

Tax Planning and Firm Size as Determinants of Earnings Management (Evidence from Indonesia's Food and Beverage Sector)

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ABSTRACT

This study explores the influence of tax planning and firm size on earnings management among food and beverage companies listed on the Indonesia Stock Exchange. The research adopts a quantitative approach, utilizing panel data obtained from annual financial reports. Tax planning is measured using the tax retention rate, while firm size is assessed through the natural logarithm of total assets. Earnings management is analyzed using changes in earnings relative to market value. The sample is selected through purposive sampling with specific inclusion criteria. The analysis employs a panel data regression model, with the random effect model determined as the most appropriate. The findings reveal that both tax planning and firm size have a significant effect on earnings management, both individually and simultaneously. These results suggest that larger firms with efficient tax strategies are more inclined to engage in earnings management practices to maintain financial performance stability.

Keywords:

Tax Planning, Firm Size, Earnings Management, Financial Reporting.

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INTRODUCTION

Earnings management achievement by a company is one of the benchmarks used to assess corporate performance. Information regarding earnings serves as a reference for stakeholders in evaluating the company's financial position and performance, which in turn forms the basis for strategic decision-making. Earnings are a crucial aspect for any business, as they represent one of the primary objectives for which the enterprise was established. Companies generally aim for high, sustainable, and consistent earnings to ensure long-term stability. However, high earnings alone are not sufficient. Firms also expect earnings that accurately reflect the actual condition of the company and can serve as a reliable basis for forecasting future performance. In other words, persistent earnings are those that are both desirable and essential for the company. Proper earnings management is therefore a critical component of corporate financial activities, as well-managed earnings can influence stakeholder perceptions and the company's overall financial outcomes.

Earnings information reflects the extent to which management has fulfilled its responsibilities in achieving predetermined operational objectives, and it assists owners in

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estimating future profitability. Investors also tend to place greater emphasis on earnings when making investment decisions. Consequently, managers are encouraged to develop strategies that enable the company to consistently achieve its targeted earnings. One such strategy is earnings management. Earnings management refers to the deliberate actions taken by management to manipulate financial statements for specific benefits. This practice may involve increasing, decreasing, or smoothing reported earnings (Kartika & Simbolon, 2022).

Table 1. Realization of Revenue and Net Profit at PT Tiga Pilar Sejahtera Food (AISA)

No.	Year	Revenue (IDR)	Net Profit (IDR)
1	2020	1,510,000,000,000	1,264,775,000,000
2	2021	427,223,000,000	-9,169,000,000
3	2022	538,134,000,000	-22,880,000,000
4	2023	392,006,000,000	4,407,000,000
5	2024	470,951,000,000	17,952,000,000

The table presents data on the realization of revenue and net profit at PT Tiga Pilar Sejahtera Food (AISA) for the period 2020–2024. In 2020, the company recorded revenue of IDR 1.510 trillion with a substantial net profit of IDR 1.264 trillion. This indicates that, despite revenue not being exceptionally high, the company was able to manage costs effectively and generate significant profit. In 2021, revenue rose to IDR 427.223 billion; however, the company posted a net loss of IDR 9.169 billion. Although revenue increased, it appears that higher expenses or other losses outweighed the gains, resulting in a deficit. In 2022, revenue continued to grow, reaching IDR 538.134 billion, yet the company suffered a larger net loss of IDR 22.880 billion. This may indicate more serious issues in cost management or uncontrolled expenditures. In 2023, revenue declined to IDR 392.006 billion, but the company managed to achieve a net profit of IDR 4.407 billion, reflecting improvements in cost control or expense reduction. By 2024, revenue increased again to IDR 470.951 billion, with net profit rising significantly to IDR 17.952 billion, suggesting a potential recovery after years of financial challenges.

The phenomenon surrounding PT Tiga Pilar Sejahtera Food (AISA) gained attention in 2019 when the company reported a surprising net profit of IDR 1.13 trillion, whereas in December 2018 it had posted a loss of IDR 123.43 billion. According to its audited financial statements submitted to the Indonesia Stock Exchange (IDX) on Thursday, July 2, net revenue in 2019 decreased by 4.4% to IDR 1.51 trillion from IDR 1.58 trillion in 2018. The cost of goods sold decreased to IDR 1.06 trillion from IDR 1.12 trillion. The increase in net profit was primarily attributed to other income of IDR 1.9 trillion, compared to only IDR 18.11 billion in the previous year. Consequently, the company’s operating profit rose to IDR 1.49 trillion from an operating loss of IDR 9.25 billion. Due to irregularities in the financial statements, AISA was required to restate them. Following the restatement, the AISA Group found a fair value discrepancy exceeding 10% between the pre- and post-restructuring figures (Cnbcindonesia.com, July 6, 2020).

