

Effect of Tax Planning on Profit Management in Registered Food and Beverage Sub Sector Manufacturing Companies On the Indonesia Stock Exchange

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ABSTRACT

The purpose of this study is to examine the effect of the tax planning on earnings management in manufacturing companies listed on the Indonesia Stock Exchange. The type of this research is associative with quantitative data types, and secondary data sources are assessed from the financial side of the food and beverage sub sector manufacturing companies listed on the Indonesian Stock Exchange. This study uses a sample of 10 food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange. The research uses descriptive statistics and simple linear regression for data analysis. The results of this study indicate that tax planning has no significant effect on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

Keywords: Tax Planning, Profit Management, Indonesia Stock Exchange, food and beverage;

JEL classification: L66, H2, G41

Preliminary

According to Yusrianti, Monoarfa, & Husain (2015), the role of tax planning in conceptual earnings management practices can be explained by agency theory and positive accounting theory. In agency theory, the government (fiscal authorities) as the principal and management as the agent have different interests in terms of tax payments. On the one hand, company (agent) is always trying to think about how to pay the smallest tax possible. This is because the company considers that paying taxes will reduce the company's economic capability. On the other hand, the government (principal) requires funds from tax revenue to finance government spending. Thus, there is a conflict of interest between company and government, which motivates the agent to minimize corporate tax burden that must be paid to the government.

Tax planning is used by enterprises to minimize company tax payments. To get tax benefits, the company seeks to do good tax planning which tends to reduce the company's net profit. The following are earnings data for food and beverage sub-sector

manufacturing companies obtained from the financial statements of the Indonesia Stock Exchange:

Table 1 Profit in Food and Beverage Sub Sector Manufacturing Companies Listed on the Indonesia Stock Exchange Period 2015 - 2018
(in millions of rupiah)

Company	Year				Average
	2015	2016	2017	2018	
ALTO	-24,345	- 26,500	- 62,849	- 33,021	-36,678
CEKA	106,549	249,697	104,374	100,378	140,249
DLTA	192	254	279	338	265
ICBP	2,923	3,631	3,543	4,658	3,688
MLBI	496	982	1,322	1,224	1,006
MYOR	1,250,233	1,388,676	1,630,953	1,760,434	1,507,574
BREAD	270,538	279,777	135,364	127,171	203,212
SKBM	40,150	22,545	25,880	15,954	26,132
SKLT	20666	20,646	22,970	31,954	23,909
ULTJ	523,100	709,825	718,402	701,607	663,233
Average	218,990	264,953	25,0244	271,070	253,259

Source: Indonesia Stock Exchange

From the above profit data (Table 1) it can be seen that the average profit of the company which was obtained in the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange was Rp 253,259. When viewed from the average each year there are three years above the average and one year below the average. Where three years above the average there were in 2016 amounting to Rp 264,953, in 2017 up to Rp 258,024, in 2018 amounting to Rp 271,070 and 1 year below the average there were in 2015 amounting to Rp 218,990. If seen from the average of the ten food and beverage companies listed on the Indonesia Stock Exchange, there are two companies above the average and eight companies below the average. Where companies are above the average there are MYOR companies at Rp 1,507,504, UL TJ at Rp 663,223 and companies below the average are at ALTO companies at Rp -36,678, CEKA at Rp 140,249, DLTA at Rp 265, ICBP of IDR 3,688, MLBI of IDR 1,006, ROTI of IDR 203,212, SKBM of IDR 26,132, SKLT of IDR 23,909.

It can be concluded that the average annual profit of food and beverage companies listed on the Indonesia Stock Exchange has increased and decreased. An increase in profit is caused by an increase in sales which followed by a decrease in operating expenses. The decrease in profit caused by a decrease in sales by the company and will increase the operating expenses of the company. The following table represents tax burden of manufacturing companies in the food and beverage sub sector obtained from the financial statements of the Indonesia Stock Exchange.

