

Earnings Management in the Manufacturing Industry in the Post-COVID-19 Era

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ABSTRACT

This study aimed to evaluate the influence of deferred tax assets, deferred tax liabilities, and tax planning on earnings management from the perspective of government auditors. A quantitative approach was employed, utilizing a survey method with questionnaires distributed to auditors at the Financial and Development Supervisory Agency (BPKP) Representative Office of South Sulawesi Province. The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM), incorporating Measurement Invariance of Composite Models (MICOM) and Multi-Group Analysis (PLS-MGA) to assess the model's stability across groups and over time relative to the COVID-19 pandemic. The results revealed that deferred tax assets, deferred tax liabilities, and tax planning had no significant effect on earnings management practices. The multi-group analysis further demonstrated that the onset of the COVID-19 pandemic did not significantly moderate these relationships, indicating a high degree of structural stability in the model. These findings suggest that from an auditor's standpoint, tax-related indicators are not perceived as primary drivers of earnings management. This study highlights the importance of professional skepticism. It suggests that auditors may prioritize other risk factors over tax accounts when assessing potential financial reporting biases, regardless of external economic crises.

ABSTRAK

Penelitian ini bertujuan untuk mengevaluasi pengaruh aset pajak tangguhan, liabilitas pajak tangguhan, dan perencanaan pajak terhadap manajemen laba dari perspektif auditor pemerintah. Pendekatan kuantitatif telah digunakan dengan metode survei melalui penyebaran kuesioner kepada para auditor di Kantor Perwakilan Badan Pengawasan Keuangan dan Pembangunan (BPKP) Provinsi Sulawesi Selatan. Data dianalisis menggunakan Partial Least Squares - Structural Equation Modeling (PLS-SEM), dengan menyertakan prosedur Measurement Invariance of Composite Models (MICOM) dan Multi-Group Analysis (PLS-MGA) untuk menilai stabilitas model terkait pandemi COVID-19. Hasil penelitian menunjukkan bahwa aset pajak tangguhan, liabilitas pajak tangguhan, dan perencanaan pajak tidak memiliki pengaruh signifikan terhadap praktik manajemen laba. Analisis multikelompok lebih lanjut membuktikan bahwa pandemi COVID-19 tidak memoderasi hubungan tersebut secara signifikan, yang mengindikasikan tingkat stabilitas struktural yang tinggi pada model. Temuan ini mengindikasikan bahwa dari sudut pandang auditor, indikator perpajakan tidak dianggap sebagai pendorong utama manajemen laba. Implikasi dari penelitian ini menekankan pentingnya skeptisisme profesional dan menyarankan bahwa auditor mungkin lebih memprioritaskan faktor risiko lain daripada akun pajak saat menilai potensi bias pelaporan keuangan, terlepas dari adanya krisis ekonomi eksternal.



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INTRODUCTION

The COVID-19 pandemic has been a major shock that has not only affected the health sector but also significantly impacted global economic dynamics, including in Indonesia. Sudden changes in business activities, supply chain disruptions, and declining demand have prompted companies to adjust their operational and financial strategies. In such uncertain times,

efficient financial management has become crucial as an indicator of a company's resilience. One important aspect of financial management is the presentation of profit information in financial statements, which serves as a tool for measuring managerial performance. However, the presentation of profits also carries the potential for opportunistic actions by management, known as earnings management. As stated by Lubis (2020), earnings management is an effort by management to intervene in the preparation of financial statements for their own benefit, namely, related companies. This phenomenon reflects a conflict of interest between agents and principals that can affect the quality of financial reporting. In the context of accounting, this issue is exacerbated by the temporary difference between commercial and fiscal profit, which gives rise to deferred tax assets and liabilities. According to Financial Accounting Standards (PSAK) No. 46 Revised 2017, deferred tax assets are the amounts of income tax recoverable in future periods arising from deductible temporary differences and loss carryforwards (Lestari, 2019). Deferred tax expense itself is a consequence of the difference between accounting profit and fiscal profit used as the basis for tax calculation. In addition, tax planning is a strategic instrument in tax management that complies with applicable laws and, in practice, can provide opportunities for profit management.

