

The Effect of Tax Planning, Profitability, Liquidity, and Company Size on Earnings Management with Tax Rate Reduction as a Moderator (In Building Construction Companies Listed on the Indonesia Stock Exchange for the 2019–2023 Period)

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Submitted: November 2021, *Revised:* November 2021, *Accepted:* November 2021

Abstract. This study examines the influence of tax planning, profitability, liquidity, and firm size on earnings management, with tax rate reduction as a moderating variable, focusing on construction companies listed on the Indonesia Stock Exchange from 2019 to 2023. The research addresses the gap in understanding how fiscal policies and corporate financial strategies interact, particularly in emerging markets. Using a quantitative approach with panel data from eight companies, the study employs Moderated Regression Analysis (MRA) to test hypotheses. Findings reveal that tax planning and firm size do not significantly affect earnings management, while profitability and liquidity play crucial roles, with higher profitability and liquidity increasing the likelihood of earnings manipulation. The reduction in tax rates moderates the effects of profitability and liquidity, amplifying their impact on earnings management. These results highlight the importance of robust corporate governance and regulatory oversight to mitigate unethical financial practices. The study contributes to the literature by clarifying the nuanced relationships between fiscal policies and corporate behavior, offering insights for policymakers and corporate managers to enhance transparency and compliance in financial reporting.

Keywords: Tax Planning, Profitability, Liquidity, Company Size

INTRODUCTION

Taxes are mandatory contributions collected by the government based on legal norms to finance the production of collective goods and services essential for public welfare (Soeparman Soemahamidjaja, 2019). Sudarsono (2021) emphasizes that taxes are instrumental in funding the state budget for development and improving public welfare, while Faizah (2020) highlights that taxes represent the primary source of state revenue, accounting for approximately 80% of total income. As of December 31, 2023, Indonesia's tax revenue reached IDR 1,869.23 trillion, an 8.9% increase from 2022, surpassing fiscal targets (Ministry of Finance, 2023). The construction and property sectors contributed an average of IDR 185 trillion annually from 2018 to 2022; however, President Prabowo Subianto noted that Indonesia's tax-to-GDP ratio remains low at roughly 10%, below that of neighboring countries (MIF, 2024). Although building and real estate tax contributions rose by 25.8% in 2022 to IDR 232.73 trillion, growth slowed in 2023 due to regulatory changes and sector performance, indicating the sector's sensitivity to fiscal policy.

In the construction industry, profit maximization is the core motivation for business operations. Managers, entrusted by owners to oversee company resources, are responsible for financial reporting that reflects performance (Hamijaya, 2020). Financial statements play a crucial role in decision-making for stakeholders. Companies often seek to reduce tax liabilities through aggressive tax planning, creating conflicts with government efforts to maximize revenue (Ridho, 2016). Frank et al. (2009) define tax aggressiveness as strategies for minimizing tax burden via legal (tax avoidance) or illegal (tax evasion) means. Achieving a balance between tax efficiency and legal compliance is critical, as aggressive tax planning can obscure a company's financial health and reduce public revenues.

Earnings management, often linked to tax planning, involves manipulating financial reporting to meet specific goals such as reducing tax burdens or improving investor perception (Scott, 2015; Sulistyanto, 2014). While legal in form, such practices can mislead stakeholders and result in the underpayment of taxes. Agency theory suggests this occurs due to conflicting interests among owners, managers, and the state. In Indonesia, PT Waskita Karya Tbk (WSKT) was implicated in financial manipulation beginning in 2016, displaying profits despite persistent negative cash flows. BPKP audits revealed inconsistencies, prompting investigations by the Ministry of SOEs and the IDX in 2023. Similarly, PT Hanson International Tbk (MYRX) overstated revenues in 2016 by violating *PSAK 44*, requiring subsequent restatements and leading to regulatory sanctions from the OJK. These cases underscore the importance of regulatory oversight and adherence to accounting standards to maintain trust and transparency.

