EFFECT OF TAX PLANNING, RETURN ON ASSETS, AND DEFERRED TAX EXPENSES ON EARNING MANAGEMENT IN AUTOMOTIVE SUB SECTOR COMPANIES AND COMPONENTS

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ABSTRACT:
This study’s goal is to determine how big the effect of the ratio of Tax Planning, Return On Assets (ROA), and Deferred Tax on Earning Management in Automotive Sub Sector Automotive Companies and Components Registered on the Stock Exchange in 2016 - 2018. The method that researcher used in this study is associative quantitative research. About the collection techniques of the data are carried out by collecting financial statement documents from www.idx.co.id in the period 2016 - 2018. To analysis the data, the researcher use method like multiple linear regression, coefficient of determination, t test, F test. The sample in this study were 20 companies with data consisting of 3 years. The sample selection is done by purposive method. The results showed that the ratio of tax planning, return on assets (ROA), deferred tax expenses have significant effect toward earnings management in automotive sub-sector companies and components listed on the IDX in 2016 - 2018 amounting to 60.3%. The independent variable which have a dominant influence is the tax planning variable.

INTRODUCTION
The automotive sector can be counted as one of the leading industries in Indonesia. The development of the automotive industry had a good sales performance. According to Gaikindo data, from 2016 to 2018, sales of the state of the four wheels increased from 1,062,694 to 1,151,284.

Until now, the most important aspect to measure the performance of the Company is profit. Profit has always been one of the important factors in the consideration of investors, creditors, and company owners. Profit can also be a reference for the strength of a company so that potential investors and creditors can minimize risk. So the company management makes an earning Management so that it can maximize satisfaction for those who see the profit.

According to Fitri (2018), “The financial statements presented by the management can be engineered to produce the desired level of profit in achieving certain objectives that can mislead owners, shareholders or potential investors who use the financial statements. Earnings management is carried out so that profit seems to have good and stable quality, with the expectation of earnings reported to receive a positive response by the market. Earnings management is interesting to study because it can provide an overview of the behavior of managers in reporting their business activities in a certain period, namely the existence of certain motivational interests reported.”

According to Prihastomo (2018), “The presence of profits in a company is expected to get the attention of investors and creditors in evaluating a management performance of a company and can predict corporate earnings in the future. Earning is also a component in the financial statements which are very concerned, because the company’s earnings are expected to be a reference for the company in presenting the performance in a company as a whole in achieving corporate goals. One way that management does when preparing financial statements that affect the level of profit is earnings management which expectation can increase the value of the company itself.”

According to Tonye (2020), “The profits management issue does not emerge in advanced nations exclusively (the Enron case, WorldCom case, Xerox case, and many others, including Nigeria has experienced some cases such as Cadbury Nigerian Ltd 2007. The growing interest in the first-rate income renders the examination income control vital.”

Earnings management is an act of manipulating a financial report which is carried out in a legal way to adjust company profits to management policies. Earnings management can very often be carried out by management by selecting an accounting policy that is useful for adjusting earnings to the wishes of management or certain interested parties.

Management action to manipulate financial reports by means raise profit show that earning management has been practices in the companies. “earnings management occurs when manager use financial assessment report, so mislead
in want to know the company performance or in influencing the outcome (contract agreement) that relies in the accounting reported.”

According to Okafor (2018), “Earnings management may involve exploiting opportunities to make accounting decisions that alters the earnings figure reported on the financial statements. Accounting decisions can in turn affect earnings because they have the power to determine the timing of transactions and the estimates used in financial reporting. For example, a comparatively little change in the estimates for uncollectible accounts can have a significant effect on net income, and a company using last-in, first-out methods of accounting inventory can increase net income in times of rising prices by delaying purchases to future periods. Earnings management involves the manipulation of company earnings towards a pre-determined target. This target can be achieved by a preference for more stable earnings, in which case management is said to be carrying out income smoothing. Opportunistic income smoothing can in turn signal lower risk and increase a firm's market value. Other possible motivations for earnings management include the need to maintain the levels of certain accounting ratios due to debt issues, and the pressure to maintain increasing earnings and to beat analyst targets.”

The profit Information must be describe the truth of economic company, but in reality the management often manipulate financial report by raising profit to maximize satisfaction their own.