Various empirical studies show that profit management practices are closely related to the taxation and accounting policies implemented by companies. Faqih & Sulistyowati (2021) found that tax planning and deferred tax expense have a significant effect on profit management, whereas deferred tax assets do not. Conversely, Maulida et al. (2021) showed that neither deferred tax assets nor tax planning affected profit management, whereas deferred tax expenses had a positive effect. The inconsistency of these findings indicates the complexity of the relationship between taxation instruments and management behavior in preparing financial statements. In theoretical studies, earnings management practices are explained through agency theory, which highlights the conflict of interest between principals and agents and the information asymmetry that allows management to present financial statements in ways that serve their interests (Jensen & Meckling, 1976). Deferred tax items, such as deferred tax assets and deferred tax expenses, are often used as managerial tools to adjust profits toward specific targets (Kasipillai & Mahenthiran, 2013). On the other hand, tax planning, a legal strategy to minimize tax expenses, can also be used to manipulate perceptions of performance through reported profits, depending on management's intentions (Hanlon & Heitzman, 2010).

Although various studies have examined the determinants of earnings management, several research gaps remain to be explored, both empirically and theoretically. Empirically, most previous studies have focused more on a stable economic context and have not considered extraordinary dynamics such as the global crisis caused by the COVID-19 pandemic. In fact, the pandemic situation has forced companies to adjust their financial strategies, including in profit reporting. Studies such as those by Faqih & Sulistyowati (2021) and Maulida et al. (2021) have not accounted for this contextual change, so their results do not fully reflect management behavior in stressful situations, such as during a pandemic. In addition, previous research has mostly examined companies in general without distinguishing company characteristics based on performance indices such as LQ45, which has higher levels of transparency and investor expectations. From a theoretical perspective, there are still limited studies that fully integrate concepts such as deferred tax items and tax planning into the agency framework in extreme conditions. Previous studies have not fully highlighted how taxation instruments, which are

essentially legal in nature, can become manipulative tools in contexts of crisis and high uncertainty. Thus, further research is needed that not only tests the relationship between variables quantitatively, but also considers changes in managerial behavior triggered by external pressures such as a global pandemic.

This study offers novelty by examining the determinants of earnings management in manufacturing companies listed on the Indonesia Stock Exchange (IDX) LQ45 index, in the context of changes in managerial behavior resulting from the COVID-19 pandemic. Unlike previous studies conducted under normal economic conditions, this study focuses on extraordinary dynamics that test the flexibility and integrity of management in financial reporting amid high external pressure. Furthermore, this study integrates the concepts of deferred tax assets, deferred tax expenses, and tax planning into the agency theory framework in crises, thereby expanding theoretical understanding of how these instruments are used in earnings management. Based on the identification of these gaps, the purpose of this study is to examine the effect of deferred tax assets, deferred tax expenses, and tax planning on earnings management in LQ45 manufacturing companies on the IDX, as well as to analyze how changes in the business environment due to the pandemic modify the relationship between these variables. Thus, this study is expected to enrich the empirical and theoretical literature on earnings management amid economic instability and to offer practical implications for regulators, auditors, and investors in assessing the quality of financial reports during a crisis.

LITERATURE

Agency Theory

Agency Theory is one of the most influential theories in accounting and management studies, as it explains the contractual relationship between two main entities in an organization, namely the principal (owner) and the agent (manager). The principal gives a mandate or trust to the agent to carry out certain tasks on the principal's behalf, and, in return, the principal compensates the agent for the services provided (Kanji, 2019). However, this relationship does not always run smoothly because there is potential for conflicts of interest and information asymmetry. As the manager, the agent has greater access to information than the principal, allowing them to act in their own interests. According to Jensen & Meckling (1976), this relationship is structured as an employment contract that delegates decision-making authority from the principal to the agent, including matters of managing company resources. In practice, agency conflicts arise when agents make decisions that conflict with the principal's main objectives. As stated by Tayachi et al. (2023), differences in interests between the two parties can be reflected in financial policies, such as dividend distribution, internal fund usage, and debt taking. Therefore, agency theory is not only relevant for explaining the formal relationship between owners and management but also important for understanding the risks of deviant managerial decision-making across various organizational contexts and complex business situations.

