

The Moderating Role of Tax Planning in the Relationship Between Current Tax Expenses, Deferred Tax Assets, and Earnings Management

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ABSTRACT

The objective of this study is to examine the relationship between current tax expense, deferred tax assets, tax planning, and earnings management practices in firms. To this end, financial data from industry sectors of food and beverages is employed in panel regression analysis to determine whether current tax expense and deferred tax assets exert a significant influence on earnings management and whether tax planning acts as a moderator in the relationship. The research method uses quantitative descriptive analysis, with sample selection using purposive sampling. The data in this study were from 20 companies in 4 years. The results showed that current tax expense has a negative effect on earnings management, while deferred tax assets have a positive effect on earnings management. Tax planning does not affect earnings management, and cannot be a moderating variable for the effect of current tax expense and deferred tax assets on earnings management. The theoretical and practical implications of the findings of this study are expected to make a significant contribution to the accounting and financial management literature.

Keywords: current tax expense, deferred tax assets, earnings management, tax planning

INTRODUCTION

The financial statements of a company are crucial for evaluating its performance, with profit value being a key indicator. They are essential data sources for both internal and external users. Earnings management is a management strategy that adjusts earnings as needed, ensuring the annual financial statements accurately reflect the company's true state. This results in information asymmetry, where the company's reported information closely matches actual events in tax and investor reports (Yahya et al., 2023). It is widely acknowledged that companies may need to manage their earnings during economic downturns, but the motivations for this practice are debated. Academics have differing opinions on the reasons behind firms' earnings manipulation. Some authors propose that firms are driven to inflate earnings upwards, whilst others argue that there are greater incentives for firms to inflate earnings (Lassoued & Khanchel, 2021).

The International Organization of Securities Commissions (2020) acknowledged the profound impact of the COVID-19 pandemic on the operations of financial institutions and underscored the necessity of disclosing comprehensive, reliable financial data. It advised that the potential consequences of the pandemic, both immediate and prospective, be incorporated into the evaluation of a firm's performance (Devi et al., 2020). In accounting terms, for most companies across various nations, the initial outbreak of the coronavirus in January 2020 is viewed as an event that does not alter 2019 financials. Additionally, firms that have received authorization to release their financial statements might need to conduct an in-depth review of events after the balance sheet date for the year concluding (Joshi & Dotzlaw, 2020).



The practice of earnings management, whereby management engages in the manipulation of financial statements to achieve a desired outcome, arises as a consequence of the inherent conflict between the interests of company owners (principals) and company management (agents) (Setiawan et al., 2024). Agency theory posits that each individual, both principal and agent, possesses distinct motivations and aspirations, which when in conflict, give rise to a conflict of interest between them (Yahya et al., 2024). The global transformations in tax systems and accounting standards have created new opportunities for firms to manage their tax affairs in a manner that benefits their shareholders (Mgammal & Ku Ismail, 2015).

Earnings management practices carried out by companies aim to manipulate the company's financial statements by increasing profits to convince investors to invest in the company (Mahawyahrti & Budiasih, 2017). This was done by PT Tiga Pilar Sejahtera Food Tbk (AISHA). It was found that after the change of directors in 2018 related to the 2017 financial statements, there was an inflation of funds. In addition, it is proven that there is fictitious revenue as revenue by recording sales that have no economic substance where the sales from the economic sense have never occurred transactions so that they should not be recognised as company revenue (Wulandari, 2022).

Apart from these cases, several previous studies have examined the factors that cause earnings management practices. Factors that influence earnings management include tax planning, current tax expense and deferred tax expense which can be seen in the company's financial statements, especially the income statement. Research by Soraya et al (2023) states that earnings management is positively influenced by tax planning, these results indicate that the higher value of tax planning will encourage companies to take earnings management actions (Yahya, Nurjanah, et al., 2023). However, research by Rachmany (2022) states otherwise, that tax planning does not affect earnings management. In addition to tax planning, a factor that affects earnings management is current tax expense. By PSAK 46, the term "current tax expense" is defined as the income tax liability that arises from the taxable earnings of a single period. PSAK 46 asserts that management retains the discretion to select accounting policies when deciding the provision amount for deferred tax expenses or income due to discrepancies between accounting standards and tax regulations (IAI, 2018).