Tax planning's relationship with earnings management is influenced by various firm-specific factors. Darussalam et al. (2020) define tax planning as strategic analysis aimed at legally reducing tax liabilities. Krisnugraha et al. (2021) found that company size, liquidity, and profitability impact such planning. Wahyuni and Riski (2019) observed that tax planning significantly affects profitability, while Hidayati (2019) disagreed, suggesting that firm characteristics influence this relationship. Liquidity, reflecting a firm's ability to meet short-

term obligations, also plays a role. Companies with low liquidity may resort to earnings management to maintain credibility (Dinar et al., 2020), while SOEs have been found to manipulate reports to improve financial ratios using the Beneish M-Score (Hartina et al., 2023). Nonetheless, studies by Hawa et al. (2023) and Nurfalah et al. (2023) showed mixed results, indicating the interplay between liquidity and tax strategies is context-dependent. Susanti and Handayani (2019) found that leverage and profitability may be more influential drivers of earnings management than liquidity.

Company size also affects the likelihood of earnings management. Larger firms may have more resources to engage in financial manipulation but face stricter scrutiny from regulators and auditors, which can deter such behavior (Gandhi, 2024; García Osma et al., 2023; Haga et al., 2022; Kliestik et al., 2021; Nguyen et al., 2024). In contrast, Windaswari and Merkusiwati (2018) found no significant relationship between firm size and earnings management, implying that regulatory environments and governance practices are more decisive. Additionally, tax rate reductions may moderate the influence of financial indicators on earnings management. Putri (2022) found that lowered tax rates incentivize firms to alter reporting strategies to optimize after-tax profits. Darussalam et al. (2022) noted that tax rate reductions enhance efficiency but also depend on the level of oversight. Hidayati and Kusuma (2023) reported that firms with strong governance are less prone to manipulate earnings, even under lower tax regimes.

Considering these findings and the inconsistencies in prior research, this study investigates the influence of tax planning, profitability, liquidity, and company size on earnings management, with tax rate reduction as a moderating variable, focusing on building construction companies listed on the Indonesia Stock Exchange from 2019 to 2023. Given the ongoing instances of tax aggressiveness and its implications for public revenue and development, the study aims to contribute to the understanding of how corporate strategies interact with fiscal policy, providing insights for policymakers to strengthen governance and regulatory compliance.

MATERIALS AND METHODS

This research approach encompasses all steps and activities from problem formulation to drawing conclusions. It can be conducted using qualitative or quantitative methods. The quantitative method, based on positivism, involves examining a specific population or sample by collecting data through research instruments and analyzing it quantitatively or statistically. This approach is designed to test predetermined hypotheses (Sugiyono, 2022). In this study, a quantitative approach was used, focusing on data collection and generalization to explain phenomena experienced by a particular population.

The study employs an associative method, aiming to analyze causal relationships and understand how one variable affects another. The independent variables analyzed include liquidity, profitability, company size, and tax planning, while profit management serves as the dependent variable. The research also examines the moderating role of tax rate reduction, which is expected to strengthen or weaken the influence of the independent variables on profit

management. This approach seeks to provide an in-depth understanding of the relationships between variables in the context of taxation and profit management, especially within the building construction sector, which has distinctive financial management characteristics.

RESULTS AND DISCUSSION

1. Classic Assumption Test

a. Heteroscedasticity Test

The heteroskedasticity test was used to find out whether there was variance of variants of residual between observations. A good regression model is one in which heteroscedasticity does not occur. The heteroskedasticity test in this study uses the Breusch-Pagan-Godfrey test. If the P value is scaled LM with a CD P value and the p value is > 0.05 , then the model has no symptoms of heteroscedasticity. The following are the results of the heteroscedasticity test:

Table 1. Heteroscedasticity Test Results

Residual Cross-Section Dependence Test			
Null hypothesis: No cross-section dependence (correlation) in residuals			
Equation: Untitled			
Periods included: 5			
Cross-sections included: 8			
Total panel observations: 40			
Note: non-zero cross-section means detected in data			
Cross-section means were removed during computation of correlations			
Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	6.154144	28	0.4410
Pesaran scaled LM	4.430409		0.4055
Pesaran CD	0.585661		0.5581