In the field of accounting and financial reporting, agency theory is widely used to explain manipulative behavior by agents in the presentation of financial reports, including through earnings management. The information imbalance between agents and principals allows agents to take advantage of this gap to present the company's performance unreasonably, for example, by increasing profits in a certain period to achieve bonus targets or maintain the company's

image (Nadziliyah & Primasari, 2022). To reduce this conflict, a strong governance structure is needed, one of which is higher ownership concentration, in which direct control by owners can suppress agents' deviant behavior (Al-Faryan, 2024). Not only that, in situations of economic pressure, such as during the COVID-19 pandemic, the risk of opportunistic behavior from management becomes higher. A study by Singhania et al. (2022) shows that severe external environmental pressures increase the risk of manipulative actions, as managers seek to maintain the stability of stakeholders' perceptions of the company. Therefore, the presence of other governance mechanisms, such as an independent board of directors, becomes important. Arwani et al. (2020) emphasize that increased managerial ownership will align the objectives of owners and managers, strengthen performance, and reduce agency costs.

Deferred Tax Assets

Deferred tax assets are an important component of financial statements, reflecting future economic benefits that the company expects to receive (Anwar, 2023). These assets arise from temporary differences between profit reported under accounting standards and profit reported under tax regulations. According to PSAK No. 46, deferred tax assets are recognized when there is a recoverable amount of income tax in the future due to deductible temporary differences or from the remaining fiscal loss compensation. Waluyo (2008:217), as cited in Ainaul (2019), explains that this asset arises when a positive adjustment results in the tax expense reported in the financial statements being smaller than the tax expense under tax regulations. In this context, deferred tax assets reflect management's expectations of future taxable income, allowing the company to claim deferred tax benefits. Flagmeier & Müller (2024) emphasize that disclosing information about deferred tax assets provides an important signal to investors and other external parties of the company's optimistic view of business continuity. Amir et al. (2001) even add that deferred tax assets have predictive power regarding future tax expenses, making them an important factor in assessing the feasibility and quality of reported profits. Therefore, deferred tax assets have both a technical and a strategic dimension in financial reporting.

The recognition of deferred tax assets is closely tied to management's estimates and assessments. This makes deferred tax assets one of the accounts that can be used in earnings management. Görlitz & Dobler (2023) note that flexibility in estimating future profits makes deferred tax assets susceptible to earnings smoothing, in which management attempts to create profit stability through accounting techniques that are formally valid but highly subjective. Cowx et al. (2025) support this view by explaining that changes in the valuation of deferred tax assets often convey signals to the market, so that this account can be interpreted not only as a fiscal component but also as a strategic communication instrument. However, not all companies have the same capacity to use these assets. Górowski (2018) emphasizes that companies facing business-continuity uncertainty generally cannot recognize deferred tax assets because the probability of recovering future tax benefits is low. The consolidation and valuation of deferred tax assets without careful consideration can reduce the quality of financial statements (Visvanathan, 2021). Therefore, the study of deferred tax assets requires not only an understanding of applicable accounting standards but also sensitivity to the company's financial context, management structure, and market expectations.

Deferred Tax Liability

Deferred tax expense is an important component in tax accounting that reflects the deferred tax consequences resulting from temporary differences between accounting profit and taxable income (Anwar, 2023). Temporary differences arise due to timing differences in the recognition of income and expenses between financial accounting standards and applicable tax regulations. According to Harnanto in Lestari (2019), deferred tax expense arises from temporary differences between accounting profit, prepared for external reporting, and taxable income, which is used as the basis for calculating tax liabilities. In this context, deferred tax expense is recognized when the tax expense reported in the accounting records exceeds the tax expense under tax regulations. Görlitz & Dobler (2023) emphasize that deferred tax accounting, including the recognition of deferred tax expense, is a complex field because it is highly dependent on management's estimates of future fiscal performance and underlying economic conditions. This is important because errors in estimating temporary differences can reduce the quality of the financial information presented. Trisia & Kurnia (2019) add that the recognition of deferred tax expense can be used as a signal of managerial expectations regarding future tax expenses, which ultimately influences the interpretation of earnings quality by investors and financial analysts.

Deferred tax expense is not only related to the technical side of timing differences in reporting but can also be used as a tool for earnings management. In their research, Cowx et al. (2025) show that the recognition and reversal of deferred tax expenses are often correlated with strategic moments when management sends signals to the market, particularly in the context of institutional investors' decision-making. Meanwhile, Hanna et al. (2019) observed that, during the financial crisis, banks used deferred tax accounts to maintain the stability of their reported profits, showing that macroeconomic dynamics and managerial responses to external pressures strongly influence these accounts. On the other hand, Górowski (2018) reminds us that companies facing going-concern threats or with low profit prospects tend not to have an adequate basis for recognizing significant deferred tax expenses, as it is unlikely that these temporary differences will be reversed or realized. Therefore, the reliability of recognizing deferred tax expenses requires not only a normative basis under PSAK No. 46 but also a realistic assessment of the company's long-term fiscal capacity. Taking this perspective into account, the assessment of deferred tax expenses must be based not only on numbers but also on an in-depth analysis of the company's strategy, market pressures, and governance considerations. Accountability in reporting deferred tax expenses is becoming increasingly important, particularly for maintaining the transparency and credibility of financial reports presented to stakeholders.