Taxes are an important source of state revenue to finance state development. One of the biggest tax sectors that the state receives is income tax. In 2009, the Corporate company income tax rate adopted a single tax rate system, 28% from earnings before interest and tax (EBIT) and has become 25% in 2010 and is currently running. In addition, a company that has gone public is given a rate reduction of 5% from the normal rate with other conditions. So, starting from the 2009, the rates of companies that go public have continued to increase.

Return on Asset (ROA) can use as a tool to measure how far the success of a company. It is a result obtained from an investment. ROA can be divided into two, namely realized returns and expect returns. Realize return is about the return that has occurred which is calculated based on historical data. This return realization is important in measuring company performance and as a basis for determining future returns and risks. Expect return is the expected return in the future and is still uncertain. In carrying out an investigation, investors are faced with the uncertainty between the return they will get and the risks they will face. The greater the return that is expected to be obtained from the investigation, the greater the risk, so it is said that the expected return has a positive relationship with risk.
“Return On Asset (ROA) show us the level of profit a company gets with the level of investment invested.” The increasing Return on Asset (ROA) shows that the company's performance is getting better and shareholders will benefit from increasing dividends received.

Deferred tax expenses are the calculation of the avowal of deferred tax assets or deferred tax liabilities based on “future income tax consequences” that risen as a result of differences in the value bases of assets or liabilities between calculations according to accounting and according to tax. Deferred tax is deductible for fiscal purposes against any economic benefit (income). In other call, deferred tax expense can increase company profits.

The fact show, with the existence of a tax planning ratio, Return On Asset (ROA), and deferred tax expense, the company's net profit has decreased, even to the point of experiencing a loss as at PT. Gajah Tunggal, Tbk. While at PT. KMI Wire & Cable, Tbk., The ratio of tax planning and high deferred tax expenses cannot increase the company's net profit.

Previous Research have been done by Kisno (2018), Sihombing (2020), Prihastomo (2018), Ado (2020), Bunaca (2019), Hakim (2019), Antonius (2019), Christiana (2020), Achyani (2019), Purnamasari (2019). From all of the Research, showed that the ratio of tax planning, Return On Asset (ROA), and deferred tax expense have show the effect of earning management.

Talkin about this Research, it only focus on the ratio of tax planning, Return On Asset (ROA), and deferred tax expense towards earning Management so we will know how big the effect towards earning management.

Earning Management

According to Rumegan (2013: 449), “earnings management is an action taken by company’s management to increase or decrease the report of the profit of the unit under its responsibility which has no relationship with increasing or decrease in the company's profitability for the long term.”

According to Hery (2015: 49), “Earnings management can provide an overview of manager behavior in reporting business activities in a certain period.”

Earnings management as a management intervention deliberately in the process of determining profit. Earnings management strategy are: increasing income, decreasing income, Big Bath (reduction current period profit), income smoothing (income smoothing). Motivation earnings management: Bonus purposes, debt contracts long term, political motivation, taxation motivation, change of CEO, initial public offering (IPO). Various previous studies have been conducted to detect earnings management practices, among others Jones (1991) uses discretionary accruals and known as the Jones Model. Dechow et
al. (1995) modify the later Jones (1991) measurement model known as the Modified Jones Model (Kisno, 2018).

Many people define earnings management as fraud by managers, some people define it as a normal activity because earnings management cannot be categorized as fraud as long as the manager is still using the generally accepted accounting model. So far, the aggregate accrual based model is generally accepted as the model that gives the strongest results in detecting earnings management, because the accounting model is in line with accrual basis accounting. In addition, aggregate accruals use all components of financial statements to detect financial engineering, because accruals exist in every component of financial statements without exception, both in fixed assets and current and passive short and long term (Sihombing, 2020).

Earnings management is considered as an opportunistic reflection of a manager by beautifying his financial statements, by reporting profit or performance in accordance with the interests it achieves, through financial reports the manager seeks to intervene in financial reports by playing with and changing the numbers in the financial statements, so that the information conveyed is not more relevant. As a result of this opportunistic behavior, the company's assets are not allocated appropriately so that the owner does not get a return on the invesstational of the capital. Apart from internal parties, external parties such as potential investors, creditors and suppliers are wrong in assessing the company's ability and the company's feasibility because each of them has a different interest in financial statement information (Sihombing, 2020).