Several studies state different things about the effect of current tax expenses on earnings management. Current tax expense positively influences the practice of earnings management (Febrianti & Nurdin, 2022; Indirani & Priyadi, 2022), suggesting that current tax expense can reveal corporations engaged in earnings management since it reflects the taxable income derived from reconciling temporary and permanent differences with the profit as determined by accounting practices. However, Septianingrum et al., (2022); Sutadipraja et al., (2020) prove that the current tax burden has a negative effect on earnings management which indicates that the smaller the current tax burden will encourage earnings management actions. Indeed, the findings of Anggraeni et al (2020) imply that the current tax expense does not influence businesses that partake in earnings management practices.

Some businesses manipulate their earnings by altering expenses via deferred tax assets, and the dependability of information related to deferred taxes is questionable (Xue, 2022). The results of the research (Machdar & Nurdiniah, 2021; Warsono, 2018) state that deferred tax assets have a positive effect on earnings management, in contrast to the results of research (Sutadipraja et al., 2019; Theis et al., 2023) which demonstrates that deferred tax assets negatively impact the practice of earnings management. Meanwhile, (Septianingrum et al., 2022; Yahya & Wahyuningsih, 2020) states that deferred tax assets do not affect earnings management.

The possibility of deferring tax expenses and engaging in tax planning provides management with the opportunity to engage in earnings management (Mudjiyanti, 2018; Purnamasari, 2019). By implementing appropriate tax planning strategies, entities can take advantage of loopholes in tax laws to lower income subject to tax or increase expenses that can be claimed as tax deductions, resulting in a reduction in tax expense. This reduction in tax expense can then result in an increase in net profit after tax, which is one of the metrics monitored by managers and investors. States the opposite by Yahya & Wahyuningsih (2020); Febrianti & Nurdin (2022) suggest that tax planning has no bearing on the practice of earnings management.

Drawing on observed events and prior studies, this research aims to investigate the impact of current tax expenses, deferred tax assets, and tax planning strategies on earnings management within manufacturing firms traded on the Indonesian stock exchange, specifically targeting companies in the food and beverage industry from 2019 to 2022. The reasons for choosing food and beverage companies include the intense competition in the food and beverage sector industry, which encourages companies to carry out earnings management practices to show better financial performance. The novelty in this study lies in the tax planning variable which is used as moderation in this study.

LITERATURE REVIEW

Earnings Management

Positive accounting theory aims to make accurate predictions related to real-world events, such as the selection of accounting policies by managers and the response to new accounting standards. The positive school of some experts in this theory is based on the assumptions that political power is fixed, social systems in organisations are empirical, and value is independent of managers or company staff. Proponents of the positive school consider themselves to be neutral observers who focus on objective observations (Anggraeni et al., 2020).

Earnings management is defined as the process by which management makes accounting decisions that alter the bottom line of a corporation and distort the application of generally accepted accounting principles (Kałdoński & Jewartowski, 2020; Malek El Diri, 2017). Earnings management represents a pivotal aspect of enterprise behaviour, exerting a significant influence on the figures presented in financial statements and the decision-making processes of those who utilise such reports (Jiang, 2020).

Earnings management, also known as profit management, can be defined as the utilisation of various accounting techniques with the primary objective of presenting financial statements in a manner that optimises the portrayal of a company's business activities and financial position (Vagner et al., 2021). This paper reviews some of the relevant literature on the reasons behind earnings management. Earnings smoothing is one of the forms of earnings management that managers most often carry out (Lin et al., 2020).

Earnings management involves the strategic use of financial reporting and the structuring of transactions by managers to modify financial statements in a way that misleads stakeholders about the firm's actual economic health. It includes managerial choice of accounting methods that impact earnings and contribute to the appearance of favorable organizational results (Strakova, 2021).

