

The Effect of Deferred Tax Expenses and Leverage on Earnings Management (Study on Consumer Good Sector Companies Listed on the Indonesia Stock Exchange in 2018-2022)

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ABSTRACT

The goal of this study is to examine the influence of delayed tax expenses and leverage on profit management in consumer products firms listed on the Indonesian Stock Exchange between 2018 and 2022. The research method employed is a quantitative approach, including secondary data acquired from the company's annual reports. The analysis techniques used include normality, multicollinearity, autocorrelation, heteroscedasticity, and multiple linear regression tests. The results revealed that deferred tax expense has a detrimental and serious impact on profits management, implying that transient disparities between accounting profit and fiscal profit might be used to predict earnings management practices. In contrast, Leverage has no meaningful impact on earnings management, which indicates that the level of corporate debt is not a major factor in managerial decisions to carry out earnings management. These findings support agency theory in explaining the link between deferred tax expenditure and earnings management, but contradict agency theory in relation to leverage. This study provides implications for companies in improving financial statement transparency and controlling deferred tax differences to reduce earnings management practices.

INTRODUCTION

Tax is a statutory charge paid by the citizens for. There are several factors that can affect earnings management, but researchers use deferred tax burden, profitability, and leverage variables. The first a factor that can impact companies to implement profits management practices is to minimize corporate taxes or to attract investors to invest. According to Hidayati and Zulaikha (2003) in Rahmanto (2017), a number of taxes must be paid by companies using profit as the basis for calculation. The greater the profit obtained, the greater the tax that needs to be paid to the government. Conversely, the smaller the company's profit, the smaller the tax that must be borne by the company. Therefore, profit engineering is carried out by managers to influence the final results of financial reports and minimize the corporation must pay certain taxes. The tendency of companies to reduce reported profits is related to positive accounting theory, so that deferred tax burdens can affect earnings management as a motivation for tax savings.

Suandy (2003) noted in (Suputra, 2017) that in order management strives to lower the tax burden by minimizing tax payments. The second factor that is the reason for companies to carry out profit management is profitability because investors will look at the profitability of the company, therefore profitability is a reason for carrying out profit management.

According to Tala and Karamoy (2017) in (Fandriani, 2019), profitability is defined as a company's ability to generate net profit in relation to sales, total assets, or equity. According to (B. Setyawan & Harnovinsah, 2014) If the company's profitability is too high, it indicates that the company was successful in obtaining good profits. Good profits tend to reduce management's motivation to carry out profit management because if the profit generated is good enough, the party. However, conversely, if the company's profit is not good, the company will tend to carry out profit management. The third factor that can affect profit management is the amount of leverage owned by the company. According to (Anak Agung Mas Rattih Astari, 2017) leverage is one of the alternative sources of company funds besides selling shares on the capital market. Leverage is a measure of how much of a company's assets can be financed with debt. According to Agustina (2013) in (Fandriani, 2019) leverage can affect profit management. This is because managers try to avoid failure in debt agreements and high levels of leverage motivate them to generate good profits. Research conducted by (Maslihah, 2019) states that leverage has a positive effect on earnings management. This means that leverage has an important role in encouraging management to manage earnings to avoid violations of state debt agreements and will benefit both the government and the broader people. Taxpayers will not immediately benefit from taxes because they are used for the public good rather than for personal gain. Taxes have a very important role in national life. Taxes contribute greatly to the State Budget (APBN). The large contribution of taxes to the APBN makes the government quite dependent on taxes. Therefore, the government continues to make various efforts to increase state revenues from the tax sector (www.pajak.go.id).

Nowadays, taxes are the mainstay of the government in running the wheels of government. The government is currently focusing on doing various ways so that tax revenues in Indonesia can achieve higher achievements every year. This is because tax revenues are the largest source of state revenues until with the present.

However, if reviewed again from the ratio of tax revenue realization to tax revenue target designed by the State Budget, it has never reached 100% or experienced a shortfall (revenue deficiency). Even the projection from the The Finance Ministry of the Republic of Indonesia that the realization of revenue in 2019 will most likely experience a shortfall again. And if this happens, then Indonesia's tax revenue will carve a 10-year record shortfall (www.kemenkeu.go.id).