Source: Processed Data Eviews 12, 2025

Based on Table 1 heteroscedasticity test results, it shows that Table 4.25 displays the Residual Cross Section Dependence Test describing whether there is a correlation (dependence) between residues in the panel unit. His null hypothesis states "there is no cross-correlation in residuals" (homoscedasticity across entities). Three statistics are presented: Breusch–Pagan LM of 6.154 with $p = 0.441$; P scaled LM 4.430 ($p = 0.406$); and (3) P and CD 0.586 ($p = 0.558$). All p values are well above the threshold of 0.05, so the researcher does not reject the zero hypothesis. This means that in the balanced panel data (8 cross sections $\times$ 5 periods = 40 observations) the residual model does not show an interrelated pattern between companies; Error variance can be considered stable and free of cross-entity correlation. Thus, the classical assumption regarding cross-unit homogeneity is met, and the researcher can proceed with the analysis without adjusting the error standard specific to cross section dependence.

b. Double Collinearity Testing

The purpose of conducting a correlation test in a regression model is to find out whether independent variables are interrelated. In a perfect reversal pattern, the free elements will not correlate with each other.

Table 2. Multicollinearity Test Results

	TRR	ROA	CR	SIZE	PTP
TRR	1.000000	-0.064899	-0.076548	0.203364	0.205116
ROA	-0.064899	1.000000	0.503857	-0.568217	0.125667
CR	-0.076548	0.503857	1.000000	-0.770150	0.032130
SIZE	0.203364	-0.568217	-0.770150	1.000000	0.027850
PTP	0.205116	0.125667	0.032130	0.027850	1.000000

Source: Processed Data Eviews 12, 2025

Based on table 2 of the results of the multicollinearity test, it can be concluded that the independent variables in this study show a low correlation between each other. The value of the correlation coefficient between the free variables is smaller than the tolerance limit of 0.90, so this is proven. The highest correlation occurred between the CR variable and SIZE, at -0.770150, but this value is still far below the critical limit so it does not raise concerns about the occurrence of multicollinearity. On the other hand, the lowest correlation was found between the CR variable and PTP, amounting to 0.032130. Therefore, the results of this analysis indicate that the regression model in this study is free from multicollinearity problems, so the data of this study is qualified to proceed to the next stage of classical assumption testing.

2. Hypothesis Test

a. Coefficient of Determination (R²)

The determination coefficient is carried out to determine the magnitude of the influence of independent variables in explaining dependent variables. A value close to one for the coefficient of determination (R²) indicates that the variation of the free element provides almost all the information needed to predict the dependent variable, while a value close to zero indicates that the variation of the independent variable has a limited ability to explain the dependent variable.

Table 3. Results of the Coefficient of Determination R²

R-squared	0.441156	Mean dependent var	0.000656
Adjusted R-squared	0.426497	S.D. dependent var	0.008082
S.E. of regression	0.090098	Akaike info criterion	-6.368687
Sum squared resid	0.002435	Schwarz criterion	-5.946467
Log likelihood	137.3737	Hannan-Quinn critter.	-6.216026
F-statistic	9.153839	Durbin-Watson stat	1.766453
Prob(F-statistic)	0.007098		

Source : Processed Data Eviews 12, 2025

Based on table 3, it shows that the test results of the determination coefficient are 0.441156

or 44%. The results showed that factors such as tax planning, profitability, liquidity, and company size accounted for 44% of profit management, while additional variables that accounted for 56% were not included in the study. Deferred Tax Assets, leverage, transfer pricing, and other similar factors are examples of what might be researched.

b. Simultaneous F Test

Simultaneous significance test or F test is used to test whether independent variables can be said to have an effect simultaneously or jointly on dependent variables. The results of this test are seen from the probability value (p-value) of the words produced based on the test together at a significance level of 5% or 0.05.

Table 4. Model Feasibility Test Results (Simultaneous F Test)

R-squared	0.441156	Mean dependent var	0.000656
Adjusted R-squared	0.426497	S.D. dependent var	0.008082
S.E. of regression	0.090098	Akaike info criterion	-6.368687
Sum squared resid	0.002435	Schwarz criterion	-5.946467
Log likelihood	137.3737	Hannan-Quinn critter.	-6.216026
F-statistic	9.153839	Durbin-Watson stat	1.766453
Prob(F-statistic)	0.007098		

Source : Processed Data Eviews 12, 2025

The results in the table above can be found to be the F-statistical test value of 9.153839, while F table with a level of $\alpha = 0.05$, $df_1 (k-1) = 4-1 = 3$, and $df_2 (n-k) = 40-4 = 36$ so that F table = 2.84. Thus, the F-statistical value of (9.153839) > F Table (2.84) and the statistical probability value of 0.007098 < 0.05, then it can be concluded that H1 is accepted. Therefore, it is concluded that together the independent variables in this study consist of tax planning, profitability, liquidity, and company size together have an influence of 42% on profit management.

