019, then can be summarised as follows:

1. Partially, the Profitability variable (Net Profit Margin) has no significant effect on earnings management in the automotive sub-sector manufacturing companies and components listed on the Indonesia Stock Exchange (IDX) for the 2014-2019 period.
2. Partially Permanent Different variables significantly affect earnings management in automotive and component manufacturing companies listed on the Indonesian Stock Exchange (BEI) for the 2014-2019 period.

3. The Temporary Different variable partially has a significant effect on earnings management in the automotive sub-sector manufacturing companies and components listed on the Indonesia Stock Exchange (IDX) for the 2014-2019 period.
4. The tax Planning variable partially does not significantly affect earnings management in automotive sub-sector manufacturing companies and components listed on the Indonesian Stock Exchange (IDX) for the 2014-2019 period.
5. Profitability Variable (Net Profit Margin) (X1) Permanent Different (X2) Temporary Different (X3) Tax Planning (X4) simultaneously has a significant effect on the price of Profit Management in manufacturing companies, the automotive sub-sector and components listed on the Indonesian Stock Exchange (BEI) for the period 2014-2019.

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