The collection of tax revenues described above shows that Taxpayers continue to be unaware in Indonesia in carrying out their tax obligations. Because the role of taxes is very large for the country, the government is trying to increase revenues from the tax sector. However, in its implementation, there are differences of interest between taxpayers and the government. Taxpayers in this case are specified as Corporate Taxpayers who have the main objective in carrying out their business, namely to generate maximum profit. For corporate taxpayers, tax is one of the components of the burden that must be borne by the company and is intended to reduce the company's profit. If the company makes a large profit, the income tax paid to the state treasury is also large. In accordance with its main objective, Corporate Taxpayers always try to optimize the smallest possible burden to obtain maximum profit. Therefore, many Corporate Taxpayers in Indonesia try to minimize the tax burden by utilizing existing tax provisions.

LITERATURE REVIEW

Deferred Tax Expense

Deferred tax burden is one method for detecting the presence of earnings management strategies utilized by firm management. Deferred Tax Burden develops when differences between tax accounting (fiscal profit) and commercial accounting. Provide additional information about financial statement consumers in order to evaluate the quality of current earnings (Philips, 2003). The rationale is that tax regulations prohibit the use of discretion in calculating taxable income, therefore the difference between commercial profit and fiscal profit (book-tax gap) might reveal information regarding management discretion in the accrual process (Halim, 2005) in (Suputra, 2017). Basically, the deferred tax burden presented in the company's commercial profit and loss report can affect the nominal amount of net profit after tax. This is explained by Muljono (2006) who stated that if a company commercially calculates the income tax payable without taking into account fiscal corrections, it will cause a difference with the calculation of income tax payable according to the tax authorities, so that the amount of income tax payable will affect the balance sheet position in the commercial report. The difference in the amount of tax payable must be done by making an adjustment journal that will affect the

amount of tax payable accounts and also affect the amount of profit after tax recognized by the company in the income statement. Due to these changes, the company must revise its balance sheet position.

Leverage

Based on Brigham & Houston (2019) leverage is how a company uses borrowed capital in the form of debt as a source of funding to increase company assets and to obtain or increase profits from the borrowed capital. Types of Leverage 1. Operating leverage, Operating leverage is defined as the usage of a company's assets or activities in conjunction with fixed costs. Based on Kamaludin & Indriani (2012:95) operating leverage is leverage that arises when a company uses assets that have fixed operating costs. With fixed operating costs, changes in sales will result in greater changes in the company's EBIT. Based on Brigham & Houston (2019:481) states that operating leverage is how much fixed costs are used in a company's operations. 2. Financial Leverage, From the standpoint of financial management, the company's policy of obtaining external loan capital is the implementation of a financial leverage policy, in which the company finances its operational activities with borrowed capital or debt and bears a fixed burden (interest expense), with the goal of increasing earnings per share. According to Brigham & Houston (2019:485) financial leverage is how much a company uses debt and equity to finance its corporate funding. According to the aforementioned definition, higher financial leverage has a positive impact if the income generated by the utilization of these funds exceeds the financial burden suffered. While the negative impact is that greater financial leverage will cause the company to have greater debt, namely fixed costs or interest costs. If the company does not fulfill its obligations in the form of interest costs, the company will have difficulty running its business activities. Financial leverage can be measured using the leverage ratio. 3. Combination Leverage According to Utari et al., (2014:269) total leverage is a combination of the level of operating leverage with the level of financial leverage.