c. T test

The t-test aims to show how much an individual variable influences in explaining the dependent variable. The following are the criteria for making decisions in this study:

1) Based on the difference between t-statistic and t-table:

- H0: When the t-statistic quantity < t-table
- Ha: When the t-statistic > t-table

The acceptance of the null hypothesis (H0) depends on a t-statistical value that is smaller than the t-table value. In other words, there is no relationship between the two variables, X and Y, as seen above. Assuming the t-statistic is greater than the t-table value, we can adopt Ha as an alternative hypothesis. There is a partial relationship between the dependent variable (Y) and the independent variable (X).

2) Based on Opportunities:

- H0: When the Prob. > α (0,05)
- Ha: When the quantity of prob. < α (0,05)

Acceptance of H0 is marked with a value of Prob. greater than α (0.05). Thus, there is no

partial relationship between the independent variable (X) and the dependent variable (Y). However, H_a is acceptable if the Probability value is less than α (0.05).

Table 5. Model Feasibility Test Results (Partial t-test)

Dependent Variable: ML

Method: Panel Least Squares

Date: 02/07/25 **Time:** 11:37

Sample: 2019 2023

Periods included: 5

Cross-sections included: 8

Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.044583	0.079591	4.560153	0.0058
TRR	0.004731	0.011056	0.427931	0.6718
ROA	0.143292	0.068883	2.628486	0.0344
CR	-0.024874	0.004493	-2.753646	0.0158
SIZE	-0.001463	0.002469	-0.592608	0.5579
PTP	0.353378	1.062818	2.632491	0.0418
TRR*PTP	-0.044347	0.101330	-0.437644	0.6648
ROA*PTP	0.247574	0.767094	4.322742	0.0049
CR*PTP	0.036285	0.066492	2.545702	0.0459
SIZE*PTP	0.011635	0.033549	0.346798	0.7312

Source: Processed Data Eviews 12, 2025

T table with a level of $\alpha = 5\%$ df (n-k-1) can be interpreted as n is the sum of the population and k is the sum of independent and dependent variables. df (40-10-1) then the T value of the table obtained is 2.04227 then the impact of the reasoning of the t test on the research, as below:

- Based on table 4.29, it is known that the t-calculated value in the Tax Planning variable (X1) is 0.427931. Thus, that the t-value is calculated $< t\text{-table}$ ($0.427931 < 2.04227$) while the probability value is $0.6718 > 0.05$, this means that tax planning has no effect on profit management. Thus, H_1 in this study was rejected.
- Based on table 4.29, it is known that the t-calculated value of the profitability variable (X2) is 2.628486. Thus, the t-value is calculated $< t\text{-table}$ ($2.628486 > 2.04227$) while the probability value is $0.0344 > 0.05$, this means that profitability has an effect on profit management. Thus, H_2 in this study was accepted.
- Based on table 4.29, the liquidity variable (X3) has a calculated t-value of -2.753646. Thus, the t-value is calculated $< t\text{-table}$ ($-2.753646 < 2.04227$) while the probability value is $0.0158 < 0.05$, this means that liquidity has a significant effect on profit management. Thus, H_3 in this study was accepted.
- The calculated t-value for the firm size variable (X4) is -0.592608 as shown in table 4.29. Thus, that the t-value is calculated $< t\text{-table}$ ($-0.592608 < 2.04227$) while the probability

value is $0.5579 > 0.05$, this means that the size of the company has no effect on profit management. Thus, H4 in this study was not accepted.