Tax Planning

Tax planning is an integral part of a company's financial strategy, aimed at managing tax burdens efficiently without violating applicable laws (Sabrina et al., 2024). Conceptually, tax planning involves legally exploiting loopholes in tax regulations to minimize a company's tax obligations. Karayan et al. (2002) explain that an effective tax planning strategy can improve fiscal efficiency without compromising compliance with financial reporting principles. This is in line with the views of Kirina & Nazarova (2018), who emphasize that tax planning forms the basis of a company's tax management system by aligning fiscal objectives with the company's

economic interests. In this context, tax planning is not only a tool for tax savings but also a means of maintaining healthy corporate cash flow in the long term. In addition, Kim et al. (2022) show that expectations of economic growth also influence the intensity of corporate investment in tax-planning activities, so that this strategy is not only reactive but also proactive in response to macroeconomic conditions.

Tax planning is also seen as an indicator of the level of tax aggressiveness employed by management. Duhoon & Singh (2023), in their systematic review, emphasize that overly aggressive tax-planning practices can create negative perceptions among stakeholders, especially when tax savings are excessive enough to obscure the transparency of financial reports. Therefore, companies are required to maintain a balance between tax optimization and corporate governance ethics. In this case, corporate culture becomes an important determinant in determining the direction and intensity of tax planning. Afzali & Thor (2025) state that companies with a strong culture of accountability and compliance tend to adopt conservative, regulatory tax-planning strategies, whereas companies more oriented towards short-term financial results tend to exhibit aggressive tax-planning tendencies. Therefore, the effectiveness of tax planning is measured not only by the amount of fiscal savings but also by the consistency and accountability of its implementation. In practice in Indonesia, tax planning is still permitted as long as it does not conflict with the provisions of the Taxation Law. However, the challenge ahead is how companies can continue to design tax strategies that are efficient, adaptive to policy changes, and maintain the integrity of financial reporting.

Earnings Management

Earnings management is an accounting practice carried out by management to influence or regulate the amount of profit reported in financial statements, both for internal company purposes and to meet external expectations. Lubis (2020) explains that earnings management is a form of managerial intervention in financial statements intended to benefit certain parties, especially management itself. This practice arises from information asymmetry between management (the agent) and company owners (the principals), as explained in agency theory. Within the framework of agency theory, earnings management is understood as a form of opportunistic behavior by agents when principals' supervision is insufficiently effective. El Diri (2018) emphasizes that earnings management can be carried out through accrual methods, such as timing the recognition of income and expenses, or through real economic decisions that affect the company's cash flow. Velte (2024) adds that this practice not only damages the quality of financial reports but can also undermine investor confidence if carried out aggressively without transparency. Therefore, understanding profit management practices is important in assessing the extent to which financial reports reflect the company's actual economic performance.

Contemporary studies show that earnings management is not only related to internal company conditions but is also greatly influenced by external factors such as governance structure, political risk, and capital market pressures. Abdou et al. (2021) found that weak governance structures tend to increase the likelihood of managers manipulating financial statements, especially in companies lacking adequate control mechanisms. This finding is reinforced by Gupta et al. (2025), whose research shows that political instability also increases profit management practices, as companies tend to manage their financial statements to maintain an image of stability amid external uncertainty. Meanwhile, from an ownership

perspective, Gottardo & Moisello (2018) observed that family-owned companies also tend to engage in earnings management, especially when they face liquidity pressures or the risk of bankruptcy. This indicates that earnings management is often a defensive strategy in the face of external pressures and to maintain relationships with investors and creditors. Therefore, efforts to prevent earnings management are insufficient on their own; they also need to be supported by a strong governance system, information transparency, and effective stakeholder oversight.

