



The Influence of *Tax Planning* and Company Size on Profit Management in Healthcare Companies Listed on the Indonesia Stock Exchange in 2019-2023

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ABSTRACT

This study aims to: (1) determine the effect of tax planning on earnings management in healthcare sector companies listed on the Indonesia Stock Exchange for the 2019–2023 period; (2) determine the effect of company size on earnings management in the same company; and (3) determine the simultaneous effect of tax planning and company size on earnings management during the same period. The study population consisted of 37 companies, from which 28 companies were taken as samples through a purposive sampling technique, with a total of 140 observations over 5 years (2019–2023). Data analysis was conducted using SPSS including descriptive statistics, classical assumption testing, multiple regression analysis, as well as t-tests and F-tests to test the research hypothesis. The results show that (1) tax planning has a significant effect on earnings management (t-test: t-count shows significance $p < 0.05$ so H_1 is accepted), (2) company size also has a significant effect on earnings management (t-test: significance $p < 0.05$, H_2 is accepted), and (3) simultaneously tax planning and company size have a significant effect on earnings management (F-test: F-count is significant at $p < 0.05$, H_3 is accepted).

Keywords: Tax Planning, Company Size, Earnings Management

Introduction

1. Research Background

A commercial company is an organization formed with the goal of seeking profit. Therefore, the company's founders, such as shareholders and management, will strive to increase their wealth for the company's survival. This contradicts Indonesian tax regulations, which state that the greater the income earned, the greater the amount of tax payable that the company must pay to the state. For large companies, striving to minimize tax payments is a crucial part of their financial management, an effort made through tax planning. Companies' efforts to reduce their tax burden through tax planning are permitted, provided they comply with applicable Indonesian tax regulations. Nearly every aspect of personal life and business development is affected by tax regulations. This influence is so significant that executives need to pay special attention to tax aspects.

Earnings management is an effort made by management to intervene in the preparation of financial reports with the aim of benefiting itself, namely the company concerned. This intervention effort causes financial reports no longer reflect the true condition of a company, thus creating information asymmetry, namely a condition where there is an imbalance in the acquisition of information between management as the information provider and shareholders and stakeholders (Aditama Ferry, 2016). Thus, what the company reports is as close as possible to what actually happened, both for tax reports and reports to investors (Astutik, Ratna Eka Puji and Mildawati, 2016).

earnings management by focusing on *tax planning* and company size in the healthcare industry. By considering the results of previous research and the findings of this study, it is hoped that more effective policies can be developed to reduce unhealthy earnings management practices.

A comprehensive understanding of the extent to which tax planning and firm size can be used by management to manage earnings is crucial. Uncontrolled earnings management practices can lead to losses due to a lack of quality financial information, leading to inaccurate decisions by stakeholders. Furthermore, uncontrolled earnings management can also lead to a loss of investor confidence in a company's financial information. Therefore, this research is important because it can provide empirical contributions to the accounting literature and provide recommendations to regulators, investors, and other stakeholders.

Previous research conducted by Lidya Handa Riska, Yulia Syafitri, and Meri Yani in 2024 demonstrated a significant relationship between tax planning, company size, and earnings management. However, most of this research was conducted in the industrial sector, thus differing in context from this study. Empirical studies on earnings management in healthcare companies in Indonesia are still limited. Rapid business changes, particularly in recent years, also highlight the importance of new research to understand the dynamics of earnings management practices in healthcare companies.

This research offers interesting opportunities, such as analyzing financial report data from the Indonesia Stock Exchange for the 2019-2023 period. This research could provide a more accurate picture of the prevalence and types of earnings management in the healthcare sector. It could also identify specific factors influencing management decisions regarding earnings management, such as pressure from institutional investors. Furthermore, the results could be used to develop an earnings management analysis model that would benefit stakeholders in evaluating the quality of financial reports.

Theoretical Background

1. Theoretical basis

A theoretical basis is a collection of concepts and definitions arranged in an orderly and systematic manner regarding the variables in a study. This theoretical basis serves as a strong foundation for a study, so developing an appropriate and high-quality theoretical basis is crucial in any research process.

A. Agency Theory

This theory discusses the relationship between owners (*principals*) and managers (agents).