Current Tax Expense

Current tax expense represents the sum payable in taxes by the taxpayer, which is derived from the taxable income after fiscal reconciliation, and then multiplied by the applicable tax rate. Commercial tax expense refers to the calculated tax expense derived from the income before tax as reported in the commercial financial statements, which is then multiplied by the applicable tax rate. Taxable income or fiscal profit is determined by applying fiscal adjustments to the net profit before tax as per the commercial financial statements (Sutadipraja et al., 2019). The current tax is the amount of costs/expenses calculated from the taxable income multiplied by the applicable tax rate. It is the taxpayer's responsibility to pay this amount. The taxpayer is responsible for determining the current tax liability independently. This involves multiplying the taxable income, which has already considered both permanent and timing differences, by the relevant tax rate (Suandy, 2016).

The current tax expense on tax planning plays a crucial role in determining the financial health and stability of both individuals and businesses. The connection between the present tax expenditure and tax strategizing is intricate and affected by diverse elements, encompassing the firm's financial status, sector, and regulatory landscape. Effective tax planning involves strategies and tactics that aim to minimize tax liabilities while maintaining compliance with relevant tax laws and regulations (Alduneibat et al., 2017). Current tax expenses contribute positively to earnings management (Saputra & Kuntadi, 2023; Sutadipraja et al., 2019).

H₁: Current tax expense has a positive and significant influence on earnings management

Deferred Tax Assets

Deferred tax reflected in the income statement arises from temporary discrepancies between the income tax expense recognized and the actual income tax due (Adiatia et al., 2018). The effects of recognizing, calculating, presenting, and disclosing future income tax in the financial reports are incorporated into the financial statements and the comprehensive income statements (Mulatsih et al., 2019). Deferred tax arises when adjustments are made for future income tax expenses, and its inclusion in a company's financial reports is a fairly recent development in Indonesian accounting. While the adoption of deferred tax in accounting for income tax is allowed, there remains a significant gap in understanding both the concept and the practical application of deferred tax in financial statements (Rachmany, 2022). The formal definition of deferred tax (both assets and liabilities) is provided in Statement of Financial Accounting Standards No. 46, which deals with Accounting for Income Tax.

The deferred tax asset that relates to depreciation and amortisation indicates to prospective investors that the business intends to invest in fixed assets and that it will be difficult to reverse that liability in the future (Georgios et al., 2019). Deferred tax assets are recognized as items resulting from future tax implications, created by discrepancies in timing between tax and accounting practices. Additionally, this classification encompasses tax losses that are permitted to be carried forward and utilized in subsequent periods (Machdar & Nurdiniah, 2021). A company records a deferred tax asset if it expects to generate sufficient taxable profit to realise the asset in the form of future tax savings.

H₂: Deferred tax assets have a positive and significant influence on earnings management

Tax Planning

Tax planning represents the initial stage of tax management. At this juncture, the collection and analysis of tax regulations are conducted to identify the most suitable tax-saving measures (Purnamasari, 2019). As one of many tools used to manage a company's tax affairs, corporate tax planning is a very important activity. Tax planning involves strategizing to reduce the amount of taxes owed within the bounds of legal compliance (Mulatsih et al., 2019). A reduction in taxation allows multinational companies to increase their post-tax profits. To achieve this objective, multinationals may employ a variety of techniques, which necessitate a detailed understanding of the tax systems and tax treaties of the multinationals' countries (Ftouhi & Ghardallou, 2020). Tax management in productive enterprises can help reduce tax burden, increase net income, and cash flow activities (Lim-u-sanno, 2022).

A company that generates a substantial income or revenue will likely achieve a correspondingly high profit. In such a scenario, the company will engage in more extensive tax planning. Companies with significant payments may attempt to reduce the value of their corporate profits through discretionary accruals. In essence, when tax planning increases, the company will reduce the discretionary value, which serves as a proxy for earnings management. This mitigates the negative effects of tax planning (Warsono, 2018).

