The Effect of Both Earnings Management and Tax Planning To The Value of The Company With Corporate Governance As Variable Moderating

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Abstract

The primary objective of this study is to determine the impact of both earnings management and tax planning towards the value of the firm, corporate governance is measured by using score CGPI as moderating variable. This study uses purposive sampling method that generates 40 samples of company listings on the Indonesia Stock Exchange (IDX) and registered in participation Corporate Governance Perception Index (CGPI) during 2012 until 2015.

Based on the test result of regression analysis it showed that earnings management practices which is measured by using discretionary accrual shows regression coefficients of 2.557 with p-value of 0.015 or p-value is below 0.05, so it has negative impact to the value of the firm, then it can be concluded that the existence of earnings management can reduce the value of the firm. Tax planning activity is measured by using Cash_ETR which shows regression coefficients -0.956 with a p-value of 0.005 or p-value is below 0.05, which means it gives a negative impact to the value of the firm, so it can be concluded that the higher level of tax planning by management will have an impact on the declining value of the firm. Furthermore, corporate governance which is measured using the CGPI’s score is not a moderating variable between earnings management and value of the firm, showed by p-value of 0.090, whereas the relationships of tax planning and value of the firm can be moderated by corporate governance, showed by p-value of 0.024.

Keywords: CGPI’s Score, Corporate Governance, Discretionary Accrual, Earnings Management, Tax Planning, Value of the Firm

1. INTRODUCTION

The purpose of the financial statements is to provide information pertaining to financial position, firm performance, and changes in financial position that benefit a large number of users in economic decision making (Kieso, Weygant and Warfield, 2013). Therefore, it becomes important that a qualified financial report, free from all forms of engineering and in the disclosure of information in accordance with actual facts that can be used by users of financial statements as the basis for decision making. In reality, however, financial statements are often misused by management by making changes in accounting methods used, thereby impacting the amount of earnings available on financial statements that are often known as earnings management, as well as management actions to minimize or make the tax burden as low as possible, Or often known as tax planning. Both

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actions are things that are often done by management for the interests of the company itself and the interests of stakeholders.

According to the National Association of Certified Fraud Examiners, earnings management as a deliberate mistake or negligence in making financial statements regarding material facts and accounting data, is misleading when all information is used in making judgments that will ultimately lead people to read them to change their opinions or decisions. Examples of cases of profit management actions that have occurred in Indonesia one of them is PT. Kimia Farma, the company is suspected to mark up the financial statements by inflating profit of Rp 32.668 billion (Sulistyanto, 2008: 147). The phenomenon of profit management action that occurred at PT. Kimia Farma is one way to increase the value of the company. High corporate value can increase prosperity for shareholders so they will invest their capital into the company's stock (Haruman, 2008). Another way that can be used by companies to increase the value of the company is tax planning.

Tax planning generally refers to the process of engineering taxpayer transactions with the aim that the tax debt is in a minimal amount but still within the framework of applicable tax regulations, so it can be said that tax planning is a legal action as long as the action is still in the corridor tax regulations Applicable in Indonesia. Based on the realization of government tax revenue presented of Directorate General of Taxation (DGT) Ministry of Finance (Kemenkeu) recorded tax realization in October 2016 amounting to Rp 78.5 trillion. In the current year of January-October 2016 or year to date (ytd) reached Rp 870.95 trillion. That number reached 64.27 percent of the total government target of Rp 1,355.2 trillion (Liputan6.com). State revenue is still not maximized in meeting the target expected by the government, it can happen because the taxpayer or the company take action to make the tax burden paid lower.