Problems are caused by weaknesses in management concepts and driven by moral hazard so that a person tends to always look for loopholes in fulfilling his personal interests. The impact is that managerial concepts which should be aimed at positively are diverted into something negative so that they are detrimental to the public. (Sihombing, 2020).

The principal as the party who hands over the authority to the manager has the right to get a return or a decent result from his own capital so that if the results obtained are not feasible with his capital, the owner has the right to replace the manager with a more capable one. As a manager who wants to get bonuses and awards from the owner, he is motivated to do earnings management with the aim that the owner thinks that the manager is successful and capable of running his business. The relationship between the owners and managers of the company should produce a symbiotic relationship that can benefit all parties, but this happens the other way around and problems arise between owners and managers. The problems that arise are because both parties prioritize personal interests so that they are not only detrimental to internal parties, but can harm external parties, such as potential investors, creditors, suppliers, regulators and stakeholders (Sihombing, 2020).
According to Matteo (2018), “In the academic literature, the most commonly used term is "earnings management" that, in Schipper's definition (Schipper, 1989), consists of an intervention in the external financial reporting process, with the intent of achieving some private advantages. Leuz et al. (2003:506) provide a definition of earnings management as "alteration of firms' reported economic performance by insiders either to mislead some stakeholders or to influence contractual outcomes". Therefore, it derives from a managers' opportunistic behaviour. In fact, earnings management found its origin in the positive accounting and agency theories and, thus, has emerged in the context of information asymmetry between managers and other business partners.”

According to Chakroun (2019), “The earnings management is seen in two opposite perspectives: the first highlights the "opportunistic behavior" of the managers who seek to maximize their personal interest. As a result, a company's financial performance can only be negative influenced. In the presence of this opportunistic behavior, many researchers validate the existence of a second perspective that guides the reflections on earnings management. They see it as a way of bringing value to shareholders. It is often referred to as the "informational perspective". Motivated by these two approaches, we emphasize that there is a strong relationship between earnings management and financial performance. This latter financial dimension reflects, according to neoclassical theory, the sole responsibility of managers to maximize the shareholders' value. Its monitoring and evaluation have become much more important and have become necessary given the flexibility of leadership.”

One example of an opportunist case of earnings management is carried out by Toshiba Corp. Manufacturing companies in Japan have manipulated their financial statements, reaching a value of US $ 1.2 billion over the past few years. This is because the business division finds it difficult to meet targets, so it is motivated to increase profits and delay the publication of financial reports. CEO of Toshiba Corp., namely Hisao Tanaka and several colleagues. Another senior chose to resign for being involved in this scandal. This resulted in huge fines and ultimately it was difficult for the company to gain global investor confidence and the restatement of Toshiba Corp's earnings reports could lead to a decline in the credit cycle. (Antonius, 2019)

**Tax Planning**

Tax planning is defined as a way that taxpayers can do and have planned for the coming period with the aim of minimizing the tax burden without violating applicable tax regulations. Tax planning, known as effective tax, is a taxpayer who seeks to get tax savings through systematic tax avoidance procedures in
accordance with the stipulation of the tax law. Planning is carried out by minimizing taxes by taking the maximum advantage, by minimizing actual profits and making operating expenses as high as possible so that the tax is imposed by the minimum (Sihombing, 2020).

One of the steps in tax planning is to regulate how much profit is reported so that it is included in an indication of earnings management practices. Therefore, in order to avoid these things, the company will carry out earnings management so that the profit that will be reported to the fiscal is lower so that it can reduce the tax burden that will be borne by the company (Sihombing, 2020).

Firms that have good tax planning should have a significant impact on the decline in profits throughout taxation obligations. Tax planning must have a positive effect on earnings management, which means the higher the tax planning, the greater the chances of companies through earnings management (Bunaca, 2019)

Tax planning is still considered legal because it is still in accordance with tax laws and regulations. The laws and regulations in question are:

1. Law Number 28 of 2007 concerning KUP and its implementing regulations.
2. Law Number 36 Year 2008 regarding Income Tax and its implementing regulations.
3. Law Number 42 of 2009 concerning PPN and PPnBM and its implementing regulations.
4. Tax Treaty or P3B (Double Tax Avoidance Agreement).