Table 2 Tax Burden on Food and Beverage Sub-Sector Manufacturing Companies Listed on the Indonesia Stock Exchange for the Period 2015 - 2018
(in millions of rupiah)

Company	Year				Average
	2015	2016	2017	2018	
ALTO	14,771	11,880	6,879	12,653	11,545
CEKA	35,721	36,130	35,775	30,745	34,592

DLTA	58	72	89	103	80
ICBP	1,086	1,357	1,663	1,788	1,473
MLBI	178	338	457	447	355
MYOR	390,261	457,007	555,930	621,507	506,176
BREAD	107,712	89,639	50,783	59,764	76,974
SKBM	13,479	8,264	5880	4,932	8,138
SKLT	6,743	4,520	4,399	7,613	5818
ULTJ	177	222	314	247	240
Average	57,018	60,942	66,216	73,979	64,539

Source: Indonesia Stock Exchange

From the tax burden data above, it can be seen that the tax burden obtained by food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange continues to increase respectively. From the tax data above, it can be seen that the average tax on food and beverage companies listed on the Indonesia Stock Exchange is Rp 64,539. If seen from the average each year, there are two years above the average and two years below the average. Where two years above the average there are in 2017 amounting to IDR 66,218 and in 2018 amounting to IDR 73,979, and 2 years below the average there were in 2015 amounting to IDR 57,018 and in 2016 amounting to IDR 60,942. If seen from the average of each of the ten food and beverage companies listed on the Indonesia Stock Exchange, there are two companies above the average and eight companies below the average. Where companies above the average are in MYOR companies amounting to IDR 506,176, ROTI at IDR 76,974 and companies below the average are at ALTO companies at IDR 11,545, CEKA at IDR 34,592, DLTA at IDR 80, ICBP at IDR 1,473, MLBI is Rp. 355, SKBM is Rp. 8,138, SKLT is Rp. 5,818, and ULTJ is Rp. 240.

From the description above it can be concluded that if seen from the average annual tax burden on food and beverage sub-sector manufacturing companies listed on the IDX has increased from year to year starting from 2015 to 2018.

According to Wiryandari & Yulianti (2015), high profits will lead to high corporate tax burden. According to Philip et al. (2003) in the study of Hani (2016), tax and accrual expenses can significantly detect earnings management by companies to avoid loss and decline in earnings. According to Jumirin (2011) by knowing the measurement tools or indicators of earnings management, managers can influence the market value of the company's stock through earnings management, for example by making income smoothing and profit growth over time. Therefore, company management will use various earnings management techniques to achieve profit targets. Tax planning and earnings management are related to each other because they both aim to achieve profit targets by manipulating profit figures in financial statements. Various actions taken by companies to embezzle tax shows that tax planning is done by manipulating the company's operating activities (*real earnings management*).

Literature Review

Profit management

According to Fahmi (2013), *Earnings management* represents an act that regulates profits following what is desired by certain parties or especially by *company management*. Actions on *earnings management* are actually based on various goals and purposes contained therein.

According to Syafrida Hani (2015), earnings management is an effort made by management to maximize or minimize profits, including income smoothing in accordance with management's wishes. Management is motivated to enhance financial statements by showing good performance in producing value or maximum profit for the company so that management tends to choose and apply accounting methods that can provide better earnings information.

According to Philip et al. (2013) in the research of Aditama & Purwaningsih (2014), one approach in determining earnings management behavior in companies is the profit distribution approach. The profit distribution approach identifies the profit reporting threshold and finds that companies that are below the income reporting will try to exceed that limit.

The formula for the profit distribution approach is:

$$\Delta E \frac{E_{it} - E_{it-1}}{MVE_{t-1}}$$

Information :

ΔE = change in profit

E_{it} = company profit i year t

E_{it-1} company profit i year t-1

MVE_{t-1} = market value of equity of company i in year t -1

Tax

According to Zulia Hanum and Rukmini (2016, p. 2) in the study of Hanum Z & Amin (2019), the tax has an obligatory contribution to the state that can be enforced, according to the law. According to Sukrisno Agoes & Estralita Trisnawati (2010) stated by Prof. Dr. MJH Smeets, tax is an achievement to the government that is owed through general norms which can be imposed, without any counterparts that can be appointed individually; the intention is to finance government spending.

Based on the above definition, it can be concluded that tax is one of the essential sources of state revenue for the implementation and improvement of national development and has an element of mandatory contribution to the state, can be enforced, according to the law, and can be enforced, without any contravers that can be appointed

Tax Planning

According to Zain (2003) tax planning is structurally related to the condition of potential consequences of the tax, and there is the pressure to control any transaction which results in a tax. The objective in this situation is to investigate how these controls can minimize the amount of tax to be transferred to the government, through so-called tax avoidance (*tax avoidance*) which is a legal act that is still within the scope of tax legislation and not taxes smuggling.

According to Pohan (2013), tax planning consists in the process of organizing individual and corporate business taxpayers by utilizing various possibilities that can be taken by companies in the corridor of tax regulations (*loopholes*), so that companies can pay taxes in a minimum amount. So it can be concluded that basically, tax planning is a taxpayer effort to achieve efficient payment of tax burden by minimizing payment of tax burden by not violating the provisions stipulated in tax regulations or tax laws.