The leverage ratio Typically, the utilization of the leverage ratio is tailored to the company's goals. This means that the corporation can employ the leverage ratio in its entirety or as part of any other sort of leverage ratio that exists. The use of the ratio as a whole means all types of ratios owned by the company, while part means that the company only uses several types of ratios that are considered necessary to know. In practice, there are several types of Leverage Ratios that are often used by companies. The types of ratios in the Leverage Ratio according to Kasmir (2016: 155-16), include: 1. Debt to Asset Ratio (DAR) A ratio that aims to determine and measure the level of solvency of a company. 2. Debt to Equity Ratio (DER) A ratio that explains the amount of debt in the balance sheet will show the amount of loan capital used in the company's operations. Leverage Theory Pecking Order Theory According to Brigham and Houston (2019), Pecking Order Theory is a company's preference for financing activities Investments will be funded initially with internal money (i.e. retained earnings), then with additional debt, and eventually with new

equity. Trade-Off Theory Trade-Off Theory is one of the leverage theories that states that companies take advantage of tax benefits by financing using debt (Brigham and Houston, 2019).

(Suputra, 2017) William H. Beaver (1968) published a paper titled "The Information Content Of Annual Earnings Announcement" that first introduced positive accounting theory. Furthermore, Watts and Zimmerman's 1978 article "Towards a Positive Theory of Accounting Standard" acknowledged positive accounting theory. The paper established positive accounting theory as the main accounting research paradigm based on qualitative empiricism, which may be used to support numerous accounting procedures or methodologies already in use, as well as to identify the most recent models for the development of accounting theory in the future. The presence of positive theory has contributed significantly to the advancement of accounting. Positive accounting theory contributes to accounting advancement by generating Accounting decisions follow regular patterns, and offering explicit explanations for these trends, Creating a foundation for comprehending accounting, demonstrating the primary Contracting costs play an important role in accounting theory, explaining why accounting is utilized and offering a framework for anticipating accounting decisions, and supporting relevant accounting research that prioritizes prediction and explanation.

Profit Management

Earnings Management According to Sulistyanto (2008) in (Fitriya et al., 2020) stated that earnings management is a tool for corporate management to interpret or modify data in financial statements with the aim of influencing the company's performance and condition. According to Scott (2003) in Endriati (2016) defines earnings management as an action taken through accounting policy choices to achieve specified aims, such as pursuing their own interests or increasing the market worth of their organization. Using these two definitions, we may conclude that earnings management is an action. that is realized by managers for certain interests. Discretionary accruals measurement models assume that there is a non-discretionary accruals component derived from total accruals. Some empirical evidence shows that companies actively practice earnings management when manipulating financial statements, it is concluded that earnings quality is positive.

METHODOLOGY

The purpose of this study is to gather empirical evidence regarding the analysis of the effect of deferred tax burden, profitability and leverage on earnings management. This research employs secondary data, namely from financial reports, annual financial reports, and sustainability reports of consumer goods companies with consumption sub-sectors listed on the Indonesia Stock Exchange in the period 2018-2022. Samples accessed on the website www.idx.co.id and the websites of each company. According to Ghozali (2018) outliers are data that look very different from observations and appear in the form of extreme values. Furthermore, 79 data were tested for

normality to determine the normality of their distribution and 5 data were found to have extreme values. The researcher conducted outliers using unbalance where only the values affected by outliers were removed and the data that was still needed remained in the data tabulation.

Therefore, as many as four data need to be eliminated. The following table 1 presents the sample acquisition based on criteria that have been in accordance with research needs.

1. Companies in the consumption sub-sector listed on the Indonesia Stock Exchange consecutively during 2018-2020.
2. Companies in the consumption sub-sector whose annual reports can be accessed during 2018-2020
3. Companies with comprehensive data on the research variables (Deferred Tax Expense, Total Assets, Net Income, Operating Cash Flow, Sales, Fixed Assets, Receivables) during the 2018-2020 period.
4. Companies that publish financial reports in rupiah currency.
5. Outlier test

Table 1 Research Sample

Information	Amount
Companies in the consumption sub-sector listed on the Indonesia Stock Exchange consecutively during 2018-2022.	49
Criteria:	
Companies in the consumption sub-sector whose annual reports are inaccessible during 2018-2022	(8)
Companies that do not have complete data related to the variables (Deferred Tax Expense, Total Assets, Net Income, Operating Cash Flow, Sales, Fixed Assets, Receivables) of the study during the period 2018-2022.	(10)
Companies that do not publish financial reports in rupiah currency	(2)
Number of Research Samples	28
Research Year	5
Number of Research Samples	140
Number of Data Outliers	5
Final Sample Size	135