One way that can be done to minimize the action of earnings management and tax planning is by applying corporate governance mechanisms in the system of control and management company. Given good control and governance, it will impact the loss of investor or owner perception in viewing of a company that has been considered not good and can increase the trust of investor or owner, so as to increase the value of the company. The Indonesian Institute for Corporate Governance (IICG) is one of the institutions that examines and assesses corporate governance mechanisms in a company. Information generated by IICG is Corporate Governance Perception Index (CGPI). The information has the objective of ranking the best index of companies that have implemented corporate governance and joined as participants of CGPI (financial, non-financial, SOE and BUMS) companies. The CGPI score is a hope for management and investors, because CGPI has the benefit of being a corporate evaluation of corporate governance. A good investor view of corporate governance shows the success of management in improving company performance, the better the company's performance is expected to increase the value of the company. From the description above, it can be formulated research problems as follows: (1) Does the profit management affect the company value? (2) Does the tax planning affect the company value? (3) Does corporate governance moderate the effect of earnings management on corporate value? and (4) Does corporate governance moderate the influence of tax planning on corporate value? In accordance with the Problem
Formulation, the purpose of this study is to obtain evidence empirically against the things mentioned above.

2. LITERATURE STUDY AND HYPOTHESES DEVELOPMENT

2.1. Agency Theory

Agency theory more emphasis on agency relationships between parties principals (in this case like shareholders, owners or investors) and other parties (agents or management managing properties of principals in the company). The company has the main objective of improving prosperity and prosperity of principals, therefore the presence of agents or managers of the company are required to act in accordance with the expected objectives of the principals. However, not infrequently the relationship between principals and agents cause conflict due to differences in interests. In addition, the agent or the management company has more information about the company when compared with principals, therefore it can lead to the occurrence of conditions of information imbalance (asymmetric information). Corporate Governance is one way that can be used to monitor contract issues and limit the existence of opportunistic behavior of the management company. The existence of Corporate Governance is intended to direct the information asymmetry between principals and agents to be reduced, so it is expected to minimize the practice of earnings management and tax planning.

2.2. Earnings Management

Profit management actions are conducted on the grounds to increase investor or shareholder confidence to managers. Earnings management is closely related to the acquisition of profits or business achievements in a company, because a manager is considered successful if the level of profit is as expected, and usually the manager will be given bonuses for that (Dewi, 2016). However, not always earnings management is always regarded as a negative action and harmful because of the action of manipulation of data or accounting information, earnings management can also be associated with the selection of accounting methods (accounting method) which aims to regulate corporate profits. This can be done by the management because it is permitted by accounting regulation and still within the limits of GAAP.

Some of the following patterns are often performed by managers in earnings management practices according to Scott (2015: 447), among others are as follow: (1) Taking a bath, occurs during reorganization, for example the appointment of a new CEO, (2) Income minimization, which is done with the intention of not getting attention politically when the profitability of the company is very high. (3) Income maximization, this pattern aims to maximize the manager's bonus, create a good corporate performance so as to increase the company's value, (4) Income smoothing, is done by moving profit from periods that have high profit to periods that have low profits.

2.3. Tax Planning

Tax planning is an effort made by the company's managers so that the company's expenses paid are not too high. Winanto and Widayat, (2013) explains tax planning is the process of obtaining the relevant tax factor and non tax factor material to determine whether, when, how, and with whom to conduct transactions, operations and trade relations that enable the achievement of the tax burden in tax events as low as possible and in line with the achievement of business objectives and others. Management and engineering which are carried out when conducting
tax planning aims to maximize corporate profits and minimize the tax burden. According to Lumbantoruan (2006) there are several ways that can be done by the Taxpayer to minimize the tax burden, among others are as follow:

a) Tax shifting is the transfer or transfer tax expense of the tax subject to the other party. Accordingly, the taxable person or entity is entitled not to bear the tax burden.

b) Capitalization is a reduction in the price of a tax object equal to the amount of tax to be paid later by the purchaser.

c) Transformation is a method of circumventing taxes that imposed on a company.

d) Tax evasion is the avoidance of taxes done intentionally by the taxpayer by violating the applicable taxation provisions.

e) Tax Avoidance is a taxpayer effort to minimize the tax burden by using real alternatives acceptable to the tax authorities.

2.4. Firm Value

The various policies taken by management in an effort to increase the value of the company through increasing the prosperity of owners and shareholders are reflected in the uniform price (Brigham and Houston, 2013: 9). The value of the firm is the perception of the owner or shareholder of a company, it can be measured through the price of shares paid by investors, high stock prices indicate the value of the company is also high. The high value of the company is able to increase investor confidence in the company not only in terms of company performance but also about the prospects of the company in the future. Ratio indicator used to measure company value in this research is Tobin's Q ratio.