Conceptual Framework

The conceptual framework of the study shows the effect of independent variables, namely **tax planning** on the dependent variable, namely **earnings management** to avoid reporting earnings decline and earnings management to avoid taxes that must be paid in high amounts.

1. Relationship of Tax Planning to Profit Management

To be able to minimize tax obligations, various methods can be carried out, both those that still meet the tax requirements (*lawful*) and those that violate tax regulations (*unlawful*), such as tax avoidance and tax evasion. Tax planning generally starts with convincing whether a transaction or event has a taxation impact. If the event has a tax impact, the following question appears: *can the impact be exempted or reduced by the tax amount?* Furthermore, whether the tax payment can be postponed. One of the tax plans is by regulating how much profit is reported so that it is included in the indication of earnings management practices.

In general, tax planning refers to the process of engineering a taxpayer's transaction business so that the tax debt is in a minimal amount, but still within the framework of tax regulations. So by doing tax planning, companies can reduce the number of corporate profits to be able to obtain tax benefits without violating applicable tax laws.

Companies that have proper tax planning will benefit from tax shields and can minimize tax payments by reducing the company's net profit to get tax benefits. According to previous researchers, Anggreani (2013), tax planning has a significant effect on earnings management. This is because tax planning is used by companies to minimize company tax payments so that the company gets tax benefits. According to the previous researcher Ulfah (2013), tax planning has a positive effect the higher the tax planning, the greater the opportunity for companies to do earnings management. One of the tax plans is by regulating how much profit is reported so that it is included in the indication of earnings management practices.

Hypothesis

The hypotheses in this study are:

H0: There is no influence between tax planning on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

Ha: There is an influence between tax planning on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

In this study, the approach consists in an associative perspective that describes a situation which analyzes the relationship or influence between the two variables (independent variables and the dependent variable). This study examines the effects and relationships of tax planning that affect earnings management. The population in this study consists of 24 companies, from which we extracted a sample of **ten companies** according to specific criteria. Data collection techniques is specific to quantitative data analysis.

RESEARCH RESULTS AND DISCUSSION

1. Descriptive Statistics Results

Descriptive statistics are used to provide a description or descriptive of a data that is seen from the mean (mean), minimum value, maximum value and standard deviation. The following is a table of SPSS output results:

Table 3 Descriptive Statistics

	N	Minimum	Maximum	The mean	Std. Deviation
Tax Planning	40	.62	1.81	.7785	.17441
Profit management	40	-18.00	.36	-.7447	2,97437
Valid N (listwise)	40				

Based on the table above (Table 3) it can be observed that the earnings management variable (Y) with total data (N) of 40 obtains an average earnings management of -0.7447 with a minimum earnings management of -18.00 and with a maximum earnings management of 0.36, while the standard deviation is 2.97437. Variable tax planning (X) with total data (N) of 40 obtains an average tax planning of 0.7785 with a minimum tax planning of 0.62 and a maximum tax planning of 1.81, while the standard deviation is 0.17441.

2. Simple Linear Regression

This study aims to look at the effect of the relationship between independent variables on the dependent variable using simple linear regression analysis. To find out whether or not the influence of tax planning (X) on earnings management (Y) can be known as the following table:

Table 4 Simple Linear Regression Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,809	.821		-2,204	.035
	SQRT_X	2,240	.946	.386	2,367	.024

a. Dependent Variable: SQRT_Y

$$a = -1,809$$

$$b = 2,240$$

So we get a simple regression equation model where:

$$Y = a + bX$$

Based on the calculation results, the equation is as follows:

$$Y = (-1,809) + 2,240X$$

which ; $a = -1,809$, meaning that on average if there is no increase in tax planning, the amount of earnings management in the food and beverage subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX) will increase by -18.09%.

$b = 2,240$, meaning that if tax planning has increased by 1%, then the amount of earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange will increase by 2.24%.

3. Normality test

Normality test is used to determine whether a data is normal or not. Scale type data generally follow the assumption of a normal distribution. However, it is not impossible that a data does not follow the assumption of normality. To determine the certainty of the distribution of data obtained must be tested for normality of the relevant data. Thus, the first statistical analysis must be used in the framework of data analysis is the statistical analysis in the form of a normality test. The normality test used in this research is the *Kolmogorov Smirnov (KS) test* (Table 5).

The basis for decision making in the KS test is as follows:

- a. Asymp. Sig (2-tailed) > 0.05 ($\alpha = 5\%$, significant level) then the data are normally distributed.
- b. Asymp. Sig (2-tailed) < 0.05 ($\alpha = 5\%$, significant level) then the data is not normally distributed.