Agency theory is used to understand and solve problems that arise when there is a lack of information when entering into contracts or agreements (Gudono, 2012: 147) in the article (Goleman, Daniel; Boyatzis, Richard; McKee, 2019). This conflict arises because of differences in goals and information held by both parties. Managers may have incentives to manage profits in ways that benefit themselves, such as reducing taxes or increasing their compensation, which may not be in line with the interests of the owners. For both parties to maximize benefits, they need to have confidence that managers (agents) do not always act in the interests of the Company's owners (principals), and the reasons for this confidence need to be well explained.

According to Jensen & Meckling (1976) in (Rengga Melda & Andriyanto, 2024), indications of agency problems can give rise to agency costs consisting of:

1. *The monitoring expenditure by the principle*, namely the monitoring costs incurred by the principal to monitor the behavior of the agent in managing the company.
2. *The bounding expenditure by the agent (bounding cost)*, namely the costs incurred by the agent to ensure that the agent does not take actions that could harm the principal.
3. *The residual loss*, namely the decrease in the level of utility or effectiveness by the principal or agent caused by the agency relationship.

The difference in interests between managers and owners in achieving the satisfaction desired by each party is the basis for the emergence of this agency theory.

B. Tax Planning

Tax is a mandatory contribution to the state owed by individuals or bodies that is mandatory based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people (LAW (UU) NO. 28 OF 2007, n.d.). The definition of tax according to the law explains that tax is mandatory and mandatory, so that anyone who deliberately ignores their obligations in carrying out taxation is considered a violation of the law. Taxes do not provide direct benefits that can be felt individually, because the funds obtained from the collection will be reallocated to the community in the form of infrastructure development and public services that can be enjoyed together by all levels of society. Taxes have flexible rules, which can change according to the times and technological advances. Both rules regarding tax rates, tax administration procedures, and other general tax provisions.

C. Company Size

Company size is a scale on which large and small companies can be classified using various methods, including total assets, log size, stock market value, and others. Large companies are more popular with analysts and brokers because their published financial reports are more transparent, thus minimizing data asymmetry that can support earnings management (Muniroh, 2016), as cited in (Sepriyuni, 2021). Another opinion from Gagaring (2011) in (Setiowati et al., 2023) also states that company size is one aspect that influences earnings management. In earnings management, there is a view that small companies are more likely to engage in earnings management to demonstrate good performance and attract investor interest. Small companies typically show positive performance because they are still in the development stage, thus maximizing their ability to attract investor attention. Conversely, large companies will be cautious in their financial reporting because they are under strict public scrutiny, which encourages them to present more accurate financial reports.

D. Lab Management

Management is defined as actions taken by company managers to increase or decrease profits in the external financial reporting process with the aim of benefiting themselves (Belkaoui, 2007:201) in (Setioningsih1 & Lubis, 2024). In the book Kieso (2011) defines earnings management as "*Earnings management is often defined as a planned timing of expenses, revenues, losses, and gains to smooth out bumps in earnings.*" This definition explains that earnings management is the practice of managing the timing of revenue, costs, losses, and gains recognition to make the income statement appear stable from period to period. This practice is carried out with the aim of creating a more consistent perception of financial performance and reducing the impact of unwanted fluctuations in the financial statements. Earnings management is not analyzed directly, many models have been developed to measure earnings

management. This model is based on the actual relationship between the company's reported profits and cash flow from the company's operations (Dewi & Rahmi, 2022).

Method

1. Types of research

Research is a scientific investigation process into a problem that is carried out in an organized, systematic manner, based on reliable, critical, and objective data that aims to find answers or solutions to one or more problems studied (Ferdinand: 2008) in the book (Wijayanti, 2015). This research uses quantitative research that has secondary data characteristics, this research will involve collecting data from a large number of companies to conduct empirical analysis. Quantitative research emphasizes theory testing through measuring research variables with numbers and conducting data analysis with statistical procedures (Wijayanti, 2015). The analytical method used is the multiple linear regression method, which simultaneously tests the influence of more than one independent variable on the dependent variable. This provides a structured and empirical approach to examining the influence of *tax planning* and company size on earnings management. This method allows for statistical testing of hypotheses and provides conclusions supported by empirical data.