According to Darmawati (2004), Tobin's Q ratio provides the best information, because it incorporates elements of debt, share capital and all assets of the company. By incorporating all of the company's assets, the company not only focuses on one type of investor, in this case the investor in the form of shares, but also focuses on the creditor because the source of the company's operational financing is not only from equity but also from the loan provided by the creditor. This ratio also explains that good corporate value can be viewed from both shareholders and investors.

2.5. Corporate Governance and Corporate Governance Perception Index (CGPI)

Corporate governance (CG) is a policy on the relationship between management company, shareholders and other parties who can work together to run the company's activities in order to achieve the goals of the company (goal congruence) that has been determined. Monks and Minow in Lukviarman (2016), placed the CG position in an effort to maintain the relationship between three important actors in each corporation; Owner, management and Board of Directors (or board of commissioners in Indonesia). The relationship between the three elements in the corporate governance system will provide a direction or guidance and performance of the company in accordance with the established mechanism.

Corporate Governance Perception Index (CGPI) is a program implemented by The Indonesian Institute for Corporate Governance (IICG) in collaboration with SWA magazine from 2001 until now as a form of appreciation for the initiative and result of the company's efforts in creating an ethical and dignified business.
According to IICG (2014), Corporate Governance Perception Index (CGPI) is a research program and ranking the implementation of corporate governance in companies in Indonesia through research design that encourages companies to improve the quality in the application of corporate governance concept by conducting evaluation and benchmarking as an improvement effort continuous improvement. Aspects and indicators of the CGPI assessment as described in the CGPI 2014 Report include: commitment, transparency, accountability, responsibility, independence, equity, leadership, strategy, ethics, risk, organizational capability, and value creation. The results of the CGPI rating program use assessment norms based on vulnerable scores achieved by CGPI participants with categorization of the quality level of corporate governance implementation, which can be explained as follows:

<table>
<thead>
<tr>
<th>Scores</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>55.00 - 69.99</td>
<td>Quite Trusted</td>
</tr>
<tr>
<td>70.00 - 84.99</td>
<td>Trusted</td>
</tr>
<tr>
<td>85.00 - 100</td>
<td>Very Trusted</td>
</tr>
</tbody>
</table>

2.6. Hypotheses Development

Profit information is one of the information used by investors and creditors to determine the value of the company. According to Herawaty (2008), earnings management practices are carried out because they have several reasons, among others: (1) earnings management can increase shareholder confidence to corporate managers, because company management is closely related to the level of profit and business achievement of an organization, Earnings management can improve the relationship with creditors, because by increasing profit it will give the best position in negotiating or rescheduling debt given by creditors, (3) earnings management practice can attract investor sympathy to invest its capital especially at go public company. The first hypothesis in this study:


The relationship between the value of the company and the tax planning several times has been revealed by previous research. One of them is Desai et al (2009) who predicts that tax planning arrangements can cause impairment, which occurs when managers have the opportunity to shrink the accounting earnings and taxable income statements to reduce the existence of corporate income tax liabilities. Therefore, it is not uncommon managers will cover tax planning action to shareholders. In tax planning, known term tax aggressiveness is the actions undertaken by the company to engineer taxable income, both done legally (tax avoidance) and illegal (tax evasion). The second hypothesis in this study:

H2: Tax Planning Activities Negatively Affect Company Value.

Corporate governance mechanism is a system that regulates and controls the company that is expected to increase the value of the company. The purpose of corporate value improvement is often used by managers to practice earnings management. Therefore, the existence of corporate governance mechanism in a company will limit the practice of earnings management, so as not to deviate in doing profit manipulation. Corporate governance practice in this research is
proxied with Corporate Governance Perception Index (CGPI). Then the third hypothesis in this study are:

H3: Profit Management Affects Corporate Values With Corporate Governance As Moderating Variables.