One factor that may drive earnings management practices, according to agency theory, is the divergence of interests among related parties (owners, management, and government). In addition, earnings management can be influenced by several other factors. Tax planning—often referred to as “perencanaan pajak”—is one mechanism that can be implemented by taxpayers to reduce the overall tax burden. Effective tax planning allows companies to pay

taxes efficiently without imposing excessive financial strain (Lubis & Suryani, 2018). Erawati and Lestari (2019) found that tax planning has a positive effect on earnings management. Their findings suggest that the degree of a company's engagement in tax planning is inversely related to the likelihood of adopting earnings management strategies aimed at reducing overall tax liabilities.

Firm size is another factor that influences the likelihood of engaging in earnings management. Firm size can serve as a benchmark for measuring the scale of a company (Zurriah & Sembiring, 2020). Besides market capitalization, the amount of assets owned also reflects a company's size, which can influence its financing structure. Larger companies generally require larger amounts of capital, which drives the pursuit of maximum profits. Earnings management refers to actions taken by management to influence or manipulate reported earnings by using certain accounting methods, accelerating or delaying expense or revenue recognition, or employing other techniques to affect short-term profits. These actions involve managerial discretion in preparing financial statements and structuring transactions to manipulate earnings figures either to reflect the firm's economic performance in a desired way or to influence contractual outcomes dependent on reported numbers (Yahaya et al., 2020).

The distinct feature of this study compared to previous research is the inclusion of firm size as an additional variable influencing earnings management (2016–2017). Larger companies have more complex operational activities, which may increase the potential for earnings management as management must be accountable to various stakeholders, including investors and shareholders. When company performance is perceived as unsatisfactory, stakeholders may view management as incapable of achieving the firm's primary objectives. Based on the background described, this study aims to examine the effect of tax planning, deferred tax expense, and firm size on earnings management. The presence of research gaps in prior studies serves as the foundation for conducting this research, with the expectation that the findings will confirm or provide new insights into previous studies on tax avoidance practices.

METHODS

This study employs a quantitative research approach with an explanatory design aimed at examining the influence of tax planning and firm size on earnings management. The decision to use quantitative methods stems from the objective nature of the data and the intention to identify causal relationships between the variables. Quantitative research allows for the use of statistical tools to measure and analyze the extent of influence and significance among the variables involved.

The research focuses on companies in the consumer non-cyclical sector, specifically within the food and beverage subsector, listed on the Indonesia Stock Exchange (IDX). This industry was selected due to its relatively stable revenue generation compared to cyclical industries, providing an ideal setting to observe whether companies engage in earnings management despite predictable financial performance. The time frame of the study covers a five-year period from 2019 to 2023, providing sufficient longitudinal data for robust analysis.

Secondary data was used in this study, primarily derived from the companies' audited annual financial reports, which are publicly available on the official website of the Indonesia Stock Exchange (www.idx.co.id). These financial statements were chosen because they offer

comprehensive insights into companies' tax strategies, asset structures, and earnings performance, which are necessary to calculate the variables used in the study.

The sample was selected using a purposive sampling technique, meaning that companies were chosen based on specific criteria relevant to the research objectives. The selection criteria included firms that (1) operate in the food and beverage subsector, (2) published complete and audited financial statements during the study period, (3) consistently reported profits, and (4) had the necessary data to calculate tax planning, firm size, and earnings management indicators. Based on these criteria, the final sample consisted of twenty firms, generating a total of one hundred observations across the five years.

To measure the variables, well-established financial ratios and formulas were used. Tax planning was assessed using the Tax Retention Rate (TRR), calculated by dividing net income by pretax income. A higher TRR implies more efficient tax planning. Firm size was measured by the natural logarithm of total assets, a common proxy in accounting and finance research to reflect the economic scale of a company. Meanwhile, earnings management was evaluated using changes in net income relative to the market value of equity, following the approach developed by Roskha et al. (2018).