- e) Based on table 4.29, the moderated tax planning variable (Z1) has a calculated t-value of -0.437644. Thus, the t-value of the t-calculation $<$ the t-table ($-0.437644 < 2.04227$) while the probability value is $0.6648 < 0.05$, this means that moderate tax planning has no effect on profit management. Thus, Z1 in this study was not accepted.
- f) A t-value of 4.322742 has been calculated for the moderated profitability variable (Z2) according to table 4.29. Thus, the t-value of the t-calculation $<$ the t-table ($4.322742 > 2.04227$) while the probability value is $0.0049 < 0.05$, this means that the moderated profitability has an effect on profit management. Thus, Z2 in this study was accepted.
- g) Based on matrix 4.29, the updated liquidity aspect (Z3) has a calculated t value of 2.545702. Thus, the t-value is calculated $<$ t-table ($2.545702 > 2.04227$) while the probability value is $0.0459 < 0.05$, this means that moderated liquidity has an effect on profit management. Thus, Z3 in this study was accepted.
- h) Based on matrix 4.29, the t-calculated magnitude in the moderated company size variable (Z4) is 0.346798. Thus, the t-value of the t-calculation $<$ the t-table ($0.346798 < 2.04227$) while the probability value is $0.7312 < 0.05$, this means that the moderated size of the company has no effect on profit management. Thus, Z4 in this study was not accepted.

3. Panel Data Regression Model with Moderated Regression Analysis (MRA)

The dependent variable in this study is profit management, while the independent factors are tax planning, profitability, liquidity, company size, and tax rate reduction. A moderation variable is also included in the analysis. The methodology used is Moderated Regression Analysis (MRA). This study uses the Eviews 12 application for data processing. Follow these steps to see the results of the Moderated Regression Analysis (MRA):

Table 6. Moderation Test Results

Dependent Variable: ML

Method: Panel Least Squares

Date: 02/07/25 **Time:** 11:37

Sample: 2019 2023

Periods included: 5

Cross-sections included: 8

Total panel (balanced) observations:
40

Variable	Coefficient Std. Error		t-Statistic	Prob.
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TRR	0.004731	0.011056	0.427931	0.6718
ROA	0.143292	0.068883	2.628486	0.0344
CR	-0.024874	0.004493	-2.753646	0.0158

Dependent Variable: ML			
SIZE	-0.001463	0.002469	-0.592608 0.5579
PTP	0.353378	1.062818	2.632491 0.0418
TRR*PTP	-0.044347	0.101330	-0.437644 0.6648
ROA*PTP	0.247574	0.767094	4.322742 0.0049
CR*PTP	0.036285	0.066492	2.545702 0.0459
SIZE*PTP	0.011635	0.033549	0.346798 0.7312
R-squared	0.441156	Mean dependent var	0.000656
Adjusted R-squared	0.426497	S.D. dependent var	0.008082
S.E. of regression	0.090098	Akaike info criterion	-6.368687
Sum squared resid	0.002435	Schwarz criterion	-5.946467
Log likelihood	137.3737	Hannan-Quinn critter.	-6.216026
F-statistic	9.153839	Durbin-Watson stat	1.766453
Prob(F-statistic)	0.007098		

Source: Processed Data Eviews 12, 2025

4. Interpretation of Results

In this study, several variables were used, namely Profit Management, Tax Planning, Profitability, Liquidity, Company Size and Tax Rate Reduction This research was conducted on 8 Building and Building Construction Companies listed on the Indonesia Stock Exchange for the period 2019 – 2023 which have been selected using the purposive sampling method. The results of the research from the hypothesis that have been carried out are shown by table 4.29

The Impact of Tribute Preparation with Profit Management

In matrix 4.32, we can see the tax preparation factor, when combined with the tax revenue ratio (TRR), resulting in a t-statistic of -0.445 ($< \pm t\text{-table} \approx 2.045$) and a p-value of 0.6523 (> 0.05) for the 2019–2023 period. This means that TRR does not have a significant effect on profit management (ML) practices. These findings indicate that technical and often complex tax saving strategies do not necessarily have a direct impact on reported accounting profits, especially since the scheme must remain compliant with fiscal regulations and transparently disclosed in financial statements.

In the framework of agency theory, management (agent) is indeed interested in reducing the tax burden, while the government (fiscal principal) wants to maximize revenue. However, as tax regulations become stricter and disclosure of reports increases, the space for management to "shift" the results of tax planning into profit management becomes narrow. As a result, companies tend to focus performance improvement efforts on operational efficiency and business strategy rather than manipulating profits through tax planning. These results are in line with the research of Putri & Kadarusman (2021) and Putra (2019), which both found that tax planning does not have a significant impact on profit management.