Table 2 Company List

No	Code	Company name
1	ADES	Akasha Wira International Tbk
2	BUDI	Budi Starch & Sweetener Tbk
3	CHECK	Wilmar Light Indonesia Tbk
4	CLEO	Sariguna Primatirta Tbk
5	DLTA	Delta Jakarta Tbk
6	DVLA	Darya-Varia Laboratories Tbk
7	GGRM	Gudang Garam Tbk
8	HMSP	Hanjaya Mandala Sampoerna Tbk
9	HOCKEY	Buyung Poetra Sembada Tbk
10	ICBP	Indofood CBP Sukses Makmur Tbk
11	INDF	Indofood Sukses Makmur Tbk
12	ITIC	Indonesian Tobacco Tbk
13	KLBF	Kalbe Farma Tbk
14	BRAND	Merck Tbk
15	MLBI	Multi Star Indonesia Tbk
16	MYOR	Mayora Indah Tbk
17	PEHA	Phapros Tbk
18	PYFA	Pyridam Farma Tbk
19	BREAD	Nippon Indosari Corp.
20	SIDO	Sido Muncul Tbk Herbal Medicine and Pharmaceutical Industry
21	SKLT	Sea of Stars Tbk
22	STTP	Siantar Top Tbk
23	TBLA	New Shoots of Lampung Tbk
24	TSPC	Tempo Scan Pacific Tbk
25	ULTJ	Ultra-Jaya Milk Industry & Trading Company Tbk
26	UNVR	Unilever Indonesia Tbk
27	WIIM	Wismilak Inti Makmur Tbk
28	WOOD	Integra Indocabinet Tbk

RESEARCH RESULT

Descriptive Statistical Analysis

A comprehensive understanding of the research data can be obtained through descriptive statistical analysis. Gujarati (2011) explains that this analysis includes various statistical measures used to evaluate data distribution, such as standard deviation, variance, mean, maximum and minimum values, total number, range, kurtosis, and skewness of the distribution. In this study, the measuring instruments used to analyze and summarize the data include the mean value, minimum value, maximum value, and standard deviation. The results of the descriptive statistical analysis are presented in the following table:

Table 3 Descriptive Statistical Test Results

	Minimum	Maximum	Mean	Std. Deviation
Earnings Management (Y)	-,161	,142	-,01173	,063044
Deferred Tax Expense (X1)	,0000	,0132	,002393	,0024409
Leverage(X2)	,109	3,825	,80248	,728398

Source: SPSS Test Output Results, 2025

Based on the data observed in table 4.1 above, the data description for each variable can be described as follows:

1. Earnings Management (Y)

The dependent variable of this study is earnings management, with the minimum value of earnings management being -0.161 which is the value of earnings management of PT Wilmar Cahaya Indonesia Tbk in 2018. The maximum value of earnings management is 0.142 which is the value of earnings management at PT Wilmar Cahaya Indonesia Tbk in 2022. The mean value is -.01173 and the standard deviation value is 0.063044. In the earnings management variable, there is a data deviation because the standard deviation value is greater than the mean value, so it can be said that the data distribution is less varied.

2. Deferred Tax Expense (X1)

The first independent variable is deferred tax burden, with the minimum value of deferred tax burden being 0.000 which is the value of deferred tax burden of PT Indofood CBP Sukses Makmur Tbk in 2020. The maximum value of deferred tax burden is 0.0132 which is the value of deferred tax burden at PT Multi Bintang Indonesia Tbk in 2018. The mean value is 0.002393 and the standard deviation value is 0.0024409. In the deferred tax burden variable, there is a data deviation because the standard deviation value is greater than the mean value, so it can be said that the data distribution is less varied.