The data analysis method applied in this study was panel data regression, which enables the combination of cross-sectional and time-series data to capture both individual firm characteristics and their changes over time. Three models were considered: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). To determine the most appropriate model, the study conducted both the Chow test and the Hausman test. The results indicated that the Random Effect Model was the most suitable for this analysis.

Before conducting regression analysis, the data was tested for classical assumptions including normality, multicollinearity, heteroscedasticity, and autocorrelation. These diagnostic tests are essential to ensure the validity of the regression model. All classical assumption tests were performed using EViews 12, a statistical software widely used for econometric modeling. The results confirmed that the data met the necessary assumptions, allowing for reliable interpretation of the regression outputs.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is used to describe or summarize the data of the variables used in this study. The statistical measures applied include the mean, median, maximum value, minimum value, and standard deviation for each variable. The analysis was conducted using EViews 12, with data input comprising tax planning and firm size as independent variables, and earnings management as the dependent variable. The descriptive statistics table provides an overview of the characteristics of the research data.

Table 2. Descriptive Statistical Analysis Results

Statistic	Earnings Management (Y)	Tax Planning (X1)	Firm Size (X2)
Mean	-0.107523	0.625684	28.08979
Median	0.00195	0.756973	28.25547
Maximum	0.800709	4.226237	31.16606
Minimum	-11.13029	0.020985	24.01814
Standard Deviation	1.11893	0.448745	1.941211
Skewness	-9.699807	4.997552	-0.61767

Kurtosis	96.09551	42.57541	2.718985
Jarque-Bera	37679.66	6942.146	6.687641
Probability	0	0	0.035302
Sum	-10.75226	62.56838	2808.979
Sum of Squared Dev.	123.9485	19.9358	373.0617
Observations	100	100	100

The descriptive statistics presented in Table 2 indicate that the study observed a total of 20 companies over a five-year period from 2019 to 2023, resulting in 100 firm-year observations. The summary of each variable is as follows:

1. Earnings Management (Y)

The minimum value of earnings management was found in PT Ultrajaya Milk Industry & Trading Company Tbk in 2019, amounting to -11.13029, while the maximum value of 0.800709 occurred in the same company in 2022. The average value of earnings management was -0.107523 with a standard deviation of 1.118930, indicating moderate dispersion around the mean.

2. Tax Planning (X1)

The lowest tax planning value was -0.020985, recorded by PT Sekar Bumi Tbk in 2022, and the highest was 4.226237, recorded by PT Akasha Wira International Tbk in 2020. The mean value of tax planning was 0.625684, with a standard deviation of 0.448745, suggesting relatively low variability.

3. Firm Size (X2)

The smallest firm size was observed in PT Astra Agro Lestari Tbk in 2019, with a value of 24.01814, while the largest was in PT Japfa Comfeed Indonesia Tbk in 2023, with a value of 31.16060. The average firm size across the sample was 28.08979, with a standard deviation of 1.941211, indicating slight variation among companies.

Panel Data Regression Test

Common Effect Model

Table 3. Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Probability (p-value)
C (Constant)	0.828949	1.211396	0.684292	0.0954
X1 (Tax Planning)	-0.266614	0.296978	-0.897754	0.0474
X2 (Firm Size)	0.014082	0.040314	0.349296	0.0428

The regression results from the Common Effect Model (CEM) provide insight into how tax planning (X1) and firm size (X2) affect earnings management (Y). The constant (C) has a coefficient of 0.828949 but is not statistically significant at the 5% level ($p = 0.0954$), meaning it does not have a meaningful standalone effect.

The variable tax planning (X1) has a negative coefficient of -0.266614, indicating that as tax planning increases, earnings management tends to decrease. This effect is statistically significant ($p = 0.0474$). Similarly, firm size (X2) has a positive coefficient of 0.014082, suggesting that larger firms are slightly more likely to engage in earnings management. This relationship is also statistically significant ($p = 0.0428$).

However, when looking at the model as a whole, the R-squared value is only 0.0237, meaning the model explains just 2.37% of the variation in earnings management. The

Adjusted R-squared is negative (-0.1266), indicating a poor model fit. The F-statistic p-value (0.511065) shows that the model, overall, is not statistically significant, meaning X1 and X2 do not jointly explain earnings management effectively in this model. The Durbin-Watson statistic is 2.84, which suggests a possible issue with negative autocorrelation, though further testing would be needed to confirm this.