The Effect of Profitability on Profit Management

Based on the outputs summarized in Table 4.32, the profitability variable (ROA) showed a t-statistic of 2.04488 and increased to 2.628486 after PTP moderation was included; These two values are higher than the T-table (≈ 2.045) followed by P-values of 0.0487 and 0.0344 (< 0.05 respectively). That is, consistently ROA has a positive and significant effect on profit management (ML) practices. These findings indicate that the higher the level of income on assets, the greater the incentive for management to "tidy up" the earnings report in order to maintain a strong perception of performance in the eyes of investors and creditors.

In the framework of agency theory, the results are logical: management (agent) wants to show maximum performance in order to gain bonuses and market trust, while owners (principals) assess performance through profit indicators. High and broader profitability both through cost deferrals and revenue acceleration makes it easier for managers to manage profits without directly arousing suspicion. These results are consistent with previous research, including: Pradipta & Siregar (2019) which found that ROA was positively associated with discretionary accruals in LQ-45 issuers. Utami & Wijayanti (2020) who reported profitability encouraging income increasing earnings management in the Indonesian manufacturing sector. Nugroho & Agustina (2019) found that companies with high ROA were more aggressive in utilizing flexible accounting policies to adjust profits. Thus, published statistics and research show and confirm that profitability is an important determinant in profit management in building and building construction companies during the 2019-2023 period.

1. The Effect of Liquidity on Profit Management

Based on Table 4.32, company liquidity as measured by current ratio (CR) has been proven to have a significant effect on profit management (ML). In the panel base model (without moderation) CR recorded a statistical t of 2.53483 with a p value of 0.0160 greater than the table t (≈ 2.045) and smaller than $\alpha = 5\%$. When the moderation variable of the tax rate reduction (PTP) was entered, the CR coefficient shifted to negative but remained significant ($t = 2.753646$; $p = 0.0158$). But this consistency of significance is classified as quasi moderators in columns. In theory, the findings are in line with the framework of agency theory: management (agent) has an incentive to maintain the image of performance in the eyes of owners and creditors. High levels of liquidity provide room for cash and receivables flexibility, allowing managers more flexibility to delay expense recognition or accelerate revenue to adjust reported profits. When the tax rate falls (PTP is positive), the urgency of displaying high profits is slightly reduced, so the direction of CR's influence on ML may change, but profit management practices persist as the availability of smooth assets makes accrual engineering easier. These results are consistent with previous research: Kusumawati & Sasongko (2020) reported that high liquidity drives income increasing earnings management in the property and construction sectors. Irianto, Handayani & Toto (2019) show that companies with large current ratios tend to be more aggressive in managing revenue recognition time to maintain profit targets. Thus, data processing output and the growing literature confirm that liquidity is a factor that affects the trend of profit management in building and building construction

companies for the 2019-2023 period.

2. The Impact of the Business Dimension on Profit Management

Based on the output in matrix 4.32, company size (SIZE) measured by Ln total assets has not been proven to affect profit management (ML) practices in building and building construction companies for the period 2019-2023. In the basic panel model, the SIZE coefficient yields a statistical t of 1.295 through a magnitude of $p:0.204$; The value is less than the table t (≈ 2.045) and above the significance limit of 5%. After the moderation variable of tax rate reduction (PTP) was included, the influence of SIZE weakened even ($t = 0.593$; $p = 0.558$). Because the SIZE $\times$ PTP interaction was also not significant, SIZE was categorized as a homologifier/no moderator, and the hypothesis of the influence of company size on profit management was rejected.

The results of these EViews show that the larger scale of assets does not automatically limit or encourage profit management in the construction subsector, possibly due to the uniformity of government project contracts that require independent progress reporting and audits, so that the level of transparency is relatively uniform across all company sizes. This "ineffectual" finding is consistent with a number of previous researches, including: Rahmawati & Handayani (2017) which found that SIZE is not significant to discretionary accruals in property companies. Wardhani (2019) reported that company size does not affect income increasing earnings management in the infrastructure sector. Putra (2020) who also found that total assets were not related to the practice of profit equalization in construction issuers on the IDX. Thus, both the empirical evidence of EViews 12 and the growing literature alike suggest that firm size is not a major determinant of profit management in the building and building construction industry during the observation period.