Table 5 Kolmogrov Test - Smirnov
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		34
Normal Parameters ^{a, b}	The mean	.0000000
	Std. Deviation	.12530275
Most Extreme Differences	Absolute	.129
	Positive	.129
	Negative	-.077
Statistical Test		.129
Asymp. Sig. (2-tailed)		.161 ^c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

The results of the data management in Table IV-5 can be seen that all variables have Asymp values. Sig. (2-tailed) of $0.161 > 0.05$, which indicates that the value is higher than the significant level. Then H_0 is accepted, which means that the residual data is normally distributed.

4. Partial Test Results (t-Test)

To find out the model above is feasible or not, we used the t-test. To prove whether there is an influence between environmental costs on profits on mining companies listed on the IDX, a t-test can be carried out as follows:

Table 6 Analytical outputs s t-test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1,809	.821		-2,204	.035
SQRT_X	2,240	.946	.386	2,367	.024

a. Dependent Variable: SQRT_Y

The table above (Table 6), describes the significance or linearity of the regression. Criteria can be determined based on a significant value test (Sig), with provisions if the Sig value < 0.05 . Based on the table above, the value of Sig. = 0.24, it means that Sig. $>$ of the significant criteria (0.05). Thus the regression equation model based on research data is not significant or the regression equation model does not meet the criteria. The results of the regression show that **the proposed hypothesis is not accepted** that states tax planning has no significant effect on earnings management for food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

5. Determination Coefficient Test

To find out the truth of the hypothesis the influence of tax planning variables (X) on earnings management (Y) is calculated using SPSS tools like the table below:

Table 7 Determination Output Results X and Y

Summary Model^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.386 ^a	.149	.122	.1225

a. Predictors: (Constant), SQRT_X

b. Dependent Variable: SQRT_Y

In addition, it can also be seen that the regression results obtained $R = 0.386$ which means that tax planning has a significant correlation to earnings management of 38.6% and this is seen based on the interpretation coefficient correlation table. The table above shows the value of the coefficient of determination (R-Square) used to determine the percentage of the independent variable effect on the dependent variable (0.149). This figure means that 14.9% of earnings management is contributed by tax planning, the remaining 85.1% is influenced by other variables.

DISCUSSION

This section of the paper is dedicated to this study findings, considering the appropriateness of theories, opinions, and previous research:

Based on the above research regarding the effect of tax planning on earnings management in the food and beverage sub-sector manufacturing companies listed on the Indonesia stock exchange during the period 2015-2018, the tax planning variable does not have a significant effect on earnings management variables. Also, the results that include *R square calculation* state that 14.9% of earnings management is a contribution from tax planning; the remaining 85.1% is influenced by other variables.

The results of this study also show that the higher or lower tax planning there is no effect on earnings management. This indicates that there is no influence between tax planning on earnings management and this issue will not have an impact on the amount of earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

According to Official (2008), tax planning can be interpreted as an effort made by taxpayers to save tax by regulating the calculation of smaller income. According to Ulfa (2012) cited in the study of Yusrianti et al. (2015), the higher the tax planning, the greater the opportunity for companies to do earnings management. One of the tax plans is by regulating how much profit is reported so that it is included in the indication of earnings management practices.

The results of this study are consistent with the research of Aditama & Purwaningsih (2014), which provides the conclusion that tax planning has no positive effect on earnings management on non-manufacturing companies listed on the Stock Exchange. However, the results of descriptive analysis showed that the ten companies that were sampled in this study carried out earnings management by avoiding a decline in earnings.

Based on the results of research conducted by the authors and previous researchers that have been stated above, we can conclude that there is no significant effect of tax planning on earnings management in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.

Conclusions and Recommendations

Conclusion

Based on the results of research and discussion, it can be concluded that the effect of tax planning to management on manufacturing sub-sectors of food and beverages registered in Stock Exchange in Indonesia are as follows:

1. There is **no effect** of tax planning on earnings management on food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange.
2. Earnings management contributed a profit of 14.9% , while the remaining 85.1% was influenced by other factors not examined.

Suggestion

Based on the conclusions and limitations of this study, the following recommendations are suggested:

1. The management should better manage its tax planning. It is also expected that the company will not only pay attention to high tax planning, but the management of

tax planning must be effective and efficient so that it will have a good impact on corporate earnings management.

2. Future research should enlarge the research sample and not only limited to manufacturing companies in the food and beverage sub-sector, such as mining sector, trade sector, and other industrial and service sectors.

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