H₃: Tax planning has a positive and significant influence on earnings management

H₄: Tax planning as a moderator of the effect of current tax expense on earnings management

H₅: Tax planning as moderating the effect of deferred tax assets on earnings management

METHOD

The type of research conducted is research with a quantitative approach. In quantitative research, the process begins with a theoretical framework, progresses through data collection, and culminates in either the confirmation or refutation of the initial theory. Conversely, qualitative research starts with the data, employs existing theories for elucidation, and concludes with the formulation of a theory (Noor, 2016). This study uses secondary data in the form of financial reports on manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2019-2022. The sampling technique used was purposive sampling, with a final sample of 80 research data points consisting of 20 companies that passed the criteria. Research data is based on secondary data taken from the company's financial statements.

Table 1. Research sample selection results

No	Description	Number of Companies
1.	Companies in the food and beverage manufacturing sector listed on the Indonesia Stock Exchange from 2019 to 2022	51
2.	Manufacturing companies in the food and beverage sector that are listed on the Indonesia Stock Exchange made their full financial statements and annual reports available on either the company's website or the IDX website (www.idx.co.id) from 2019 to 2022	(16)
3	Manufacturing companies that experienced losses during the 2019-2022 period	(15)
Total sample of selected companies		20
Total research sample in 4 years		80

Source: data from various sources, 2024

The dependent variable in this study is earnings management. The independent variables are current tax expense and deferred tax assets. The moderating variable uses tax planning. The measurement of research variables can be seen in the operational definition of variables as follows in Table 2:

Table 2. Operational definitions of variables

Variable	Formula	Reference
Earnings Management	$DAit = \frac{Tait}{Ait-1} - NDAit$	(Gao & Gao, 2016) (Siekelova et al., 2020) (Limu-sanno, 2022)
Tax Planning	$TRR = \frac{Net\ Income}{Pretax\ Income\ (EBIT)}$	(Gayatri & Wirasedana, 2021) (Theis et al., 2023)
Current Tax Expense	$CTE = \frac{Current\ Tax\ t}{Total\ Assets\ t - 1}$	(Indirani & Priyadi, 2022), (Sutadipraja et al., 2019)
Deferred Tax Assets	$DTA = \frac{Deferred\ Assets\ tax\ it}{Deferred\ tax\ assets\ t - 1}$	(Theis et al., 2023) (Warsono, 2018)

Source: from various sources, processed 2024

The analysis method uses panel data, with descriptive analysis, classical assumption test, and panel data model estimation (Common effect model, fixed effect model, and random effect model). Model testing is carried out through the stages of the chow test, Hausman test, and Lagrange multiplier test (Nani, 2022).

The moderate regression analysis equation is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 X_1 Z + \beta_5 X_2 Z + e$$

- Y : Earnings management
- α : Constanta
- X₁ : Current Tax Expense
- X₂ : Defered Tax Assets
- Z : Tax Planning
- β₁₋₅ : Variable coefficients

