The Effect Of Tax Planning, Deffered Tax Expense, Deffered Tax Asset and Tax Avoidance On Earnings Management (Empirical Study on LQ45 Companies Listed on the Indonesia Stock Exchange in 2019-2023)

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Abstract: This study aims to examine the impact of tax planning, deferred tax expense, deferred tax asset and tax avoidance on earnings management. The population for this research consists of LQ45 companies listed on the Indonesia Stock Exchange between 2019 and 2023. A total of 130 samples were selected using the purposive sampling method. The data analysis was conducted using multiple linear regression with SPSS 27. The findings indicate that tax planning, deferred tax expense and tax avoidance do not affect on earnings management, while deferred tax assets have a positive effect on earnings management.

Keywords: Tax Planning; Deffered Tax Expense; Deffered Tax Asset; Tax Avoidance; Earnings Management.

INTRODUCTION

Indonesia's economy has experienced a steady upward trend in recent years, as evidenced by data from the Central Statistics Agency (BPS), which reported an economic growth rate of 5.05% in 2023. This growth demonstrates consistency compared to 5.31% in 2022 (BPS, 2024). This development is driven by improved domestic economic activities and increasing global demand. These factors encourage companies in Indonesia to continuously enhance profitability and corporate value to remain competitive and attractive to investors (Sekarsari et al., 2024).

The capital market plays a crucial role in providing funding sources for companies through stock offerings on the Indonesia Stock Exchange (IDX) (Sholikah et al., 2022). On the other hand, investors require relevant, accurate, and reliable information to make sound investment decisions. One of the essential pieces of information needed is the company's financial statements, particularly the income statement (OJK, 2023).

In a company, managers are responsible for the financial statements as they may deliberately alter or manipulate them for personal gain. Managers often modify or add information to financial statements to obscure the true financial condition of the company. Therefore, financial statements must provide accurate details regarding the company's

condition (Devitasari, 2022). This serves as the basis for managers to implement earnings management practices. Earnings management is a strategy used by managers to manage the company's profits with the aim of benefiting both themselves and the company, ultimately achieving mutual well-being (Fitria et al., 2023).

Earnings management practices have led to financial reporting issues, as seen in the case of PT Indofarma Tbk (INAF). INAF faced allegations of financial manipulation from 2020 to 2023, potentially causing state losses of Rp 371.8 billion, according to an audit by the Supreme Audit Agency (BPK). Historical instances include a Rp 500 million fine in 2004 for inaccurate financial reporting. Recent findings highlight inventory inflation, transaction engineering, and fictitious recordings, which distort the company's financial condition and mislead stakeholders (Olin & Priyadi, 2024).

Referring to previous research, various factors have been identified that can affect the level of earnings management. The first factor that can affect the earnings management is tax planning. Tax planning is an essential aspect of tax management aimed at estimating the amount of tax payable and developing strategies to reduce tax payments and avoid tax obligations (Puspito & Karlina, 2024). The higher a company's profits, the greater the tax obligations it must pay. Consequently, companies strive to minimize tax expenses by engaging in earnings management (Olin & Priyadi, 2024). This aligns with the findings of Maryam et al. (2023), Wulanningsih & Sulistyowati (2022), Fitria et al. (2023), and Windi et al. (2023), which found that tax planning positively affects earnings management. However, studies by Juliani et al. (2023) and Gulo & Mappadang (2022) concluded that tax planning does not influence earnings management.

The second factor that can affect the earnings management is deffered tax expense. Deferred tax expense is the difference between accounting profit and taxable profit calculated in accordance with tax regulations. Deferred tax expense occurs when pre-tax income exceeds taxable income, causing the taxes payable to be higher than the actual taxes owed, resulting in a deferred tax expense (Wulansari & Nuswandari, 2024). This is in line with the research of Juliani et al. (2023) and Windi et al. (2023) suggests that deffered tax expense have a positive effect on earnings management. Meanwhile, according to research by Maryam et al. (2023) Wulanningsih & Sulistyowati (2022) and Gulo & Mappadang (2022) show that deffered tax expense do not affect on earnings management.

The third factor that can affect the earnings management is the deffered tax asset. A deferred tax asset is an asset related to taxes that is recognized due to temporary differences between the recorded value of an asset or liability and its tax basis. A high level of deferred tax assets within a company tends to encourage managers to implement greater earnings management. This is consistent with the findings of Wulanningsih & Sulistyowati (2022), Juliani et al. (2023) and Maryam et al. (2023) which indicates that deffered tax asset have a positive impact on earnings management. Conversely, according research to Gulo & Mappadang (2022) it states that deffered tax asset do not affect on earnings management.