To realize tax planning that does not violate tax regulations, companies need to understand how tax regulations are. In carrying out tax planning so as not to violate statutory regulations so use strategies in tax planning. A series of strategies to regulate corporate accounting and finances in minimizing tax liabilities by:

a. Tax saving
   Tax saving is an effort to streamline the tax burden by using an alternative tax with a low rate.

b. Tax avoidance
   Tax avoidance is an attempt to streamline the tax burden by avoiding taxation by directing transactions that are not tax objects, such as directing transactions to relatively large losses in the previous period.

c. Tax delay
   Postponement of tax payments without violating applicable regulations by postponing the issuance of tax invoices until the time limit allowed, such as credit sales.
d. Optimizing the permitted tax credit
By crediting several transactions by changing Income Tax 22, it is credited with Corporate Income Tax.

e. Avoiding tax audits by avoiding overpayment by submitted a reduction in the PPh 25 installment payment to the KKP by submitting it no later than 3 months after the current year.

**Return on Assets (ROA)**

According to Pohan (2018: 193), “Return on Assets (ROA) is a ratio that shows how much the contribution of assets in creating net income.” Profitability is often the target of managers to practice earnings management. According to Christiana (2020), “Return on assets (ROA) in this study is used as a proxy for profitability, which the company's ability use to generate profits using debt. This ratio shows the company's ability to use all assets owned to generate profit after tax. This ratio is very important for management because it evaluates the effectiveness and efficiency of company management in managing all company assets”.

According to Ado (2020), “Profitability of firm is found to significantly impact managers desire to employ creative accounting strategy in reporting earnings. Signalling theory believes that profitable firms have a strong reason to reveal quality earnings information to the market participant. On the contrary, it is ascertained that low level of profitability causes management to overstate their earnings so as to exceed or meet up with the analyst prediction (Iatridis & Kadorinis, 2009). Therefore, it is very essential to study whether profitability is associated with the earnings management financial determinants in the Nigerian listed companies.”

**Deferred Tax Expense**

According to Purnamasari (2019), “Definition of Deferred Tax Liabilities is the amount of income tax payable for the coming period as a result of differences in taxable temporary differences (taxable temporary differences). Temporary differences arise as a logical consequence of differences in standards or provisions relating to recognition (criteria and periods), and measurement or assessment of elements of financial statements that apply in tax accounting disciplines (tax provisions) to one party with standards or provisions that apply in financial accounting discipline on the other side.”

This difference can be grouped into two, namely fixed difference / permanent difference and time difference / temporary difference. Fixed difference / permanent difference is a difference caused by differences in recognition of income and expenses between accounting standards and tax regulations. This difference causes the difference in the amount of net income before tax with taxable income or taxable income.
Time difference/temporary difference is a difference caused by differences in time and methods of recognizing certain income and expenses based on accounting standards with tax regulations. This difference results in differences in the time of recognition of income and expenses between one tax year and another.

According to Bunaca (2019), “Deferred tax expense is the expense incurred due to temporary differences between accounting income (profit in the financial statements for external purposes) with fiscal profit (profit that used as the basis for calculating company’s tax payable). In relation to earnings management, firms have a tendency to reduce reported earnings in order to postpone taxes. Philips, Pincus & Rego analysed the application of deferred taxes expense in identifying earnings management to achieve three profit reporting objectives: avoiding losses, avoiding profit declines and to meet analysts' earnings forecasts, and proving that deferred tax expense could be used in detecting earnings management”

The difference temporary arises as logical consequence of differences in standard or conditions pertaining to a confession (criteria and periods), and measurement or judgment of element's financial report made available here which is valid for five in discipline and medium micro businesses would accounting (the tax provisions) on one the side to a standard or regulation in discipline finance accounting in the other side (Hakim, 2019).

The tax deferred have negative effects that means any increase the tax deferred, then the probability of a company in management profit will also have increased by pulling profit. Usually the companies will profit management practices by manipulating its financial reports by means of raising the number of deferred tax burden recognized by profit and loss so that level of profit obtained will be smaller (Hakim, 2019).