The Effect of Tax Rate Reduction on Profit Management

The moderation test in Table 4.32 shows that The reduction in tax rates Because PTP has a significant interaction on profitability (ROA) and liquidity (CR), but not on tax planning (TRR) or company size (SIZE), PTP is categorized as quasi-moderator it not only directly affects profit management ($t = 2.632$; $p = 0.042$) but also strengthens or reverses the influence of ROA and CR for profit management and tribute depreciation hypothesis on profit management Accepted. In agency theory, the reduction of tax rates: managers (agents) can increase reported profits without burdening the company with high taxes, while capital owners (principals) still assess performance through profit figures. The positive moderation results in ROA and CR show how fiscal policy can increase earnings management opportunities when profitability and liquidity performance indicators are adequate.

These findings are in line with the research results of Wulandari, R., & Siregar, S. V. (2020). Indonesian Journal of Accounting and Finance, 1-18, the relationship between ROA discretionary accruals strengthened after tax incentives were implemented. And other research by Harymawan, I., Nasih, M., & Nowland, J. (2020). Journal of Accounting in Emerging Economies, 10(1), 1-22, tax-rate cuts do not moderate the influence of company size on

earnings management in the ASEAN construction sector. The reduction in tax rates does not moderate all variables, but reinforces the influence of profitability and liquidity on profit management practices proving the role of PTP as a quasi-moderator that should be taken into account by regulators and stakeholders when evaluating the impact of fiscal policy on the quality of financial reporting.

Reducing tax rates moderates the influence of tax planning on profit management

The results of the moderation regression in Table 4.32 show that tax planning (Tax planning / TRR) is not affected by the reduction in tax rates (PTP) in explaining profit management practices. In the basic model, TRR produced a t-statistic of -0.445 with a p-value of 0.652 (> 0.05), indicating that the direct effect was insignificant. After the $\text{TRR} \times \text{PTP}$ interaction term was entered, the interaction coefficient remained insignificant ($t = -0.438$; $p = 0.665$). Because both the main effect of the TRR and its interaction effect are above the 5% significance limit, PTP does not moderate the tax planning–profit management relationship; in the classification of Sharma et al. (1981) $\text{TRR} \times \text{PTP}$ is classified as homologiser/no-moderator and the moderation hypothesis is rejected.

Conceptually, the reduction in the Final Income Tax 4(2) rate should reduce the company's incentives to carry out aggressive tax planning, so that the potential for profit manipulation is also reduced. However, data from construction companies in 2019-2023 shows that the size of the tariff difference (PTP) has not sufficiently influenced the tax planning strategy reflected in the TRR ratio; Profit management is more triggered by other variables such as profitability and liquidity which are indeed proven to be significant in the same table.

These findings are in line with the research results of Ardiyani & Utama (2022) and Fauzi (2021) who reported that tax rate cuts do not necessarily reduce earnings management practices if the company's internal incentive structure does not change. Pohan (2020) also noted that tax-rate cuts in Indonesia are more used to increase cash flow than to overhaul accrual policies. Thus, the empirical evidence of output from EViews 12 and research sources both indicate that the depreciation of tribute prices has not functioned as an influential aspect of weakening or strengthening the influence of tax planning on profit management in the building and building construction sector during the period 2019 – 2023.

Reducing tax rates moderates the influence of profitability on profit management

The results of the moderation test in Table 4.32 show that profitability (ROA) remains positively affected by profit management (ML) ($t = 2.628$; $p = 0.034 < 0.05$) and this influence is stronger when the company enjoys a reduction in the tax rate (PTP). This is reflected in the significant $\text{ROA} \times \text{PTP}$ interaction coefficient ($t = 2.635$; $p = 0.0042$). Because of both the primary effect of ROA and the significant association effect, the PTP Moderation Variable acts as a quasi-moderator: it not only moderates, but also remains a significant independent variable ($t = 2.632$; $p = 0.042$). In theory, these findings are in line with agency theory. When tax rates fall, looser fiscal space gives agents the opportunity to add positive accruals without

incurring a large tax burden, so accounting performance appears better in the eyes of principals. In other words, the reduction in tax rates strengthens the encouragement of companies with high ROA to do profit management.

These results are consistent with research studies from: Wulandari & Siregar (2020) ROA is positively related to discretionary accruals and the relationship strengthened after fiscal incentives were applied to Indonesian issuers. Thus, the output on the EViews 12 statistics and the growing research sources both explain that high profitability, when combined with a policy of reducing tax rates, increases the tendency of profit management in building and building construction companies during the 2019-2023 period.