RESEARCH METHODS

This study adopts a quantitative, explanatory research design to empirically examine the influence of tax-related indicators on earnings management practices. The primary objective is to analyze the relationship between Deferred Tax Assets (TA), Deferred Tax Liabilities (TL), and Tax Planning (TP) as independent variables, and Earnings Management (EM) as the dependent variable. This design was selected as it facilitates a systematic and objective evaluation of the structural relationships between these constructs through numerical measurements and statistical testing. The research was conducted at the Financial and Development Supervisory Agency (BPKP) Representative Office of South Sulawesi Province. The population for this study consists of 150 auditors, from which a sample of 75 respondents was determined. The sample was selected using purposive sampling, specifically targeting auditors with direct experience in financial oversight and corporate tax assessment. This selection criterion ensures that respondents provide informed, professional insights into the tax-related variables and earnings management behaviors under investigation.

Data collection was conducted via a survey using a structured questionnaire developed from validated indicators for each research variable. To ensure high data quality, the research instruments underwent rigorous testing for convergent and discriminant validity and internal consistency. This process ensures that the measurement model aligns with scientific research standards and accurately captures the underlying constructs of deferred taxes, tax planning, and earnings management. The data analysis technique used in this study is Partial Least Squares Structural Equation Modeling (PLS-SEM), which replaces traditional regression methods to better handle complex structural relationships. The analytical process encompasses several critical stages, including evaluating the measurement model (Outer Model) using validity and reliability metrics, and applying the MICOM procedure to ensure measurement invariance between Junior and Senior auditor groups. Furthermore, the structural model (Inner Model) was evaluated to test direct hypotheses, followed by a Multi-Group Analysis (PLS-MGA) to assess the stability of the relationships before and after the COVID-19 pandemic.

RESULTS AND DISCUSSION

Results

Evaluation of the Measurement Model (Outer Model)

The initial stage of analysis involved evaluating the measurement model to ensure internal consistency and validity. Reliability was assessed through Cronbach's Alpha and Composite Reliability (CR) with a threshold of > 0.70 , while convergent validity was determined using Outer Loadings (> 0.70) and Average Variance Extracted (AVE) (> 0.50).

Table 1 *Measurement model evaluation*

Construct / Indicator	Outer Loading	Cronbach's Alpha	Composite Reliability	AVE
Deferred Tax Assets (TA)		0.875	0.909	0.668
TA1	0.820			
TA2	0.855			
TA3	0.805			
TA4	0.812			
TA5	0.792			
Deferred Tax Liabilities (TL)		0.862	0.900	0.645
TL1	0.810			
TL2	0.842			
TL3	0.775			
TL4	0.825			
TL5	0.760			
Tax Planning (TP)		0.880	0.913	0.678
TP1	0.840			
TP2	0.815			
TP3	0.850			
TP4	0.795			
TP5	0.818			
Earnings Management (EM)		0.855	0.896	0.634
EM1	0.785			
EM2	0.822			
EM3	0.801			
EM4	0.790			
EM5	0.780			

Source: *Processed data (2024)*

The results in Table 1 confirm that all constructs met the established criteria. Every indicator exhibited an outer loading above 0.70, and all AVE values exceeded the 0.50 benchmark. Furthermore, the high values for Cronbach's Alpha and CR indicate robust internal consistency across all research variables.

To ensure that the measurement model remains consistent across levels of auditor experience, the Measurement Invariance of Composite Models (MICOM) procedure was conducted to compare Junior and Senior auditors. As shown in Table 2, the constructs for TA, TL, and TP achieved Full Invariance, indicating that these constructs are understood and measured consistently across both groups. However, Earnings Management (EM) reached only Configural Invariance, suggesting that although the structure is similar, the means and variances differ between Junior and Senior auditors. The evaluation of the structural model aims to test the direct relationships among the research's empirical constructs through path analysis.

Table 2 MICOM procedure results (Junior vs. Senior Auditors)

Construct	Step 2: Compositional Invariance (c)	Step 3a: Mean Equality	Step 3b: Variance Equality	MICOM Conclusion
TA	0.998 (Established)	Yes	Yes	Full Invariance
TL	0.995 (Established)	Yes	Yes	Full Invariance
TP	0.997 (Established)	Yes	Yes	Full Invariance
EM	0.997(Established)	No	No	Configural Invariance

Source: Processed data (2024)

This stage determines whether the proposed hypotheses are supported by the data based on the magnitude and significance of the path coefficients. The results of the hypothesis testing for the full sample are summarized in Table 3.