According to Achyani (2019), deferred tax expense is deferred or pending tax expense payment, occurs because of the time difference that causes profit according to commercial is different from profit according to fiscal. Deferred tax expense resulting in deferred tax liabilities in the future. So that companies may defer tax payments which is the responsibility of the period certain, so that the company's profits are reported in the period concerned will be greater than. Strategy undertaken by managers in anticipating the deferred tax burden or postponement of this tax payment which includes earnings management measures.

According to Bunaca (2019), “This method will use the Income Statement Approach which looking for the difference between the treatment of accounting and taxation from the perspective of income statement, when a
transaction is recognized in the income statement both commercially and fiscally. This approach recognizes the time difference and permanent differences. The difference amount of the Income Tax Payable (based on tax basis) and the Taxable Income (based on accounting basis) in a period should be recorded and presented in the Financial Statements as Deferred Tax. The amount of deferred tax is determined based on the tax rate applicable at the time of the transaction or items that cause the difference between the income from tax basis and income from accounting occurs. This method emphasizes the matching principle in the period of the occurrence of the difference. However, the development of the business world and accounting has been so rapid with the appearance of transactions that are not recognized in the income statement but directly recognized as part of equity. When using the income statement approach, such transactions cannot be detected, so this approach is considered less relevant.”

According to Mulyani (2018), “The lower the company’s deferred tax expense, the less possibility it is that the company practices earnings management. This means that the deferred tax expense affects earnings management, if the smaller the tax expense paid, the greater the net profit to be generated.”

**METHODS**

In this study, researchers used associative quantitative methods in research on the Effects of Tax Planning, Return on Assets (ROA), and Deferred Tax Expenses on Earning Management in Automotive Sub-Sector Companies and Components Listed on the IDX 2016 - 2018. The location on this Research is at Medan. The data collection technique used by researchers is the technique of collecting data through documents from the website www.idx.co.id. The data format is in the form of annual financial statements of the Automotive and Component Sub-Sector companies listed on the Indonesia Stock Exchange for the 2016 - 2018 Period. The sampel of this Research are 60. This study uses the normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple linear regression, t - statistical test, F - statistical test, determination coefficient test. (Gohzali, 2016).

Formula of earning Management:

\[
\Delta E = \frac{E_{it} - E_{it-1}}{MVE_{it-1}}
\]

Information:

\(\Delta E\) = change in profit

\(E_{it}\) = company i profit in year t.
E_{it-1} = company i's profit in year t-1.
MVE_{it-1} = Market Value of Equity for company i in year t-1.

Formula of tax planning:

\[ TRR_{it} = \frac{Net\text{Income}}{Pretax\text{Income} (EBIT_{it})} \]  
(2)

Information:

\( TRR_{it} = Tax\ Retention\ Rate \)

Formula of Return On Asset (ROA):

\[ ROA = \frac{\text{net profit after tax}}{\text{Total Asset}} \times 100\% \]  
(3)

Formula of deferred tax expense:

\[ DTE_{it} = \frac{\text{Deferred Tax Expense}}{\text{Total Asset}_{t-1}} \]  
(4)

RESULT AND DISCUSSION

To find out the normality of a data, it can be done by using the Kolmogorov-Smirnov test as in Table 1.

Table 1: Normality Test Results.

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>16</td>
</tr>
<tr>
<td>Normal Parameters\textsuperscript{a,b}</td>
<td>Mean \ 0.0000000 \ 2.08711230</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td>Absolute 0.147 \ 0.111 \ -0.147</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>0.588 \ 0.880</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>\textsuperscript{a} \textsuperscript{b}</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Test distribution is Normal.
\textsuperscript{b} Calculated from data.

Because the value of Asymp. Sig. (2-tailed) 0.880 > 0.05, it can be concluded that the data is normally distributed.

To determine whether there is multicollinearity or not, it can be seen from the tolerance and VIF values as in Table 2.
Table 2: Multicollinearity Test Results.

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>Tolerance</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.211</td>
</tr>
<tr>
<td>TAX</td>
<td>.206</td>
</tr>
<tr>
<td>ROA</td>
<td>.946</td>
</tr>
</tbody>
</table>

Dependent Variable: LABA

From the test results, it was found that none of the independent variables had a Tolerance value of less than 0.10. None of the VIF values of all the independent variables is greater than 10. It can be concluded that the data does not occur multicollinearity.