Another factor that can affect the earnings management is tax avoidance. Tax avoidance is a legal action taken to reduce one's tax liabilities by exploiting loopholes in tax laws (Yuliawati & Sutrisno, 2021). In research Melasari et al. (2023) concluded that tax avoidance have a impact on earnings management. Meanwhile, according to research Ayem (2021) states that tax avoidance do not affect on earnings management.

This study has several significant differences compared to previous research. First, there is a difference in the research object. The previous study focused on manufacturing companies in the consumer goods industry sector listed on the IDX, whereas this study focuses on LQ45 companies listed on the IDX. Second, there is a difference in the research period. The previous study covered the period 2019–2021, while this study focuses on the period 2019–2023. Third, the difference lies in the selection of independent variables. The previous study used tax planning, deferred tax expense, leverage, and profitability as

variables, whereas this study adds deferred tax assets and tax avoidance, which represent the novelty of this research.

The grand theory used in this research is agency theory. Earnings management is closely related to agency theory in managing company information. Agency theory states that earnings management practices are influenced by conflicts of interest between agents and principals. Agents tend to have an interest in maintaining or increasing their own success and rewards, while principals focus more on efforts to obtain optimal returns from their investments (Jensen & Meckling, 1976).

METHOD

The hypothesis in this research was developed based on an analysis of previous studies. Sari & Karlina (2024) describe tax planning as the initial step taken by a company before paying taxes. Managers can use tax planning as a strategic approach to legally and efficiently optimize tax obligations. According to studies by Windi et al. (2023), Fitria et al. (2023), and Wulanningsih & Sulistyowati (2022), tax planning has a positive impact on earnings management. In this context, company managers use tax planning to influence the amount of taxes the company needs to pay, which in turn affects the reported earnings. H1: Tax planning has a positive effect on earnings management.

Handayani et al. (2020) explain that deferred tax expense refers to a tax expense that is delayed due to timing differences, which result in discrepancies between commercial and fiscal profits. Research by Juliani et al. (2023), Windi et al. (2023), and Fitria et al. (2023) indicates that deferred tax expense has a positive impact on earnings management. The higher the deferred tax expense, the lower the reported profit, making it more likely for companies to engage in earnings management practices. H2: Deferred tax expense has a positive effect on earnings management.

Gulo & Mappadang (2022) describe that deferred tax assets result from positive adjustments, which cause the company's operating profit to be lower than the profit calculated according to fiscal regulations. Research by Juliani et al. (2023) and Wulanningsih & Sulistyowati (2022) indicates that deferred tax assets have a positive impact on earnings management. As a result, the company pays more taxes in the current period than in the future. By reducing or deferring future tax payments, the company's reported profits increase, prompting managers to engage in earnings management practices. H3: Deferred tax assets have a positive effect on earnings management.

The study by Melasari et al. (2023) states that one of the components of tax planning strategies is tax avoidance. Managers engage in tax avoidance by leveraging opportunities within tax regulations and accounting practices to minimize tax payments. Research conducted by Melasari et al. (2023) shows that tax avoidance have a effect on earnings management. Tax avoidance practices can directly reduce the amount of tax obligations that a company must fulfill. This condition can increase the reported net profit. H4: Tax avoidance have a positive effect on earnings management.

The purpose of this study is to analyze the combined effect of tax planning, deferred tax expense, deferred tax asset, and tax avoidance on earnings management. These factors collectively impact a company's earnings, which in turn influence the company's effective tax rate. H5: Tax planning, deferred tax expense, deferred tax asset and tax avoidance affect earnings management.
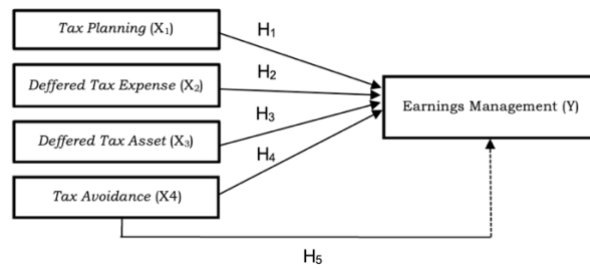
Figure 1. Research Model
Source: Research Data, 2024

According to the explanation of the research model outlined earlier, this study uses a quantitative method with scientific characteristics, including clarity, objectivity, reliable measurements, rationality, and a systematically organized methodology. This study focuses on tax planning, deffered tax expense, deffered tax asset, tax avoidance and earnings management in companies listed on the LQ45 index. It explores one dependent variable, namely earnings management (Y), four independent variables: tax planning (X1), deffered tax expense (X2), deffered tax asset (X3) and tax avoidance (X4). From a population of 45 LQ45 companies, purposive sampling was used to select 26 companies as the sample. The research data were obtained from secondary sources through literature reviews and documentation.