The management of the company in carrying out the tax planning function should be able to establish good communication to all shareholders regarding the realization of pre-defined planning, so that the shareholders’ trust in the company can be maintained. If the company has an information which is not communicated well or even tend to be covered up, it will cause investors will feel aggrieved and discouraged in investing in the company. With the existence of corporate governance mechanism it is expected that deviate tax planning practices and not in accordance with applicable tax laws can be avoided. This study uses Corporate Governance Perception Index (CPGI) as a proxy in the measurement. Then the fourth hypothesis in this study are:

H4: Tax Planning Affects Corporate Value With Corporate Governance As Moderating Variable.

3. RESEARCH METHODOLOGY

3.1. Data and sample

In this study, the research population is all companies that published annual reports (audited) in Indonesia Stock Exchange (IDX) during the period 2013 to 2015 and they are included in the rating Corporate Governance Perception Index (CGPI) which is a survey conducted by The Indonesian Institute for Corporate Governance (IICG).

3.2. Independent Variable (X)

3.2.1. Earnings Management (X1)

The earnings management variable in this study is proxied by discretionary accrual using the modified Jones model Dechow et. al and this model is considered better among other models in terms of earnings management measurement (Pamungkas, 2012) with the following steps:

- Determine the coefficient of the accrual total regression

\[
TA_{it}/A_{it-1} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Revit/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \epsilon
\]

- Determine nonaccrual discretionary

\[
NDA_{it} = \beta_1(1/A_{it-1}) + \beta_2(\Delta Revit/A_{it-1} - \Delta Recit/A_{it-1}) + \beta_3(PPE_{it}/A_{it-1}) + \epsilon
\]

- Calculate the value of discretionary total accrual

\[
DA_{it} = TA_{it} / A_{it-1} - NDA_{it}
\]

Where:
TA_{it} = Total accrual at period t
A_{it-1} = Total asset at period t-1
\Delta Revit = Changes in revenue / sale period t
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With Corporate Governance As Variable Moderating

PPE_{it} = Property, plant dan equipment at periode t
β1, β2, β3 = Corelation coefficient
ΔRec_{it} = Changes in net receivables in period t
NDA_{it} = Non accrual discretionary in period t

3.2.2. Tax Planning (X2)
Tax planning activities are measured by using tax avoidance formula developed by Dryeng (2008) by calculating the CASH_ETR level (Cash effective tax rate) to find out how big the company is in responding to the tax amount borne by the taxpayer. The tax avoidance formula is:

\[ \text{Cash}_{ETR, t} = \frac{\sum \text{Income tax}_{t}}{(\sum \text{pre tax income}_{t} - \sum \text{special item}_{t})} \]

where:
Cash_{ETR} = measurement of firm tax avoidance
Income tax = tax expense paid by a company
pre tax income = earnings before income tax
special item = Special items such as restructuring reserves and profits from debt repayment (Dryeng, 2008)

3.3. Dependent Variable
Dependent variable used in this research is company value. Company value can be measured by using Tobin's Q formula calculated using the following formula:

\[ Q = \frac{\text{EMV} + D}{\text{EBV} + D} \]

Where:
Q = firm value
EMV = Equity Market Value
D = Debt book value
EBV = Equity Book Value

3.4. Moderating Variable
In this research, the moderating variable between earnings management with firm value and tax planning with corporate value is corporate governance mechanism proxied by Corporate Governance Perception Index (CGPI) which is result of survey and measurement conducted by Indonesian Institute for Corporate Governance (IICG)

3.5. Regression Model
The model of multiple regression equation used in this research is as follows:
To test the hypotheses 1 (H1) and 2 (H2), this study uses the model of regression equation I as follows
\[ Q = a_0 + a_1 \text{EM} + a_2 \text{TP} + e \]  
(1)

To test hypothesis 3 (H3) and 4 (H4), this research uses regression equation model II as follows:

\[ Q = a_0 + a_1 \text{EM} + a_2 \text{TP} + a_3 \text{EM} \times \text{CGPI} + a_4 \text{TP} \times \text{CGPI} + e \]  
(2)

Where:

- \( Q \) = Firm value proxied by Tobins’Q
- \( \text{EM} \) = Earnings management proxied by discretionary accrual (DA).
- \( \text{TP} \) = Tax Planning proxied by Tax Avoidance
- \( \text{CGPI} \) = Corporate Governance proxied by Corporate Governance Perception Index scores
- \( e \) = error