A statistical method used to evaluate the relationship between one dependent variable and two or more independent variables. The goal is to identify the influence and strength of each independent variable on the dependent variable.

A . Population and Sample

1. Population

A population is the entire unit of analysis or subject that is the primary focus of a study. A population is a collection of all elements in the form of events, objects, or people with similar characteristics that become the focus of a researcher's attention and are therefore viewed as a research universe. A population element is every member of the population being observed. A population frame or sample frame is a list of all population elements from which a sample will be drawn (Wijayanti, 2015). In quantitative research, a population includes all groups of individuals, objects, or entities that meet certain criteria. The population in this study is healthcare companies listed on the Indonesian Stock Exchange, from 2019 to 2023.

2. Sample

A sample is a subset of a population, consisting of several members of the population. This subset is selected because in many cases, it is impossible for researchers to study the entire population. Therefore, a representative sample is required (Wijayanti, 2015). This study used a purposive sampling method, where the sample was selected based on certain criteria. The criteria established in this study are presented in the following table:

Table 1 Criteria Sample

No.	Criteria	Amount
1	Healthcare companies listed on the Indonesia Stock Exchange (IDX) in 2019 – 2023	37
2	Healthcare companies that did not publish financial reports on the Indonesia Stock Exchange or their respective official websites during 2019-2023	(5)
3	Companies that experienced losses in the period 2019 – 2023	(4)
Number of samples that meet the criteria		28
Number of research samples (28 x 5 years)		140

The following is a list of companies that meet the criteria:

Table 2 Company List

No	Company name	Code
1	PT. Kalbe Farma Tbk	KLBF
2	PT. Sejahterarraya Anugrahjaya Tbk	SRAJ
3	PT. Mitra Keluarga Karyasehat Tbk	MICA
4	PT. Siloam International Hospitals Tbk	SILO
5	PT. Medikaloka Hermina Tbk	HEAL
6	PT. Sido Muncul Herbal Medicine and Pharmaceutical Industry Tbk	SIDO
7	PT. Tempo Scan Pacific Tbk	TSPC
8	PT. Soho Global Health Tbk	SOHO
9	PT. Famon Awal Bros Sedaya Tbk	PRAY
10	PT. Metro Healthcare Indonesia Tbk	CARE
11	PT. Sarana Meditama Metropolitan Tbk	SAME
12	PT. Jayamas Medica Industri Tbk	OMED
13	PT. Kimia Farma Tbk	KAEF
14	PT. Prodia Widyahusada Tbk	PRDA
15	PT. Pyridam Farma Tbk	PYFA
16	PT. Bundamedik Tbk	BMHS
17	PT. Murni Sadar Tbk	MTMH
18	PT. Darya-Varia Laboratoria Tbk	DVLA
19	PT. Merck Tbk	BRAND
20	PT. Charlie Hospital Semarang Tbk	RSCH
21	PT. Itama Ranoraya Tbk	IRRA
22	PT. Penta Valent Tbk	PEVE
23	PT. UBC Medical Indonesia Tbk	LABS
24	PT. Ikapharmindo Putramas Tbk	IKPM
25	PT. Multi Medika Internasional Tbk	MMIX
26	PT. Maja Agung Latexindo Tbk	SURI
27	PT. Brigit Biofarmaka Teknologi Tbk	DRUG
28	PT. Haloni Jane Tbk	HELLO
29	PT. Pharos Tbk	PEHA
30	PT. Main Laboratory Diagnosis Tbk	DGNS
31	PT. Royal Prima Tbk	PRIM
32	PT. Cipta Sarana Medika Tbk	DKHH
33	PT. Indofarma Tbk	INAF
34	PT. Medela Potentia Tbk	MDLA
35	PT. Hetzer Medical Indonesia Tbk	MEDS
36	PT. Kedoya Adyaraya Tbk	RSGK
37	PT Organon Pharma Indonesia Tbk	SCPI

3. Classical Assumption Testing

A. Data Normality Test

A normality test is a method used to determine whether data follows a normal distribution. This test is important because many statistical analyses rely on the assumption that data is normally

distributed. Common methods for testing normality include Chi-Square, Kolmogorov-Smirnov, and Shapiro-Wilk. If data is not normally distributed, analysis results can be inaccurate, so it is important to perform a normality test before using any statistical method.