Fixed Effect Model

Table 4. Fixed Effect Model Results

Variable	Coefficient	Standard Error	t-Statistic	p-Value
Constant (C)	0.828949	1.211396	0.684292	0.0954
Tax Planning (X1)	-0.266614	0.296978	-0.897754	0.0474
Firm Size (X2)	0.014082	0.040314	0.349296	0.0428

Model Summary	
Statistic	Value
R-squared	0.023745
Adjusted R-squared	-0.12659
Standard Error of Regression	0.721629
Sum of Squared Residuals	50.51267
Log Likelihood	-107.7465
F-statistic	0.675925
p-value (F-statistic)	0.511065
Mean of Dependent Variable	1.06665
Standard Deviation (Y)	0.719263
Akaike Information Criterion	2.214931
Schwarz Criterion	2.293086
Hannan-Quinn Criterion	2.246562
Durbin-Watson Statistic	2.844977

In the Fixed Effect Model (FEM), the constant (C) is estimated at -1.066400. However, this value is not directly interpreted as a global intercept, as FEM accounts for individual-specific effects. The coefficient for X1 (Tax Planning) is -0.795110, suggesting that an increase in tax planning is associated with a decrease in earnings management. However, with a p-value of 0.1290, this relationship is not statistically significant at the 95% confidence level.

The coefficient for X2 (Firm Size) is 0.092696, indicating a positive association with earnings management. Yet, its p-value of 0.1342 also exceeds the 0.05 threshold, meaning X2 is not statistically significant either. The R-squared value is 0.120533, meaning the model explains only about 12.05% of the variation in earnings management. However, the adjusted R-squared is negative (-0.116247), indicating a poor model fit. This could be due to the number of variables or the limited sample size.

The F-statistic is 0.509050, with a probability value of 0.958780, indicating that the model as a whole is not statistically significant. In other words, X1 and X2 together do not significantly explain the variation in earnings management, even after controlling for firm-specific effects. The Durbin-Watson statistic is 3.186634, suggesting possible negative autocorrelation, although further testing would be needed to confirm this in a panel data context.

Random Effect Model

Table 5. Random Effect Model

Variable	Coefficient	Standard Error	t-Statistic	p-Value
Constant (C)	0.828949	1.275674	0.649812	0.0417
Tax Planning (X1)	-0.266614	0.312737	-0.852518	0.0496
Firm Size (X2)	0.014082	0.042454	0.331696	0.0474

Effects Specification		
Component	Standard Deviation (S.D.)	Rho
Cross-section random		0
Idiosyncratic random	0.75992	1

Weighted Statistics	
Statistic	Value
R-squared	0.023745
Adjusted R-squared	-0.12659
S.E. of regression	0.721629
Sum of squared residuals	50.51267
F-statistic	0.675925
Prob(F-statistic)	0.511065
Mean dependent variable	1.06665
Std. deviation (Y)	0.719263
Durbin-Watson statistic	2.844977

Unweighted Statistics	
Statistic	Value
R-squared	0.013745
Sum of squared residuals	50.51267
Mean dependent variable	1.06665
Durbin-Watson statistic	2.844977

In the Random Effect Model, the intercept (C) is estimated at 0.828949, which is statistically significant ($p = 0.0417$), indicating it has a meaningful baseline value when all independent variables are zero. The coefficient for X1 (Tax Planning) is -0.266614, meaning an increase in tax planning is associated with a decrease in earnings management. This effect is statistically significant with a p-value of 0.0496. Similarly, X2 (Firm Size) has a coefficient of 0.014082, suggesting a small positive effect on earnings management, and is also statistically significant ($p = 0.0474$). However, the effects specification results show:

1. Cross-section standard deviation = 0, and Rho = 0, indicating no significant variation in random effects across firms.
2. Idiosyncratic error dominates the model, with Rho = 1, meaning all residual variance is due to individual-time-specific variation.

The model's explanatory power is weak, with an R-squared of 0.0237, and the adjusted R-squared is negative (-0.1266). The F-statistic p-value is 0.5111, showing that the model as a whole is not statistically significant. The Durbin-Watson statistic is 2.84, suggesting possible negative autocorrelation.

Panel Data Regression Estimation

Chow Test

Table 6. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.503759	(19, 78)	0.9534
Cross-section Chi-square	11.574595	19	0.903

Based on Table 6, the probability value for the cross-section Chi-square is 0.9030, which is greater than 0.05. This result indicates that the Common Effect Model is more appropriate than the Fixed Effect Model for estimating the panel data. Therefore, the next step is to perform the Hausman Test to determine the best model between the Fixed Effect Model and the Random Effect Model.