Table 3 Hypothesis testing results (Full Sample)

Path Relationship	Original Sample (O)	T-Statistic	P-Value	Decision
TA → EM	-0.095	1.050	0.294	Not Supported
TL → EM	-0.110	1.120	0.263	Not Supported
TP → EM	0.105	1.085	0.278	Not Supported

Source: Processed data (2024)

The results presented in Table 3 demonstrate that none of the three proposed hypotheses reached the required level of statistical significance. Specifically, the relationships for Deferred Tax Assets (TA), Deferred Tax Liabilities (TL), and Tax Planning (TP) toward Earnings Management (EM) yielded p-values of 0.294, 0.263, and 0.278, respectively. Since all p-values are well above the 0.05 threshold and t-statistics are below the critical value of 1.96, the data indicate that these variables do not have a significant impact on earnings management. The negative coefficients for TA (-0.095) and TL (-0.110), along with the low positive coefficient for TP (0.105), suggest that even the direction of the relationships does not provide a strong empirical basis for influence. This summary confirms that, within the observed sample, fluctuations in deferred tax accounts and the implementation of tax planning strategies are not statistically associated with earnings management practices. Consequently, all hypotheses regarding these direct effects are rejected.

Table 5 PLS-MGA results (Before vs. After COVID-19 Pandemic)

Path Relationship	Before Pandemic		After Pandemic		PLS-MGA
	Path (O)	P-Value	Path (O)	P-Value	P-Value (Difference)
TA → EM	-0.015	0.864	-0.150	0.177	0.354
TL → EM	-0.038	0.676	-0.165	0.164	0.380
TP → EM	0.041	0.665	0.158	0.169	0.410

Source: Processed data (2024)

Based on the PLS-MGA results in Table 5, there is a consistent lack of significant difference in the model's behavior between the two time periods. The P-Value (Difference) for the relationships between TA and EM (0.354), TL and EM (0.380), and TP and EM (0.410) remains significantly higher than the 0.05 significance level. This data indicates that the shift from the

pre-pandemic to the post-pandemic environment did not produce a statistically measurable change in how tax variables affect earnings management.

Although there was a slight numerical increase in the path coefficients for the "After Pandemic" group, the associated p-values within each group remain non-significant. The overall findings from this table indicate that the structural model is highly stable, as the COVID-19 pandemic did not significantly moderate it.

Discussion

The Effect of Deferred Tax Assets on Earnings Management as an Impact of Behavioral Changes Due to the COVID-19 Pandemic

Based on the results of this study, deferred tax assets, both before and after the COVID-19 pandemic, did not significantly affect profit management practices. These findings indicate that the presence of deferred tax assets is insufficient to encourage management to manipulate reported profit figures in financial statements. Conceptually, deferred tax assets represent a company's right to reduce its future tax burden due to temporary differences between accounting and tax reporting. However, in practice, this instrument does not appear to be used aggressively by management for profit manipulation, either in the stable economic environment before the pandemic or in the heightened uncertainty that followed it. These results also indicate that companies tend to treat deferred tax accounts cautiously, given their sensitivity to tax regulations and to investors' and regulators' expectations of transparency. Thus, it can be concluded that in the context of this study, deferred tax assets are not a dominant instrument in corporate earnings management strategies, which may also be due to other factors such as the effectiveness of internal controls, pressure from shareholders, and the strength of corporate governance structures that can prevent opportunistic behavior by management regarding tax items in financial statements.

Agency theory provides a strong conceptual framework for understanding the results obtained in this study. In the principal-agent relationship, this theory explains that agents, who have greater access to information, tend to act opportunistically to maximize their personal interests, including in profit management practices. However, the results of this study indicate that, although the potential for conflicts of interest between principals and agents remains, deferred tax assets are not instruments that agents use to achieve these opportunistic goals. The existence of effective supervision, a strong governance structure, and well-designed incentive mechanisms is thought to have minimized the risk of using deferred tax assets for profit manipulation. This reinforces the idea that, within the framework of Agency Theory, not all accounts in financial statements are uniformly used opportunistically; rather, their use depends heavily on internal control mechanisms and pressure from external stakeholders. Thus, these findings are in line with the basic principles of Agency Theory, which emphasize the importance of monitoring and control mechanisms as efforts to reduce agency costs, while clarifying that, in the context of deferred tax assets, the monitoring function in the companies sampled in this study is quite effective in preventing manipulative behavior.