4. RESULT AND DISCUSSION

4.1. Descriptive Statistic Analysis

Table 2 presents a summary of descriptive statistics for each variable used in the research model. The value of NP (Corporate Value) shows the mean of 0.7580 and the standard deviation of 0.17694, while for the minimum value of 0.23 at PT. Metropolitan Land Tbk (MTLA) in 2013 and a maximum value of 0.92 at PT. Bank Tabungan Negara (Persero) Tbk in 2013. Descriptive statistical results show that EM (Earnings Managements) has a mean value of 0.0187 and a standard deviation of 0.02822. Furthermore, at the minimum value of EM variable of 0.0004 at PT Bank Negara Indonesia (Persero) Tbk (BBNI) in 2014 and maximum value of 0.11 at PT. Tin (Persero) Tbk (TINS) in 2015.

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>NP</td>
<td>40</td>
<td>.23</td>
<td>.92</td>
<td>.7580</td>
<td>.17694</td>
</tr>
<tr>
<td>EM</td>
<td>40</td>
<td>.00</td>
<td>.11</td>
<td>.0187</td>
<td>.02822</td>
</tr>
<tr>
<td>TP</td>
<td>40</td>
<td>.14</td>
<td>.57</td>
<td>.2608</td>
<td>.07794</td>
</tr>
<tr>
<td>CGPI</td>
<td>40</td>
<td>67.55</td>
<td>93.29</td>
<td>84.4238</td>
<td>5.35422</td>
</tr>
</tbody>
</table>

Valid N (listwise) 40

The descriptive statistic of TP (Tax Planning) variable shows the minimum value of 0.14 at PT Adi Sarana Tbk (ASSA) in 2013 and maximum of 0.57 at PT Metropolitan Land Tbk (MTLA) in 2012. The average value of 0.2608 and the standard deviation of 0.07794. Descriptive statistical results on the moderator variables in this study using the score Corporate Governance Perception Index (CGPI) has an average value of 84.4238 with a standard deviation of 5.35422. Furthermore, in other descriptive statistics the minimum value shows the value of 0.6755 at PT Metropolitan Land Tbk (MTLA) in 2012, while the maximum value indicates the value of 93.29 at PT Bank Mandiri (Persero) Tbk (BMRI) Year 2015.
4.2. Regression Analysis

Testing of multiple regression statistic tests requires the testing of classical assumptions on all models of regression equations. After the classical assumption test, both equations of the regression model pass the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The next test is hypothesis test by doing R Square test, F test F and t test. In Table 3 shows the results of multiple linear regression testing for model 1, states that the value of adjusted R Square of 0.423 means the ability of independent variables in explaining the variability of the dependent variable of 42.3%, while the remaining 57.7% is explained by other variables that are not covered in this research. While simultaneous significant test results or commonly called the F test shows the value of F arithmetic for this multiple regression equation of 15.296 with a significance of 0.000. The value of significance shows a much smaller result than 0.05. Based on the results of Test F it can be concluded that Earnings Management (Earnings Management) and Tax Planning (Tax Planning) together have a very significant effect on Corporate Value.

<table>
<thead>
<tr>
<th>Model</th>
<th>Exp Sign</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td>13.301</td>
<td>,000</td>
</tr>
<tr>
<td>EM (-)</td>
<td>-.357</td>
<td>-2.557</td>
<td>,015</td>
<td></td>
</tr>
<tr>
<td>TP (-)</td>
<td>-.421</td>
<td>-3.018</td>
<td>,005</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
<td>0.453</td>
<td></td>
</tr>
<tr>
<td>Adjusted R²</td>
<td></td>
<td></td>
<td>0.423</td>
<td></td>
</tr>
<tr>
<td>F Value</td>
<td></td>
<td></td>
<td>15,296</td>
<td></td>
</tr>
<tr>
<td>Sig.</td>
<td></td>
<td></td>
<td>0.000b</td>
<td></td>
</tr>
</tbody>
</table>

Note: EM = Earnings Management; TP = Tax Planning; CGPI = Corporate Governance Perception Index. Dependent Variable: NP = Firm Value (Nilai Perusahaan).