Table 1. Variable Measurement

Variable	Proxy	Scale
Tax Planning	$\text{TRR} = \dfrac{\text{Net Income}_{it}}{\text{Pretax Income (EBIT)}_{it}}$	Ratio
Deffered Tax Expense	$\text{BPT} = \dfrac{\text{Beban Pajak Tangguhan}}{\text{Total Aktiva}}$	Ratio
Deffered Tax Asset	$\text{APT} = \dfrac{\Delta \text{ Aset Pajak Tangguhan}}{\text{Aset Pajak Tangguhan}_{it}}$	Ratio
Tax Avoidance	$\text{CETR} = \dfrac{\text{Pembayaran Pajak}}{\text{Laba Sebelum Pajak}}$	Ratio
Manajemen Laba	$\Delta \text{E} = \dfrac{\text{E}_{it} - \text{E}_{it-1}}{\text{MVE}_{it-1}}$	Ratio

Source: Some Research, 2024

The process of data analysis and hypothesis testing includes classical assumption tests, such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Hypothesis testing is conducted using multiple linear regression analysis, t-tests for partial analysis, F-tests for simultaneous analysis, and the coefficient of determination (R^2) test. All analyses are carried out using SPSS version 27 software.

The following represents the research model applied for multiple linear regression in this study :

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Information :
Y   = Earnings Management
α   = Constant
β1 to β4   = Regression Coefficients
X1   = *Tax Planning*
X2   = *Deffered Tax Expense*
X3   = *Deffered Tax Asset*
X4   = *Tax Avoidance*
ε   = Error Term

RESULTS AND DISCUSSIONS

During the study, data were collected from all LQ45 companies during the 2019-2023 period. However, only 26 companies met the criteria to be used as the sample, resulting in a total of 130 observational data points.

Table 2. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Planning	98	.62	.85	.7751	.03734
Deffered Tax Expense	98	.00	.01	.0004	.00199
Deffered Tax Asset	98	-.60	.68	-.0022	.27583
Tax Avoidance	98	.03	.62	.2489	.09327
Earnings Management	98	-.05	.06	.0060	.02265

Source : Research Data, 2024

Based on the explanation in Table 2 above, the data presented is the result of processing after the outlier removal process. Initially consisting of 130 data points, it was reduced to 98 data points, meaning that 32 data points were considered outliers. According to Ghozali (2021), outlier data refers to data with unique characteristics and extremely extreme values. In this study, the outlier removal process was carried out using a boxplot, where values outside the boxplot boundaries were removed, resulting in 98 observational data points.

The data presented in Table 2 shows variation across each variable in terms of their minimum, maximum, mean, and standard deviation values. The tax planning variable (X1) ranges from 0.62 to 0.85, with a mean of 0.7751 and a standard deviation of 0.03734. The deferred tax expense variable (X2) ranges from 0.00 to 0.01, with a mean of 0.0004 and a standard deviation of 0.00199. The deferred tax asset variable (X3) spans from -0.60 to 0.68, with a mean of -0.0022 and a standard deviation of 0.27583. The tax avoidance variable (X4) varies from 0.03 to 0.62, with a mean of 0.2489 and a standard deviation of 0.09327. Finally, the earnings management variable (Y) ranges from -0.05 to 0.06, with a mean of 0.0060 and a standard deviation of 0.02265.

Table 3. Normality Test

		Unstandardized Residual
N		98
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.02146472
Most Extreme Differences	Absolute	.056
	Positive	.052
	Negative	-.056
Test Statistic		.056
Asymp. Sig. (2-tailed)		.200[c,d]

Source : Research Data, 2024

The data presented above result from processing after applying the outlier detection method, which identified 32 data points as outliers. The boxplot method was used in this study to detect outliers, and values falling outside the boxplot boundaries were excluded, leaving a total of 98 data points. As a result, the initial sample of 130 data points was reduced

to 98. According to the normality test conducted using the Kolmogorov-Smirnov (K-S) test, a significance value of 0.200 was obtained, which is greater than 0.05, indicating that the data are normally distributed and passed the normality test. Data are considered normal if the significance level is above 0.05 or if the Asymp. Sig > 0.05.