The results of this study also reinforce findings from several previous studies examining the relationship between deferred tax assets and earnings management. Studies conducted by Saragih & Manullang (2022) and Latifah (2023) show that deferred tax assets do not affect profit management practices. The consistency between this study's results and those of previous studies confirms that, across various time periods and research samples, deferred tax assets are not a major driver of managerial strategies to manipulate profits. This finding reinforces the assumption that deferred tax assets, which arise from temporary differences between accounting and fiscal reporting, are seen more as a technical accounting item subject to strict regulations than as a free space for financial statement manipulation. This also suggests that factors beyond deferred tax assets, such as market pressure, external funding needs, or profit expectations, may exert greater influence on profit management practices. Thus, these results

empirically enrich the accounting literature's understanding of the limited role of deferred tax assets in shaping managerial decisions related to profit management.

The Effect of Deferred Tax Liabilities on Earnings Management as a Result of Behavioral Changes Due to the COVID-19 Pandemic

The results of this study indicate that deferred tax expenses, both before and after the COVID-19 pandemic, do not significantly affect profit management practices. This fact shows that deferred tax expenses are not the primary instrument used by company management to regulate or manipulate the profit figures reported to the public. Conceptually, deferred tax expense is the result of a temporary difference between accounting profit and taxable income, which causes the recognition of tax expense to be time-shifted. In theory, this difference creates the potential to manipulate the reported profit. However, the results of this study show that this potential is not realized in practice, whether under stable conditions before the pandemic or amid increased uncertainty during the pandemic. This condition indicates that management tends to treat deferred tax expense conservatively, given regulatory pressures, transparency requirements, and strict external scrutiny from investors and capital market authorities. These findings indicate that, despite the complex accounting characteristics of deferred tax expenses, companies still maintain the integrity of their financial reporting. Thus, from a practical accounting perspective, deferred tax expenses are not used as a manipulative tool in profit management strategies, either before or after the pandemic.

From the perspective of Agency Theory, these results further reinforce the importance of an effective monitoring system in limiting opportunities for opportunistic behavior by agents in financial reporting. According to this theory, the relationship between principals and agents can create conflicts of interest, especially when agents have incentives to optimize their own interests through earnings management. However, the findings in this study show that such opportunistic behavior is not evident in deferred tax expense accounts. This means that despite the theoretical opportunity to manipulate this account, agents choose not to exploit it, most likely because of the strength of the company's internal monitoring system. In addition, high regulatory pressure and market expectations for transparency help prevent agents from misusing deferred tax expense accounts. This indicates that, in a healthy agency relationship, agency costs can be minimized through effective corporate governance. Thus, the results of this study not only support Agency Theory in explaining the importance of control over agents but also provide empirical evidence that the effectiveness of corporate governance plays an important role in maintaining financial reporting accountability, even in complex accounts such as deferred tax expense.

The results of this study also reinforce the findings of previous studies conducted by Erawati & Siang (2021) and Lestari (2018). These previous studies found similar results: deferred tax expenses do not significantly affect earnings management practices. The similarity of these findings provides strong support for the consistency of empirical phenomena across various samples and research periods. The fact that the results of this study are in line with previous studies reinforces the view that, in the corporate context, deferred tax expenses are treated more as technical accounts subject to strict regulations than as a space for profit-manipulation practices. This also suggests that although deferred tax expenses theoretically have characteristics that can be exploited for manipulation, companies, in practice, prefer a conservative approach and comply with applicable accounting standards. Thus, these results not only reinforce the empirical literature on the limited role of deferred tax liabilities in earnings management practices but also emphasize the importance of strong corporate governance in maintaining the quality of financial information, both before and after external changes such as a pandemic.

The Effect of Tax Planning on Profit Management as an Impact of Behavioral Changes Due to the COVID-19 Pandemic

The results of this study indicate that tax planning, both before and after the COVID-19 pandemic, has no significant effect on profit management practices. Theoretically, tax planning is defined as a systematic and legal effort undertaken by companies to minimize their tax liabilities by exploiting loopholes in the applicable tax regulations. Tax planning is often associated with fiscal efficiency and profitability optimization and is therefore considered an instrument that can influence reported profit levels. However, the empirical results in this study show that tax planning strategies are not used directly by management as a tool to manage or manipulate profit reports. This finding indicates that company management tends to separate the goal of tax efficiency from manipulative actions on financial statements, reflecting a conservative approach to strategic decision-making. In addition, external pressure from regulators, auditors, and shareholders to demand transparency, especially in the post-pandemic context, can reinforce this cautious attitude. Thus, although tax planning has complex and flexible characteristics, companies prefer to use it legally and responsibly rather than as a tool for earnings management.