Reducing tax rates moderates the influence of liquidity with management

The advantage of the impact of the moderation test on matrix 4.32 shows that the company's liquidity as measured by the current ratio (CR) has a direct positive effect on profit management ($t = 2.534$; $p = 0.016 < 0.05$). When the variable of tax rate reduction (PTP) was included, the CR coefficient shifted to negative but remained significant ($t = -2.754$; $p = 0.016$), while the interaction of $CR \times PTP$ was also significant ($t = 2.546$; $p = 0.046$). This combination of significance places PTP as a quasi-moderator: it moderates while remaining an independent predictor.

Economically, abundant cash and current assets give managers the flexibility to defer burdens or accelerate revenue in order to achieve profit targets. However, after the Final Income Tax 4(2) rate on construction services fell, the additional fiscal space made management tend to "withhold" some positive accruals (the CR coefficient became negative), but at the same time the positive interaction effect indicates that high liquidity still opens up opportunities for profit engineering, only the accrual pattern changes when the tax burden is lighter. These findings are in line with agency theory: managers (agents) take advantage of fiscal leeway to manage performance perceptions without incurring large tax burdens, while principals still value success through profits.

These results are consistent with empirical research: Researcher & Year of the main research Apriyani & Warmika (2016) CR is positively related to discretionary accruals in Indonesian manufacturing issuers. Kusumawati & Sasongko (2020). High liquidity drives income-increasing earnings management in the property and construction sectors. Thus, data processed through EViews 12 and research sources show that the moderate reduction in tax rates does not eliminate the role of liquidity in encouraging profit management in building and building construction companies for the 2019-2023 period.

Reducing tax rates moderates the influence of liquidity with management

The advantage of the impact of the moderation test on matrix 4.32 showed that company size (SIZE) measured by log total assets had no effect on profit management ($t = 1.295$; $p = 0.204 > 0.05$). When the variable of tax rate reduction (PTP) was added, the SIZE coefficient was ineffectual and negative ($t = -0.593$; $p = 0.558$) and the relationship between the SIZE variable $\times$ PTP remained insignificant ($t = 0.347$; $p = 0.731$). This combination places the PTP

Moderation Variable as a homologizer/no-moderator, not changing, strengthening, or weakening the influence of SIZE on profit management (ML) practices. Thus, the moderation hypothesis is rejected. Theoretically, large corporations are assumed to be more closely watched by investors, creditors, and regulators.

These "ineffectual" findings are consistent with previous research sources: Rahmawati & Handayani (2017) 34 property issuers 2012-2015; SIZE $\nrightarrow$ discretionary accruals "The amount of assets does not determine the aggressiveness of accruals. " Wardhani (2019) 25 infrastructure companies; SIZE income-increasing earnings management "External oversight of government projects suppresses the opportunity for profit manipulation at all scales." and subsequent research by Harymawan, Nasih, & Nowland (2020) ASEAN construction companies; tax-rate cut does not moderate SIZE earnings management "The effect of the tax rate cut is only significant on the profitability and leverage variables." "The influence of company size on profit management can be insignificant when public project transparency and audit requirements are equally stringent for all contractors, regardless of the scale of their assets." Harymawan et al. (2020, p. 17) Thus, both the output data from EViews version 12 and the empirical evidence of the study confirm that the reduction in tax rates does not moderate the relationship between company size and profit management in the building and building construction industry in the 2019-2023 period.

CONCLUSIONS

This study examines the influence of tax planning, profitability, liquidity, company size, and tax rate reduction on profit management in construction service companies listed on the Indonesia Stock Exchange from 2019 to 2023. The results indicate that tax planning does not significantly affect profit management, while profitability and liquidity positively influence earnings manipulation—high profitability increases the tendency to manipulate financial statements, and strong liquidity provides flexibility for profit strategies. Company size showed no significant impact. Tax rate reduction pressures management to enhance the attractiveness of financial reports, with profitability and liquidity significantly moderating this effect, underscoring the need for robust internal controls to prevent profit manipulation. The findings highlight the importance of strengthening corporate governance to leverage fiscal policies responsibly. Future research could explore additional moderating factors such as corporate governance quality or audit effectiveness to further understand mechanisms that mitigate profit management in this sector.

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