Table 4. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Tax Planning	.955	1.047
Deffered Tax Expense	.981	1.019
Deffered Tax Asset	.944	1.060
Tax Avoidance	.980	1.020

Source : Research Data, 2024

As presented in Table 4, it can be observed that the Variance Inflation Factor (VIF) values for all independent variables are less than 10, and the tolerance values are greater than 0.1. These results indicate that there is no high correlation between the independent variables included in the regression model. The VIF and tolerance values are often used as indicators to test for multicollinearity, where a VIF value exceeding 10 or a tolerance value below 0.1 suggests the presence of multicollinearity. However, in this study, since all the VIF values remain under the threshold of 10 and the tolerance values exceed 0.1, it can be concluded that there are no multicollinearity problems.

This means that the independent variables in the regression model are not significantly correlated with each other. The absence of multicollinearity ensures that the regression results will not be biased or distorted due to overlapping information between the independent variables. Therefore, the regression model used in this study is considered reliable and robust in analyzing the relationships between the independent variables and the dependent variable.
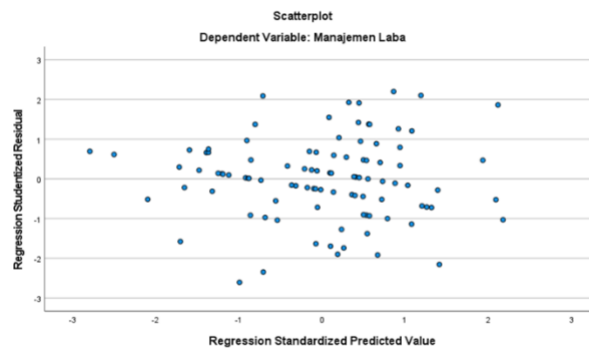

Figure 2. Results of Heteroscedasticity Test
Source : Research Data, 2024

As depicted in Figure 1, the scatterplot points are randomly distributed and clearly visible, with an even spread above and below the zero point on the Y-axis. Furthermore, the data points do not follow any specific pattern, such as a wave-like form or a distribution that expands and then contracts. Based on this observation, it can be concluded that there is no evidence of heteroscedasticity in the regression model employed in this study.

Table 5. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.329[a]	.108	.069	.02069	1.869

Source : Research Data, 2024

Based on the test results, the Durbin-Watson value obtained was 1.869. Comparing this value with the Durbin-Watson table, the obtained value of 1.869 falls between DU and 4 - DU, specifically $1.7567 < 1.869 < 2.2433$. Therefore, it can be concluded that there is no

autocorrelation in the regression model used in this study, indicating that the regression model can be considered good.

Table 6. Results Multiple Linear Regression Analysis and T-Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-.029	.047		-.622	.535
Tax Planning	.062	.061	.102	1.019	.311
Deffered Tax Expense	-.453	1.130	-.040	-.401	.689
Deffered Tax Asset	.021	.008	.253	2.505	.014
Tax Avoidance	-.050	.024	-.206	2.076	.041

Source : Research Data, 2024

According to the multiple linear regression analysis results displayed in Table 6 above, the relationship between the research variables can be explained in the following equation :

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Table 6 provides the significance values for each variable. The t-test results indicate that the significance value for the tax planning variable is 0.311, which is greater than 0.05, and the calculated t-value is 1.019, while the t-table value at $\alpha = 0.05$ with df = 93 is 1.661. As a result, the calculated t-value is smaller than the t-table value (1.019 < 1.661). This suggests that the tax planning variable does not have a significant impact on earnings management. Therefore, it can be concluded that tax planning does not significantly affect earnings management, and the first hypothesis in this study is rejected.

Additionally, as shown in Table 5 above, the significance value for the deferred tax expense variable is 0.689, which is greater than 0.05, and the calculated t-value is -0.401, while the t-table value at $\alpha = 0.05$ with df = 93 is 1.661. Therefore, the calculated t-value is smaller than the t-table value (-0.401 < 1.661). This suggests that the deferred tax expense variable does not significantly impact earnings management. Hence, it can be concluded that deferred tax expense does not have a significant effect on earnings management, resulting in the rejection of the second hypothesis in this study.