Hausman Test

Table 7. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.439745	2	0.8026

Table 7 shows the results of the Hausman test, where the probability value for the cross-section random effect is 0.8026. Since this value is greater than 0.05, the null hypothesis (H_0) is accepted. Therefore, it can be concluded that the Random Effect Model is more appropriate than the Fixed Effect Model.

Classical Assumption Test

Normality Test

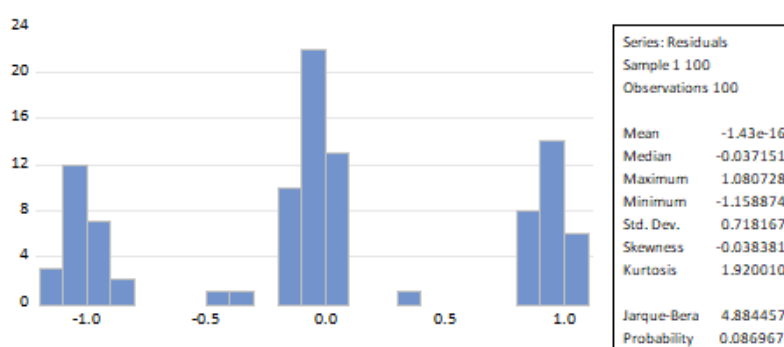


Figure 1. Normality Test

Based on Figure 1, the Jarque-Bera probability value is 0.086967, which is greater than the significance level of 0.05. Therefore, it can be concluded that the data are normally distributed, as the probability value exceeds the specified threshold.

Multicollinearity Test

Table 8. Multicollinearity Test Results

Date: 05/24/25 Time: 20:18

Sample: 1 to 100

Included Observations: 100

Variable	Coefficient	Variance	Uncentered VIF	Centered VIF
C		3.002286	237.7803	NA
X1		0.067182	3.143737	1.060746
X2		0.00359	225.4116	1.060746

The multicollinearity test results in Table 8 show that the relationship between variable X1 (Tax Planning) and X2 (Firm Size) has a VIF value of 1.060746. Since all centered VIF values are below 10, it can be concluded that there is no multicollinearity problem between Tax Planning and Firm Size.

Heteroscedasticity Test

Table 9. Heteroscedasticity Test Results

Test Statistic	Value	Probability
F-statistic	0.346864	Prob. F(5,94) = 0.8831
Obs*R-squared	1.811597	Prob. Chi-Square(5) = 0.8746
Scaled Explained SS	0.784093	Prob. Chi-Square(5) = 0.9780

Based on Table 8, the results of the heteroskedasticity test indicate that the data does not exhibit signs of heteroskedasticity. This conclusion is supported by the Chi-square probability value of 0.8746, which is greater than the significance level of 0.05. According to the test criteria, a probability value above 0.05 suggests that there is no heteroskedasticity in the regression model. Thus, it can be concluded that the model meets the assumption of homoskedasticity.

Autocorrelation Test

Table 10. Autocorrelation Test Results

Test Statistic	Value	Degrees of Freedom	Probability
F-statistic	0.046075	F (2,95)	0.955
Obs*R-squared	0.096906	Chi-Square (2)	0.9527

Based on Table 9, the results of the autocorrelation test indicate that the research data is free from autocorrelation symptoms, as the Prob. Chi-square value is 0.9527, which is greater than 0.05.

Hypothesis Testing

Individual Parameter Significance Test (t-test)

The results from the table show that the first regression equation provides t-statistics that indicate the partial effect of each independent variable on the dependent variable. The outcomes of the t-test are explained as follows.

Table 11. Individual Parameter Significance Test (t-test) Results

Variable	Coefficient	Standard Error	t-Statistic	Probability
C (Constant)	0.82895	1.211396	0.684292	0.0955
X1	-0.266614	0.296978	-0.897755	0.0472

The t-test for the tax planning variable shows a t-statistic of -0.897755 and a probability value of 0.0472, which is less than the significance level of 0.05. Therefore, H0 is

rejected and H1 is accepted. This indicates that tax planning has a partial (individual) significant effect on earnings management in food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023.