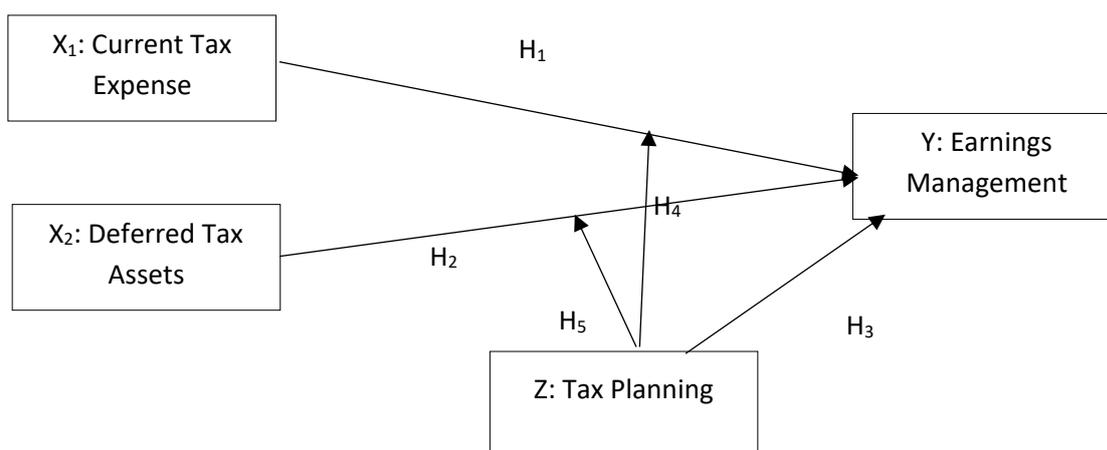


Figure 1. Framework Research

RESULT

In Table 3, it can be explained that the average value of earnings management of 0.068888 is less than the standard deviation value of 0.730905, which indicates that the distribution of data is less varied. However, the mean value of the tax planning variable, current tax expense, and deferred tax assets is smaller than the standard deviation value, which indicates that the data is more diverse and varied.

Table 3. Descriptive Statistics

Variable	Obs	Mean	Standar Deviation	Min	Max
Earnings Management	80	0.068888	0.730905	-1.431000	1.985000
Tax Planning	80	0.713638	0.149896	0.078000	0.831000
Current Tax Expense	80	0.027700	0.021460	-0.011000	0.099000
Deferred Tax Assets	80	-0.049313	0.335687	-1.083000	0.728000

Source: output e-views, data processed 2024

In testing the panel data model, the test results on the research data show that the random effect model is accepted. After that, testing the classical assumptions in this study uses multicollinearity and heteroscedasticity tests because the data used is panel data so the normality and autocorrelation tests do not need to be tested (Knief & Forstmeier, 2021). Here are the outcomes of the tests for multicollinearity and heteroscedasticity:

Table 4. Multicollinearity test results

	Current Tax Expense	Deferred Tax Assets	Tax Planning
Current Tax Expense	1.000000	0.192718	0.303537
Deferred Tax Assets	0.192718	1.000000	-0.201943
Tax Planning	0.303537	-0.201943	1.000000

Source: output e-views, data processed 2024

Based on Table 4, it can be concluded that the correlation value between variables is less than (< 0.08), which indicates that the data is free from multicollinearity (Ghozali, 2018).

Table 5. Heteroskedasticity test results

	Coefficient	Prob.
Current Tax Expense	-1.334058	0.5266
Deferred Tax Assets	0.069025	0.4400
Tax Planning	0.063723	0.7809

Source: output e-views, data processed 2024

In the results of heteroscedasticity testing in Table 5, it can be concluded that the data is free from heteroscedasticity as indicated by a probability value of more than (> 0.05) (Ghozali, 2018). Moreover, the outcomes of the hypothesis testing are displayed in the table below:

Table 6. Results of Hypothesis-testing

Hypothesis	Relationship	Coefficient	T-stat	P-value	Conclusion
Constanta	α	0.0949	0.2786	0.7813	
H ₁	$(X_1) \rightarrow (Y)$	-7.6561	-2.6657	0.0094	Rejected
H ₂	$(X_2) \rightarrow (Y)$	0.2536	2.1215	0.0371	Accepted
H ₃	$(Z) \rightarrow (Y)$	0.1957	0.6357	0.5268	Rejected
H ₄	$(X_1Z) \rightarrow (Y)$	-16.1627	-0.5234	0.6022	Rejected
H ₅	$(X_2Z) \rightarrow (Y)$	-0.16399	-0.1924	0.8479	Rejected

Source: output e-views, data processed 2024

The moderate regression analysis equation is as follows:

$$Y = 0.0949 - 7.6561X_1 + 0.02536X_2 + 0.01957Z - 16.1627X_1Z - 0.16399X_2Z$$

The coefficient of 0.0949 indicates that the value of Y will be equal to 0.0949 if all variables X₁, X₂ and Z are zero. The hypothesis test results in Table 6 show that the current tax expense variable has a significance value of ($0.0094 < 0.05$). The deferred tax asset variable has a probability value of ($0.0371 < 0.05$). while tax planning has a probability value of ($0.5268 > 0.05$), as well as the interaction of current tax expense and tax planning has a probability value of ($0.06022 > 0.05$). Likewise, the interaction of dependent tax assets and tax planning has a probability value of ($0.8479 > 0.05$).