3. Leverage (X2)

The dependent variable of this study is *leverage*, with the minimum value of leverage being 0.109 which is the leverage value of PT Wilmar Cahaya Indonesia Tbk in 2022. The maximum value of leverage is 3.825 which is the leverage value of PT Pyridam Farma Tbk in 2021. The mean value is 0.80248 and the standard deviation value is 0.728398. In the leverage variable, there are no data deviations because the standard deviation value is smaller than the mean value, so it can be said that the data distribution varies.

Normality Test

Normality testing aims to determine whether the residual value in a study has a normal distribution or not. An ideal regression model will produce a normal data distribution or at least close to normal. In this study, normality was

tested using the Kolmogorov-Smirnov method with a significance level of 5% (0.05). The results of the normality test are presented in the following table:

Table 4 Normality Test Results

Method	Asymp. Sig. Value	Information
<i>Kolmogorov-Smirnov</i>	0.865	Normally Distributed Data

Source: SPSS Test Output Results, 2025

Based on the findings of normality test shown in Table 4, The relevance level of the Kolmogorov-Smirnov test was 0.865. This value is greater than the alpha significance level ($0.865 > 0.05$), As a result, the results in this study can be interpreted as regularly distributed.

Multicollinearity Test

Multicollinearity testing aims to analyze the relationship between independent variables in a regression model. When testing the coefficient, a t-count that is smaller than the t-table can be caused by a high standard error. One effective way to detect multicollinearity in a regression model is to review the tolerance and variance inflation factors (VIF) values. If the VIF value is less than 10 and the tolerance value is more than 0.1, then the regression model can be said to be free from multicollinearity symptoms. The results of the multicollinearity analysis are presented in the following table:

Table 5. Multicollinearity Test Results

Variables	Tolerance	VIF	Information
Deferred Tax Expense (X1)	0.952	1,050	No Multicollinearity Occurs
Leverage (X2)	0.952	1,050	No Multicollinearity Occurs

Source: SPSS Test Output Results, 2025

The multicollinearity test results show that provided in Table 4.3, both independent variables have a tolerance value greater than 0.1 and a VIF value less than 10. Thus, it is possible to conclude that the data in this study does not exhibit multicollinearity.

Autocorrelation Test

Autocorrelation testing in a linear regression model aims to identify the relationship between the residual value in the current period (t) and the residual in the previous period (t-1). If there is a correlation between the two, then the autocorrelation problem may arise. Autocorrelation occurs because of the dependence between consecutive observations in a time span. The results of the autocorrelation test using Run-Test are presented in the following table:

Table 6. Autocorrelation Test Results

Method	Asymp. Sig. Value	Information
Run-Test	0.932	No Autocorrelation Occurs

Source: SPSS Test Output Results, 2025

The autocorrelation test using the Run-Test technique yielded a significance value of 0.932, as shown in Table 6. Because this number is more than 0.05 ($0.932 > 0.05$), the equation model in this investigation did not exhibit autocorrelation issues.

Heteroscedasticity Test

The heteroscedasticity test is used to determine whether there is a variation in variance in the residuals between different regression observations. A p-value less than 0.05 implies heteroscedasticity. If the significance level is greater than 0.05, it is possible to conclude that there is no heteroscedasticity. The following table displays the results of the heteroscedasticity test using the Rank-Spearman technique:

Table 7 Heteroscedasticity Test Results

Variables	Sig. Value	Information
Deferred Tax Expense (X1)	0.440	No Heteroscedasticity Occurs
Leverage(X2)	0.496	No Heteroscedasticity Occurs

Source: SPSS Test Output Results, 2025

The findings of the heteroscedasticity test are in table 7 reveal that both Independent variables with a significance value greater than 0.05 (Sig. > 0.05). Thus, it is possible to conclude that the variables in this study do not exhibit heteroscedasticity concerns.