According to (Ghozali, 2018), the normality test aims to test whether the independent and dependent variables in a regression model are normally distributed or not. A good regression model has a normal or near-normal data distribution, meaning the distribution does not deviate to the left or right (a normal curve). This test uses the Kolmogorov-Smirnov test model, with the Kolmogorov-Smirnov test criterion being a probability value (sig) > 0.05 . If the data is normally distributed, if the probability value (sig) < 0.05 , the data is not normally distributed.

B. Multicollinearity Test

The multicollinearity test is a method used to detect intercorrelation between independent variables in a regression model. High intercorrelation can make it difficult to separate the influence of each variable on the dependent variable. This test is important because a good regression model should not have a high correlation between independent variables, which can be measured using the correlation coefficient, VIF, and Tolerance values. According to (Ghozali, 2018), the purpose of the multicollinearity test is to determine whether the regression model finds a correlation between the independent variables. A good regression model has a model in which there is no correlation between the independent variables. The multicollinearity test is seen from the tolerance value and the Variance Inflation Factor (VIF).

- 1.) If the tolerance value is < 0.10 and/or the VIF value is > 10 , then multicollinearity occurs.
- 2.) If the tolerance value is > 0.10 and VIF < 10 , then the regression model does not contain multicollinearity.

C. Heteroscedasticity Test

The heteroscedasticity test is a method for examining whether the residual variance in a regression model is inconsistent. The homoscedasticity assumption requires that the residual variance remain constant across the range of independent variable values. Variance instability can result in inefficient parameter estimates and biased standard errors. In this study, the Glejser test was used by regressing the absolute value of the residual against the independent variable.

According to (Ghozali, 2018), the heteroscedasticity test aims to determine whether a regression model exhibits unequal variances between residuals from one observation to another. If the probability value (sig) is greater than 0.05, heteroscedasticity does not occur.

D. Autocorrelation Test

The autocorrelation test aims to determine whether there is a correlation between the nuisance error in period t and the error in period $t-1$ (previously) in a linear regression model. Autocorrelation often occurs in regressions using scaled or time series data. A good model should be free of autocorrelation. A commonly used autocorrelation test is the Durbin- Watson model. If a correlation is present, an autocorrelation problem has occurred. According to (Marfirah & Syam, 2016), the following are the decision-making criteria regarding the presence or absence of autocorrelation:

- a. $0 < DW \text{ value} < dl$: there is positive autocorrelation
- b. $dl \leq DW \text{ value} \leq du$: no positive autocorrelation
- c. $du < DW \text{ value} < 4-du$: no autocorrelation
- d. $4-du \leq DW \text{ value} \leq 4-dl$: no negative autocorrelation
- e. $4-dl < DW \text{ value} < 4$: there is negative autocorrelation

E. T-test

According to (Mansuri, 2016) as quoted by (Wijaya, 2020) the t-test is used to examine the predicted constant to estimate the equation can describe the effect of independent variables on the dependent variable, where the t-statistic test is a partial data analysis process. The basis of this test, namely: if the significant value is smaller $< \text{Prob } 0.05$ then there is an influence of the independent variable (X) on the dependent variable (Y) or the hypothesis can be accepted. However, if the significant

value is greater than Prob 0.05 then there is no influence of the independent variable (X) on the dependent variable (Y) or the hypothesis cannot be accepted. By using the T-test, an evaluation can be carried out to what extent the influence between the independent variables on the dependent variable. This study uses a significance level of 0.05 to determine whether the effect is significant or not. If the absolute value of the T-test is greater than the critical value, then H_0 is rejected and it can be concluded that the variable has a significant effect on earnings management. Then the hypothesis is:

$H_0 1 = t > 0.05$ This means that there is no significant influence between *Tax Planning* and Profit Management.

$H_a 1 = t \leq 0.05$ This means that there is a significant influence of *Tax Planning* on Profit Management.

$H_0 2 = t > 0.05$ This means that there is no significant influence between Size Company on Earnings Management.

$H_a 2 = t \leq 0.05$ This means that there is a significant influence of company size. on Earnings Management.