Table 7. Model feasibility test results and coefficient of determination

Testing	Results
F-Test	Prob = 0.038952
Test the coefficient of determination	R ² = 0.1036

Source: output e-views, data processed 2024

Table 7 explains that the probability value of the model feasibility test using the F-test is ($0.038952 < 0.05$), these results indicate that the research model is fit and feasible. The coefficient of determination of 0.1036 means that current tax expense, deferred tax assets, and tax planning can explain earnings management by 10.36%. In comparison, 89.64% is impacted by additional variables not included in the study.

DISCUSSION

Earnings Management

Earnings management is the process by which managers utilise their discretion to make decisions that facilitate the achievement of specific accounting goals and enhance the company's performance (Hashfi & Martani, 2023). Earnings have a strong relationship with taxation, where the existence of earnings often raises taxation issues. Many companies tend to adjust their profits to reduce the amount of tax payments. For example, in Portugal, companies with high tax rates tend to reduce revenues and profits to almost zero to comply with government tax rules. This suggests that many companies manipulate their earnings for tax planning and payment of more economical rates (Jiang, 2020). The low R² value of 10.36% indicates that there are many other factors that

affect earnings management besides the variables studied, such as accounting policies, market conditions, or managerial decisions that are not taken into account in this model.

The results showed that earnings management was influenced by the variables of current tax expense, deferred tax assets, and tax planning, can be seen in Table 7. It can be explained that when companies take earnings management actions, companies tend to increase the value of current tax expenses, deferred tax assets, and tax planning. The achievement of a surplus threshold in earnings management serves to enhance the confidence of capital market investors in the company, while simultaneously demonstrating a commendable performance in the stock market (Gao & Gao, 2016). The study found that companies that merely returned the earnings benchmark through real earnings management activities exhibited superior operational performance over the subsequent three years in comparison to companies that refrained from manipulating earnings and failed to meet the earnings threshold. The researcher analyzed the findings through the lens of signalling theory, suggesting that companies' legitimate earnings management actions send an affirmative message to the market, mitigating the detrimental effect (Gunny, 2010).

Current Tax Expense

The difference between reported accounting earnings and taxable income demonstrates the degree to which managers use accounting methods to improve the earnings presented in financial reports. Consequently, the current tax expense, which reflects the impact of both fixed and time-based differences, is employed as an independent variable in the detection of earnings management (Septianingrum et al., 2022). The findings of the study imply that there is a negative influence of current tax expense on earnings management in manufacturing companies in in food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange in 2019-2022. Which means that hypothesis (H₁) is rejected. This suggests that a company with a lower current tax expense value is likely to be engaging in a greater degree of earnings management.

The current tax expense represents a deduction element of profit available for distribution to investors or invested by the company. It is evident that a low tax burden can indeed provide an incentive for companies to engage in earnings management practices with the objective of improving their perceived performance. Such strategies may include the manipulation of revenue recognition, the deferral of expense recognition, the selection of favourable depreciation methods, and the optimisation of tax adjustment expenses. While a reduction in the tax burden may appear beneficial, the resulting earnings management practices can obscure the actual performance of the company, leading to uncertainty and potentially misleading stakeholders and investors. Consequently, management will endeavour to minimise the current tax expense in order to optimise the amount of the company's net profit. The findings of this study are consistent with those of Septianingrum et al., (2022); Sutadipraja et al., (2019).