Data Analysis Test

1) Multiple Linear Regression Analysis

Multiple linear regression analysis is a statistical method for determining and characterizing the connection between a single dependent variable and two or more independent variables. This model implies a linear relationship between these variables, implying that changes in the independent factors might affect the dependent variables concurrently. Using multiple linear regression, we may identify the direction and significance of the link by assessing the impact influence of each independent variable on the dependent variable. The outcomes of the multiple linear regression test are shown in the table below:

Table 8 Multiple Linear Regression Test Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,008	,009		,955	,341
x1	-5,296	2,229	-,205	-2,375	,019
x2	-,009	,007	-,108	-1,253	,212

Source: SPSS Test Output Results, 2025

The regression equation derived from the results of the basic linear regression test in table 8 is as follows:

$$ML=0.008-5,296BPT-0.009LEV + e$$

From the regression equation obtained, it can be interpreted as follows:

- a) The constant value of 0.008 indicates that if the deferred tax expense and leverage variables are considered unchanged or constant, earnings management will increase by 0.008 units.
- b) The regression coefficient of deferred tax burden has a negative value of -5.296. This shows that every time there is an increase in the value of deferred tax burden, it tends to decrease earnings management. If the deferred tax burden increases by one value, then earnings management decreases by -5.296 units.
- c) The leverage regression coefficient has a negative value of -0.009. This shows that every time there is an increase in leverage value, it tends to decrease earnings management. If leverage increases by one value, then earnings management decreases by -0.009 units.

2) F Test

The F test determines if the dependent variable is affected simultaneously by the independent factors. In statistical analysis, this test is commonly utilized to judge its feasibility. of a regression model. The significance level utilized was 5%. If the F test's p-value is less than 0.05, We can deduce that the independent variable has a substantial impact on the dependent variable. If the p-value is more than 0.05, the effect is statistically insignificant. The F test results are provided in the table below:

Table 9 F Test Results

Model	F	Sig.
1 Regression	4,470	0.013
Residual		
Total		

Source: SPSS Test Output Results, 2025

Based on the findings of the data analysis displayed in Table 4.7, a significant value of 0.013 ($0.013 < 0.05$) was obtained. Thus, we might deduce that the null hypothesis is rejected, so that the regression model in this study is declared valid and can be used.

3) T-test

The t-test is used to briefly test the solution to the issue formulation by assessing the connection between the independent and dependent variables. The purpose of hypothesis testing is to evaluate the strength of the correlation between the two variables under consideration. The hypothesis test results are shown in the following table:

Table 10. t-Test Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	,008	,009		,955	,341
x1	-5,296	2,229	-,205	-2,375	,019
x2	-,009	,007	-,108	-1,253	,212

Source: SPSS Test Output Results, 2025

Based on the results of hypothesis testing in table 4.9 above, it can be concluded that:

1. The significant value of Deferred Tax Burden is 0.019 ($0.019 < 0.05$), so it can be concluded that H1 is accepted, which means that the deferred tax burden variable partially influences earnings management.
2. The significant value of Leverage is 0.212 ($0.212 > 0.05$), so it can be concluded that H2 is rejected, which means that the leverage variable partially has no effect on earnings management.

4) Coefficient of Determination

The coefficient of determination (R^2) evaluates the model's capacity to explain the variability of the dependent variable, with values ranging from 0 to one. If $R^2 = 0$, the independent variable cannot fully explain changes in the dependent variable. If $R^2 = 1$, the independent variable fully explains all variations in the dependent variable. The following table displays the results of the determination coefficient test:

Table 11. Results of Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error
1	0.252	0.063	0.049	0.61472

Source: SPSS Test Output Results, 2024

Based on the results of the determination coefficient test in table 4.8 above, the R^2 value is 0.063, which indicates that the deferred tax burden and

leverage variables affect earnings management by 0.063 (6.3%). While the remaining 93.7% is influenced by other variables outside the study.

DISCUSSION

The Impact of Deferred Tax Expense on Earnings Management

According to the results of the first hypothesis test, deferred tax burden has an impact on earnings management. The p-value of 0.019 ($0.019 < 0.05$) suggests that deferred tax burden has a significant negative impact on earnings management. Thus, hypothesis H1, stating that deferred tax burden has an influence on profits management, is accepted.