Table 12. Test (t-test) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.828949	1.211396	0.684293	0.0955
X2	0.014083	0.040315	0.349296	0.0424

The t-test results show that the variable firm size has a t-statistic of -0.349296, which is lower than the t-table value, and a p-value of 0.0424, which is below the 0.05 significance level. This indicates that firm size has a statistically significant effect on earnings management in food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2023.

Furthermore, earnings management is not significantly influenced by the constant term, as the p-value is greater than 0.05. However, the variable tax planning is statistically significant (p-value = 0.0472), meaning it significantly affects earnings management. Similarly, firm size is also statistically significant (p-value = 0.0424), providing sufficient evidence that both tax planning and firm size have a significant influence on earnings management.

Simultaneous Significance Test (F-Test)

Table 13. Simultaneous Significance Test (F-Test) Results

Statistic	Value
F-statistic	0.045925
Prob (F-statistic)	0.041065

The results shown in Table 13 indicate that the F-statistic is 0.045925 with a probability value of 0.041065, which is less than the significance level of 0.05. This means that tax planning and firm size simultaneously have a significant effect on earnings management.

Coefficient of Determination (R²)

Table 14. Coefficient of Determination (R²) Results

Statistic	Value
R-squared	0.043745
Adjusted R-squared	0.11659
Standard Error of Regression	0.721629
Sum Squared Residuals	50.51267
Log Likelihood	-107.7465
F-statistic	0.045925
Probability (F-statistic)	0.041065

The result of the R² test in Table 13 shows an Adjusted R-squared value of 0.116590, indicating that the variables Tax Planning and Firm Size contribute approximately 11.66% in explaining Earnings Management. The remaining 88.34% is explained by other variables not included in this model or by external factors beyond the scope of this study. Bottom of Form

Research Discussion

The Influence of Tax Planning on Earnings Management

Based on panel data regression analysis of 100 observations from annual reports of food and beverage companies listed on the Indonesia Stock Exchange between 2019 and 2023, the study finds that tax planning has a significant effect on earnings management. The t-test results show a probability value below 0.05, leading to the acceptance of the hypothesis. Tax planning is often used by companies to reduce their tax liabilities, which can ultimately increase reported profits. However, these efforts must comply with existing tax regulations. This finding aligns with Ulfah, Yana's research, which also demonstrated that effective tax planning positively influences earnings management practices in manufacturing companies. The more frequently companies engage in tax planning, the greater their tendency to manage earnings.

The Influence of Firm Size on Earnings Management

The partial test results indicate that firm size significantly affects earnings management. Companies with larger total assets are more likely to manage earnings, potentially to avoid reporting losses or to reduce attention from external stakeholders such as analysts and tax authorities. The findings suggest that larger companies may have stronger motivations to manipulate earnings due to their higher visibility. This conclusion is consistent with the study by Jeradu (2021), which also confirmed that firm size influences earnings management behavior.

The Simultaneous Influence of Tax Planning and Firm Size on Earnings Management

The F-test result shows a probability value below 0.05, indicating that tax planning and firm size simultaneously influence earnings management. This supports the hypothesis that both variables, when considered together, significantly affect how companies manage their earnings. These results are in line with the findings of Permatasari and Askandar (2024), who emphasized that well-structured tax planning and larger firm size increase the likelihood of earnings management, as companies seek to reduce tax burdens and meet financial targets to satisfy stakeholders.

CONCLUSION

This study investigates the influence of tax planning and firm size on earnings management among food and beverage companies listed on the Indonesia Stock Exchange. The empirical results reveal that tax planning has a statistically significant impact on earnings management. Companies are inclined to implement tax planning strategies to reduce their tax burden, which in turn affects the reported earnings. These strategies, although legal when aligned with tax regulations, may lead to discretionary financial reporting aimed at presenting favorable performance to stakeholders. Furthermore, firm size is also found to significantly influence earnings management. Larger companies tend to receive greater attention from the public, analysts, and regulators, prompting management to engage in earnings manipulation practices to maintain positive perceptions and meet financial expectations. The magnitude of assets owned by a firm may create opportunities and motivations for income smoothing and profit adjustment. Simultaneously, the combined effect of tax planning and firm size significantly contributes to explaining variations in earnings management practices. These findings highlight the need for stricter oversight and more transparent financial reporting



standards to prevent aggressive earnings management. The study contributes to the literature by offering empirical support for the role of tax planning and firm size in shaping financial reporting behavior, especially in sectors with high public scrutiny and regulatory interest.

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