Deferred Tax Assets

The calculation of deferred tax assets stems from positive fiscal corrections resulting from fiscal reconciliations. These corrections often involve variances between accounting and fiscal expenses, where accounting expenses surpass fiscal ones. The recognition of deferred tax assets relies on a reasonable expectation of their future realization, demanding judgment to evaluate the likelihood of this realization. This subjective assessment can potentially create an avenue for management to manipulate earnings through tax deferral or delay (Sutadipraja et al., 2019). The study demonstrated that deferred tax assets exert a positive and noteworthy influence on earnings management, which means that the hypothesis (H₂) is accepted. A significant change in deferred tax assets may indicate that company management is attempting to alter earnings to improve the company's financial reporting. If analysts misread unusual changes in deferred tax assets, it can lead to misconceptions of inflated financial items, causing substantial mistakes in earnings predictions and discrepancies.

Conversely, should analysts detect patterns of earnings manipulation by enterprise management in earlier financial statements or draw on past experiences, it is plausible to anticipate that management might utilize deferred tax assets for future earnings management. This could make it challenging for analysts to forecast the extent and nature of potential earnings manipulation by

management (Xue, 2022). The results are in line with the research (Machdar & Nurdiniah, 2021; Warsono, 2018), the same assertion can be found in the literature: deferred tax assets contribute positively to the practice of managing earnings.

Tax Planning

The effectiveness of tax planning as a strategy for reducing the tax burden faced by organisations (Sivolapenko & Sapozhnikova, 2020). Consequently, companies may resort to earnings management to minimize tax payments (Febrianti & Nurdin, 2022). The results showed that tax planning does not affect earnings management, which means that the hypothesis (H₃) is rejected. Manufacturing firms often have multiple departments or divisions, each with its own management structure. Due to this, management may prioritize their own interests when it comes to earning incentives or prizes for excellent work. This can lead to profit management, where tax planning, which serves the interests of business owners, does not justify management's self-interest (Nofrivul et al., 2023). Furthermore, the implementation of corporate tax planning strategies results in a reduction of taxable income in comparison to commercial profits. This is because tax planning only affects the taxable income of a company, without affecting its overall profits. The results of the study are consistent with the research (Febrianti & Nurdin, 2022; Indirani & Priyadi, 2022; Yahya & Wahyuningsih, 2020).

The study results indicate that when assessing the impact of tax planning on the relationship between current tax expense and earnings management. This indicates that tax planning cannot influence or alter the impact that current tax expense has on the practice of earnings management. This suggests that tax planning is a more effective strategy for managing earnings than simply reducing current tax expenses, this result rejects the hypothesis (H₄).

Hypothesis (H₅) is also rejected; tax planning cannot moderate the effect of deferred tax assets on earnings management. Tax planning does not mitigate the influence of current tax expense and deferred tax assets on earnings management since it primarily deals with managing tax costs and lawful tax optimization, rather than the diverse methods by which current tax expense and deferred tax assets can drive earnings management practices. Managers might engage in earnings management through current tax expenses to decrease immediate tax liabilities, whereas deferred tax assets offer a mechanism to postpone tax obligations. Additionally, the challenge of formulating tax planning strategies that comply with existing tax laws and regulations can also contribute to this inability to moderate.

CONCLUSION

The research determined that current tax expenses have an adverse effect on earnings management, whereas deferred tax assets have a beneficial effect. Therefore, the study concludes that tax planning does not serve as an effective moderator for the influence of current tax expenses and deferred tax assets on earnings management practices. Our research is limited to food and beverage sector companies listed on the Indonesian stock exchange from 2019 to 2022.

The implications of this research provide insight into the relationship between tax planning and earnings management practices to reduce the tax burden. Our research data is limited to sample selection, especially companies that only experience profits in the study period. Additionally, it is the aspiration that future researchers will investigate the role of corporate governance in affecting earnings management, such as companies' self-interested actions, to improve the informational context and the integrity of reported earnings. Competent boards can hold senior management accountable for pursuing aggressive earnings tactics involving accrual manipulation, hence diminishing the risk of expensive external repercussions.

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