This can be explained that deferred tax burden has a significant negative effect on earnings management because deferred tax reflects temporary differences between accounting and fiscal profits that can indicate earnings management practices. When companies increase earnings management by manipulating accounting profits, this difference tends to increase, leading to an increase in deferred tax burden. However, high deferred tax burden can also be a signal to regulators and investors that the company is involved in aggressive earnings management practices, so companies tend to reduce these practices to avoid audit or sanction risks. As a result, there is a significant negative relationship between deferred tax burden and earnings management, where an increase in deferred tax burden can suppress the company's incentive to manipulate earnings.

These results support agency theory. In agency theory, there is a conflict of interest between management (agent) and owners (principals), where managers have incentives to manipulate earnings to achieve certain targets, such as bonuses or compliance with debt covenants. However, when deferred tax expense increases, this can be an indicator that the company is engaging in aggressive earnings management, which risks reducing investor confidence and attracting regulatory attention.

The Effect of Leverage on Earnings Management

The results of the second hypothesis test indicate that leverage has no effect on earnings management. The p-value is 0.212 (0.212 more than 0.05), implying that leverage has no effect on earnings management. Thus, the H2 hypothesis, which states that leverage has an impact on earnings management, is denied.

This can be explained that Leverage does not affect earnings management because the level of debt owned by the company is not necessarily the main factor in management decisions to manipulate earnings. In agency theory, leverage can act as a disciplinary mechanism for management because creditors tend to closely monitor the company's financial statements. However, in practice, companies with high leverage may focus more on fulfilling debt obligations than manipulating earnings, especially if their debt agreements do not depend on certain profit figures. In addition, companies with low leverage are also not always motivated to carry out earnings management, because there is less pressure from creditors. Thus, the relationship between leverage and earnings management can be insignificant due to other factors, such as

accounting policies, ownership structure, or corporate governance that are more dominant in influencing earnings management practices.

This result contradicts agency theory. In agency theory, leverage should act as a disciplinary mechanism that reduces the conflict between managers and owners, because firms with high levels of debt are more closely monitored by creditors. This monitoring should discourage earnings management practices, because managers will try to maintain compliance with debt covenants and avoid the risk of default. However, when leverage has no effect on earnings management, it suggests that the pressure from creditors is not strong enough or that managers have flexibility in financial reporting without worrying about consequences from creditors. This contradicts the assumption of agency theory, which states that leverage can reduce opportunistic behavior of managers through increased external monitoring.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

The goal of this study is to analyze the effect of deferred taxes burdens and leverage regarding earnings management in customer goods firms listed on the Indonesia Stock Exchange between 2018 and 2022. The sample employed in this study consisted of 28 companies that met the previously established sample requirements, for a total of 140 observations. In determining the final sample, the researcher conducted outliers on several companies to overcome the problem of normality in data testing, so that the total observations studied amounted to 135 observations. The following conclusions can be inferred from the outcomes of data analysis and discussion carried out in the previous chapter:

1. Partially, the results of the study indicate that the independent variable of deferred tax burden has a negative effect on earnings management. This proves that deferred tax burden reflects the difference in timing in recognizing accounting profit and fiscal profit. Companies that are more transparent in reporting deferred tax burden tend to have lower earnings management practices.
2. Partially, the results of the study indicate that the independent variable leverage has no effect on earnings management. This proves that the level of debt owned by the company is not necessarily the main factor in management decisions to manipulate earnings. However, the risk that arises because companies that are at a high level of debt have the threat of inability to pay obligations.

Recommendation

For the Company, with this research, it is expected to provide guidance to managers regarding the importance of controlling temporary and permanent differences that result in deferred tax assets or liabilities. This step can maintain the stability of accounting profit, thereby increasing the company's attractiveness to investors.

ADVANCED RESEARCH

It is envisaged that future researchers would include elements that can affect earnings management, this is because the determination value in this study is categorized as low. There are still other factors This can have an impact on earnings management, including good corporate governance (GCG), company size, solvency, tax planning, etc.

For further researchers, it is expected to use populations/samples with other company sectors listed on the Indonesian stock exchange, especially in company sectors that are rarely studied and also use the most recent year period.

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