The third hypothesis suggests that deferred tax assets have a positive effect on earnings management. The t-test results indicate a significance value of 0.014, which is below 0.05, and a calculated t-value of 2.505, compared to the t-table value of 1.661 at $\alpha = 0.05$ with df = 93. Since the calculated t-value is greater than the t-table value (2.505 > 1.661), it demonstrates that the deferred tax asset variable significantly influences earnings management. Additionally, the regression coefficient for deferred tax assets is 0.021, confirming a positive impact on earnings management. Therefore, it can be concluded that deferred tax assets have a significant positive effect on earnings management, supporting the acceptance of the third hypothesis in this study.

The fourth hypothesis posits that tax avoidance has a positive effect on earnings management. However, the t-test results indicate a significance value of 0.041, which is below 0.05, and a calculated t-value of -2.076, while the t-table value at $\alpha = 0.05$ with df = 93 is 1.661. Since the calculated t-value is smaller than the t-table value (-2.076 < 1.661), this demonstrates that the tax avoidance variable does not have a significant impact on earnings management. Therefore, it can be concluded that tax avoidance does not significantly affect earnings management, resulting in the rejection of the fourth hypothesis in this study.

Table 7. Results of Simultaneous F Test

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.005	4	.001	2.631	.039[b]
	Residual	.045	93	.000		
	Total	.050	97			

Source : Research Data, 2024

Based on the F-test results in Table 7 above, it is found that the calculated F-value is 2.631. In comparison, the F-table value at a 5% significance level, with degrees of freedom df1 (k - 1 = 5 - 1) equal to 4 and df2 (n - k - 1 = 98 - 5 - 1) equal to 92, is 2.470. Thus, the calculated F-value is greater than the F-table value (2.631 > 2.470). Furthermore, the probability value is 0.039, which is smaller than the significance level of 0.05. Therefore, it can be concluded that the variables tax planning, deferred tax expense, deferred tax asset, and tax avoidance jointly (simultaneously) have a significant influence on earnings management, confirming that the fifth hypothesis in this study is accepted.

Table 8. Results of Determination Coefficient (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.329[a]	.108	.069	.02069

Source : Research Data, 2024

Based on the results of the determination test (R^2) presented in Table 8, a value of 0,108 was obtained. This indicates that the variables tax planning, deferred tax expense, deferred tax asset, and tax avoidance account for 10,8% of the variation in earnings management. The remaining 89,2% is influenced by other variables outside the model. With an R^2 value of 0,108, the ability of the independent variables to explain the variation in the dependent variable is considered low. In contrast, a high explanatory power of the independent variables would be reflected by an R^2 value closer to 1.

Tax planning does not influence earnings management, as shown by the significance value in Table 5 of the T-test, where the significance value (0.311) exceeds 0.05 and the t-statistic (1.019) is lower than the t-table value (1.661). Consequently, the initial hypothesis (H1), which suggests that tax planning positively affects earnings management, is rejected. This finding is consistent with the research of Gulo & Mappadang (2022) and Zai & Masyitah (2023), which also conclude that tax planning has no impact on earnings management.

This suggests that tax planning prioritizes tax efficiency over manipulating profit figures to alter the perceptions of owners. According to agency theory, tax planning and earnings management are positively correlated, with tax planning being employed to reduce tax liabilities as much as possible (Wulanningsih & Sulistyowati, 2022). Managers leverage their authority to modify financial statements and manipulate profits to reduce tax obligations and achieve specific targets, often disregarding shareholders' interests.

Deferred tax expense has no effect on earnings management. This is evident from the significance value in Table 5 of the T-test, with a significance value of 0.689 > 0.05 and a t-statistic of -0.401, while the t-table value (α = 0.05 and df = 93) is 1.661. Thus, the t-statistic is smaller than the t-table value (-0.401 < 1.661). Therefore, the initial hypothesis (H2), which states that deferred tax expense has a positive effect on earnings management, is rejected. These findings are consistent with Zai & Masyitah (2023), who also concluded that deferred tax expense has no effect on earnings management.

Deferred tax expense have no effect on earnings management because their impact is more long-term and does not directly influence short-term profit decisions made by management. Additionally, company managers tend to focus on other factors that are more immediately relevant and directly affect current financial performance. The relationship between agency theory and *deferred tax expense* can be observed through the differing

interests of managers (agents) and shareholders (principals). Agency theory suggests that managers may have incentives to manage earnings to achieve personal goals, such as bonuses or tax avoidance, which may not align with shareholders' interests. In the context of *deferred tax expense*, managers can leverage accounting policies related to deferred taxes to delay tax expense recognition and inflate reported profits in the short term. This is because managers often prioritize short-term results that impact their compensation, whereas shareholders focus on the company's long-term performance.