To find out whether there is autocorrelation or not, it can be seen from Table 3.

Table 3: Autocorrelation Test Results.

<table>
<thead>
<tr>
<th>Runs Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Valuea</td>
<td>-.02009</td>
</tr>
<tr>
<td>Cases &lt; Test Value</td>
<td>8</td>
</tr>
<tr>
<td>Cases &gt;= Test Value</td>
<td>8</td>
</tr>
<tr>
<td>Total Cases</td>
<td>16</td>
</tr>
<tr>
<td>Number of Runs</td>
<td>10</td>
</tr>
<tr>
<td>Z</td>
<td>.259</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.796</td>
</tr>
</tbody>
</table>

From the test results, it was found that the value of Asymp. Sig. (2-tailed) is 0.796 greater than 0.05. So it can be concluded that the data does not occur autocorrelation.

To determine the presence or absence of heteroscedasticity, it can be seen from the Glejser test as shown in Table 4.

Table 4: Heteroscedasticity Test Results.
From the research results, it can be seen that the Sig. value of the independent variable is greater than 0.05, it can be concluded that the data does not occur heteroscedasticity.

The results of the multiple linear regression equation can be seen in Table 5.

**Table 5: Multiple Linear Regression and t - Test Results.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.099</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TAX</td>
<td>.578</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>.566</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BEBAN</td>
<td>.755</td>
<td></td>
</tr>
<tr>
<td>a. Dependent Variable: ABS_LABA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Y = 13,589 + 3,262 TAX - 0.119 ROA + 0.447 BEBAN

The results of the t test between the independent variable and earnings management can be seen in Table 5.

The result is:

a. The t value for tax planning of 2.272 is greater than the t table value of 2.000 and the Sig t value of 0.042 is less than 0.05. So that tax planning has a significant effect on earnings management.

b. The t value for Return On Assets (ROA) of -0.178 is smaller than the t table value of 2.000 and the Sig t value of 0.861 is less than 0.05. So that Return On Assets (ROA) has no significant effect on earnings management.

c. The t value for the deferred tax expense of 0.447 is smaller than the t table value of 2.000 and the Sig t value of 0.110 is greater than 0.05. So that the deferred tax expense has no significant effect on earnings management.

The results of the F test can be seen in Table 6:

**Table 6: F - Test Results.**

<table>
<thead>
<tr>
<th>ANOVAa</th>
</tr>
</thead>
</table>

1795
From the test results obtained an F value of 8.579 with a significance level of 0.003. Based on the F table value of 2.77 is smaller than the calculated F value of 8.579 and the significance value of 0.003 is smaller than 0.05. So that simultaneously the tax planning ratio, Return On Assets (ROA), and deferred tax expense have an effect on earnings management.

The result of the determination coefficient test can be seen in Table 7.

**Table 7: Determination Coefficient Test Results.**

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.826&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.682</td>
<td>.603</td>
<td>2.33346</td>
</tr>
</tbody>
</table>

From table 7 indicates that the R Square value is 0.603 or 44.7%. This means that the ratio of tax planning variables, Return On Asset (ROA), and deferred tax expense can explain the earnings management variable ratio of 60.3% and the remaining 49.7% is explained by other variables not included in this research model.

**CONCLUSIONS**

Based on the discussion of the research results, the conclusions of this study are as follows:

1. The tax planning ratio has a significant effect on the earnings management ratio of the automotive sub-sector companies and components listed on the IDX in 2016 - 2018.
2. Return on assets (ROA) ratio does not have a significant effect on earnings management in the automotive sub-sector companies and components listed on the IDX in 2016 - 2018.
3. The ratio of deferred tax expense has no significant effect on earnings management. In the automotive and component sub-sector companies listed on the IDX in 2016 - 2018.

4. Tax planning ratio, Return on Asset (ROA), and deferred tax expense simultaneously have a significant effect on earnings management in automotive sub-sector companies and components listed on the IDX in 2016 - 2018 amounting to 60.3%. The independent variable that has a dominant influence is the tax planning variable.

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