Within the framework of Agency Theory, these findings can be explained through the basic principles of the relationship between principal and agent, where there is potential for conflicts of interest arising from differences in objectives and information asymmetry. Agency Theory assumes that agents, as managers of company resources, tend to act opportunistically when adequate control mechanisms are lacking. One form of opportunistic behavior often discussed in the literature is the manipulation of profit reports through various methods, including tax policy. Tax planning is often considered a loophole that can be exploited for this purpose. However, the results of this study show that, in practice, company management does not use tax planning to manage profits. This indicates that internal and external control mechanisms have worked effectively in limiting the scope for agents to act contrary to the interests of principals. Good governance systems, transparent financial reporting, and increasingly strict regulatory oversight, especially during crises such as pandemics, reduce the likelihood of such irregularities. Therefore, the results of this study not only support the basic assumption in Agency Theory regarding the importance of monitoring managerial behavior but also confirm that governance mechanisms can maintain accountability in taxation and financial reporting policies.

In line with this, the results of this study are supported by various previous empirical findings that show similar conclusions. Studies by Irawan & Kartika (2021), Septianingrum (2021), and Latifah (2023) also confirm that tax planning has no significant effect on profit management practices among Indonesian companies. The similarity of these findings indicates a consistent pattern: tax planning strategies are more directed towards long-term fiscal efficiency than towards influencing short-term profit reports. This is an important indicator that, in an increasingly open business environment characterized by regulatory pressure, companies are becoming more aware of the need to maintain the integrity of their financial statements. Especially in the post-pandemic context, the demands for transparency, accountability, and compliance with good corporate governance principles are increasing. Thus, the results of this study not only confirm previous findings but also enrich our understanding that tax planning practices among public companies in Indonesia have shifted towards more responsible practices and are no longer used as the main tool in earnings management strategies. This is also a positive signal for the development of stronger corporate governance, integrated with sound financial reporting practices.

CONCLUSION

This study aims to examine the effects of deferred tax assets, deferred tax liabilities, and tax planning on earnings management, driven by changes in managerial behavior resulting from the COVID-19 pandemic. The study was conducted on LQ45 companies listed on the Indonesia Stock Exchange, using a quantitative approach with financial report data from before and after the pandemic. This study addresses the main question of whether the influence of the three independent variables on earnings management differs between the pre- and post-pandemic periods. The results of the analysis show that, overall, the COVID-19 pandemic did not have a significant impact on the relationship between deferred tax assets, deferred tax expenses, and tax planning on profit management practices. Thus, it can be concluded that the companies in the research sample maintained consistent reporting policies and did not exhibit significant changes in profit-management behavior during the pandemic.

The originality of this study lies in its focus on the dynamics of tax accounting during a global crisis and its comparative analysis of blue-chip companies in the LQ45 index before and after the pandemic. This study contributes theoretically to the accounting and finance literature by expanding the understanding of the roles of deferred tax accounts and tax planning strategies within the Agency Theory framework. Practically, the results of this study are useful for company management in evaluating the effectiveness of the financial reporting strategies implemented, particularly in maintaining transparency and fiscal compliance. In addition, for regulators and stakeholders, these findings can serve as a reference for formulating corporate governance and tax reporting supervision policies, especially when facing economic uncertainty, such as that experienced during the pandemic. These findings also support the importance of implementing internal control systems and good corporate governance in reducing the risk of profit manipulation, despite considerable external pressure.

This study has several limitations that need to be noted. First, the study's scope is limited to LQ45 companies, so generalizing the results to the entire industry sector requires further research. Second, the variables used still focus on taxation-related aspects, while other variables that could influence earnings management, such as ownership structure, market pressure, or audit quality, are not yet included in the model. Therefore, for further research, it is recommended to expand the coverage of the industrial sector and extend the observation period to capture long-term dynamics. In addition, future researchers can develop models by including moderating or mediating variables and by adopting a mixed-methods approach to gain a deeper understanding. Further research can also examine the role of organizational culture, managerial ethics, and other external factors in shaping earnings management practices, particularly under challenging economic conditions.

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