Deferred tax assets have a positive effect on earnings management. The T-test results show a significance value of $0.014 < 0.05$, with a t-statistic of 2.505, while the t-table value ($\alpha = 0.05$ and df = 93) is 1.661. Thus, the t-statistic is greater than the t-table value ($2.505 > 1.661$). Additionally, the T-test results indicate a regression coefficient for deferred tax assets of 0.021, meaning deferred tax assets positively influence earnings management. Therefore, it can be concluded that deferred tax assets positively affect earnings management, and the third hypothesis (H3) in this study is accepted. This finding is consistent with the research of Juliani et al. (2023) and Wulanningsih & Sulistyowati (2022), which also stated that deferred tax assets have a positive effect on earnings management.

Deferred tax assets affect earnings management because managers can defer the recognition of tax expenses to increase reported profits in the short term. This enables managers to adjust financial statements to achieve specific objectives, such as enhancing the perception of the company's performance. Within the framework of agency theory, managers (agents) may use deferred tax assets to manage earnings for personal goals, such as securing bonuses or improving market valuation, which may not align with the long-term interests of shareholders (principals).

Tax avoidance has no effect on earnings management. This is evident from the significance value in Table 5 of the T-test, with a significance value of $0.041 < 0.05$ and a t-statistic of -2.076, while the t-table value ($\alpha = 0.05$ and df = 93) is 1.661. Therefore, the t-statistic is smaller than the t-table value ($-2.076 < 1.661$). As a result, the initial hypothesis (H4), which states that tax avoidance has a positive effect on earnings management, is rejected. This finding aligns with the research of Ayem (2021), which concluded that tax avoidance has no effect on earnings management.

Tax avoidance has no effect on earnings management because they serve different purposes: tax avoidance focuses on tax savings, while earnings management aims to influence perceptions of financial performance. Additionally, strict regulatory oversight may limit companies from engaging in both practices simultaneously. In the context of agency theory, tax avoidance can reflect a conflict between managers (agents) and owners (principals), where managers may use tax avoidance strategies for personal gain, such as increasing bonuses or incentives, without considering the risks to owners' interests, such as tax penalties or reputational damage. This conflict arises due to information asymmetry, where managers possess more information about tax strategies than owners, creating potential misalignment of interests.

The F-test results in Table 6 show a calculated F value of 2.631, which exceeds the F-table value of 2.470 at a 5% significance level. Furthermore, the probability value is 0.039, which is below the 0.05 threshold. This indicates that tax planning, deferred tax expense, deferred tax asset, and tax avoidance collectively influence earnings management. As a result, the initial hypothesis (H5) is accepted.

The variables of tax planning, deferred tax expense, deferred tax asset, and tax avoidance are interrelated simultaneously because they all involve tax management and financial reporting, which managers can use to reduce taxes and adjust earnings to meet targets. This relationship occurs because strategic decisions in one variable often influence the others. In the context of agency theory, the results indicate that variables such as tax planning, deferred tax expense, deferred tax asset, and tax avoidance simultaneously affect

earnings management because managers (agents) have control over tax management and financial reporting to serve their own interests, which may differ from the objectives of the owners (principals). Managers can exploit information asymmetry to optimize these strategies to show good performance or achieve specific targets, even if it does not align with the owners' long-term interests.

CONCLUSION

Based on the findings of this research, it can be concluded that tax planning, deferred tax expense, and tax avoidance do not influence earnings management, while deferred tax assets have a positive impact on earnings management. Moreover, tax planning, deferred tax expense, deferred tax assets and tax avoidance collectively have a simultaneous effect on earnings management in LQ45 companies listed on the Indonesia Stock Exchange during the 2019–2023 period.

The first limitation of this study lies in the sample size, which includes only 26 LQ45 companies. The second limitation pertains to the research period, which covers only five years. Moreover, in this study, the four independent variables used can only explain 10,8% of the variation in the dependent variable, earnings management, while the remaining 89,2% is influenced by other variables beyond the model.

Future studies are recommended to expand the research sample by including companies from other sectors to better capture the overall condition of firms concerning earnings management. Additionally, it is suggested to extend the observation period to more than five years to provide different and more accurate insights. Furthermore, it is advised to include or substitute other independent variables beyond those used in this study, such as Managerial Ownership, Good Corporate Governance, Firm Size, Capital Intensity, Financial Distress, Debt Policy, Dividend Policy, Fraud Hexagon and others.

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