Corporate Tax Policy and Earnings Quality

Deden Tarmidi[1*], Yulis Diana Alfia[1], Sekar Mayangsari[2]

[1]Universitas Mercu Buana, Jl. Meruya Selatan, Kembangan, Jakarta Barat, Indonesia

[2]Universitas Trisakti, Jakarta, Indonesia. Jl. Kyai Tapa No. 1, Jakarta Barat, Indonesia

*Corresponding author's email: deden.tarmidi@mercubuana.ac.id

ABSTRACT

This research is an experimental study to analyze the effect of tax policy in utilizing the time difference between financial statements and tax reports on the corporate earnings quality. Regression test was conducted in this study using 3 different indicators in tax policy with respect to timing differences, namely deferred tax expense (DTE), deferred tax assets (DTA) and deferred tax liabilities (DTL) on earnings quality using performance-adjusted discretionary accruals (PAccr) and discretionary revenues (DiscRev) in manufacturing companies in Indonesia. The results of this study found a negative effect of DTE on PAccr, DTL on PAccr, and DTE on DiscRev. These results explain that tax policy in the form of DTE and DTL output taken by management can reduce the quality of corporate earnings so that it has a negative impact on investors who usually use earnings information for making investment policies. These results can be another consideration for investors in analyzing the issuer's financial statements, and become input for future financial accounting and tax accounting research.

Keywords: Earnings quality, Corporate tax policy, Indonesia

DOI: 10.21467/abstracts.162 ISBN: 978-81-965621-2-0 (eBook)