F. F test

The F-test is used to determine whether independent variables simultaneously influence the dependent variable. If the F-value is < 0.05 , then the independent variables simultaneously have a significant influence on the dependent variable. The following are the criteria for making this decision:

- 1.) If the significance value $F < 0.05$, it means that Tax Planning and Company Size simultaneously have a significant effect on profit management.
- 2.) If the significance value $F > 0.05$, it means that Tax Planning and Company Size simultaneously do not have a significant effect on earnings management.

Result

1. Object Overview

The population of this study includes all companies operating in the healthcare industry listed on the Indonesia Stock Exchange between 2019 and 2023. The sampling technique used was purposive sampling, with specific criteria in mind. The research data were sourced from the companies' financial reports published on the Indonesia Stock Exchange's official website. This study utilized secondary data obtained from annual financial reports accessed through the Indonesia Stock Exchange's official website and the respective companies' official websites.

Table 3 Stages Selection Sample With Criteria

No	Criteria	Amount
1	Healthcare companies listed on the Indonesia Stock Exchange (IDX) in 2019 – 2023	36
2	Healthcare companies that did not publish financial reports on the Indonesia Stock Exchange or their respective official websites during 2019-2023	(4)
3	Companies that experienced losses in the period 2019 – 2023	(4)
Number of samples that meet the criteria		28
Number of research samples (28 x 5 years)		140

Table 4 Normality Test Results

One-Sample Kolmogorov-Smirnov Test

			Studentized Deleted Residual
N			140
Normal Parameters ^{a,b}		Mean	-0,043
		Std. Deviation	1,132

Most Extreme Differences		Absolute	0,138
		Positive	0,087
		Negative	-0,138
Test Statistic			0,138
Asymp. Sig. (2-tailed)			0,200c,d
a. Test distribution is Normal. b. Calculated from data. c. Lilliefors Significance Correction. d. This is a lower bound of the true significance.			

Sumber Data : Data Sekunder yang diolah SPSS 30.0.0

Based on the results of the table above, this normality test was conducted using the *One-Sample Kolmogorov-Smirnov Test method* on the residuals, specifically the *studentized deleted residual variable*. The *One-Sample Kolmogorov-Smirnov Test* was used to see whether the residuals of the regression model were normally distributed. The Asymp. Sig. (2-tailed) value of 0.200 indicates that the significance value is > 0.05 . This means there is insufficient evidence to reject hypothesis 0 which states that the residual data is normally distributed.

Table 5 T-Test Results

Coefficients ^a					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	14,839	0.170		87,067	0,000
Tax Planning	7,207	3,496	0.465	2,062	0.046
Company Size	0.251	0.832	0.068	0.302	0.765
a. Dependent Variable: Profit Management					

Data Source: Secondary data processed by SPSS 30.0.0

Based on the output results, *tax planning* has a significance value of 0.048, indicating a marginal effect. Meanwhile, company size has a significance value of 0.765, indicating no significant effect. In the T-test, a significance value < 0.05 is considered significant, and a value > 0.05 is considered insignificant.

Table 6 F Test Results ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.825	2	0.412	2,546	0.001 ^b
Residual	3,565	138	0.162		
Total	4,390	140			
a. Dependent Variable: Profit Management					
b. Predictors: (Constant), Company Size, Tax Planning					

Data Source: Secondary data processed by SPSS 30.0.0

Based on the output results, the F-value of 2.546 with a significance level of 0.001 indicates that the regression model formed is significant at the 95% confidence level. Therefore, both independent variables simultaneously influence earnings management.

Conclusion

This study has several limitations that require attention. First, the scope of the study was limited to one industrial sector, namely the healthcare sector. Therefore, the findings cannot be generalized to other industrial sectors listed on the Indonesia Stock Exchange. Second, the observation period used only covered five years, from 2019 to 2023. Therefore, it cannot represent long-term dynamics or significant changes due to economic regulations or fiscal policies. Third, this study only included two independent variables: *tax planning* and company size, whereas there are many other factors that could potentially influence earnings management. Furthermore, the quantitative approach used did not explore qualitative aspects that might influence managerial behavior in earnings reporting. Therefore, the results of this study should be understood as an initial contribution that can be expanded and refined. This can be done through further research with a broader scope, both in terms of object, time, and variables used.

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