Based on the results of multiple linear regression model-1, it can be concluded that the EM and TP variables affect the NP with the negative direction indicated by the significance value less than 0.05. Based on this result, the research hypotheses (1) and (2) are accepted. Hypothesis 1 states that earnings management practices have a positive effect on firm value. However, based on the results of the test variable earnings management has a negative impact on corporate value. Thus, the higher the company performs earnings management practices, the lower the company value. This result supports previous research conducted by Herawaty (2008), Pamungkas (2012), and Lestari (2013) stating that earnings management practices negatively affect company value. It can be argued that the firms listed in this study sample do not use earnings management practices to improve their value. Based on research Roychowdhury (2006) that profit management activities undertaken by the management company will show good performance in the short term or increase the value of the company in the not-too-distant period. However, in the next period earnings will decrease so it can cause the value of the company down in the long term.
Hypothesis 2 states that tax planning activities have a negative effect on the value of the company. Hi that means the higher the level of tax planning, the more the value of the company. The results of this study provide evidence that the market reacted negatively to companies that perform tax planning action. Tax planning action can be realized with tax avoidance activities (tax avoidance). The actions undertaken by management in tax avoidance activities on the basis of institutional monitoring may increase the value of the company, but the financial statements issued by the company may mislead investors, as they do not report the company's circumstances according to the actual conditions. The results of this study are in line with research conducted by Ilmiani and Sutrisno (2014) stating that tax evasion activities have a significant negative influence on the value of the firm.

The result of multiple linear regression test for model 2 shown in Table 4 shows the adjusted R Square value of 0.475. This proves that 47.5% of the dependent variable can be explained by the independent variable, the rest of 52.5% can be explained by factors other than the independent variable. The next test is the F test used to see whether the regression model is feasible (good fit) or not. Based on the results in Table 4, it shows that the F value arithmetic is 9.833 with a significance of 0.000. The value of significance is below 0.05, then the regression model in this study is considered feasible (good fit) or independent variables can be used to predict the dependent variable. In the multiple linear regression testing model 2 is used to test hypotheses 3 and 4. Based on the test results, hypothesis 3 rejected or corporate governance as a moderating variable does not affect the relationship between earnings management and firm value. It can be seen from p-value 0.090 or above 0.05, while hypothesis 4 is accepted with p-value equal to 0.024 or less than 0.05. It can be concluded that corporate governance as a moderating variable has an influence on the relationship between tax planning and firm value.

<table>
<thead>
<tr>
<th>Model</th>
<th>Exp Sign</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td>8.285</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>EM (+)</td>
<td></td>
<td>3.471</td>
<td>1.585</td>
<td>.122</td>
</tr>
<tr>
<td>TP (-)</td>
<td></td>
<td>-1.855</td>
<td>-3.003</td>
<td>.005</td>
</tr>
<tr>
<td>EM_CGPI (-)</td>
<td></td>
<td>-3.771</td>
<td>-1.744</td>
<td>.090</td>
</tr>
<tr>
<td>TP_CGPI (+)</td>
<td></td>
<td>1.384</td>
<td>2.360</td>
<td>.024</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
<td>0.529</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td></td>
<td>0.475</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F Value</td>
<td></td>
<td>9.833</td>
<td></td>
<td>0.000$^b$</td>
</tr>
</tbody>
</table>

Note: EM = Earnings Management; TP = Tax Planning; CGPI = Corporate Governance Perception Index. Dependent Variable: NP = Firm Value (*Nilai Perusahaan*).

The result of hypothesis 3 testing shows that the interaction between Profit Management practice and CGPI score (EM.CGPI) has no effect on firm value. The
results of this study support previous research conducted by Hidayah (2008), Partami (2015) and Sally (2015) which states that corporate governance has no effect in moderating the relationship between earnings management and corporate value. Although some companies in Indonesia have implemented corporate governance policies, the high score in the CGPI rating organized by The Indonesian Institute for Corporate Governance (IICG) does not guarantee that investors will respond positively to the event. This can be due to the market response to the implementation of corporate governance can not be directly accepted, but in the long run, so the success of corporate governance influence can not be measured if only rely on one accounting period. In other respects, the annual CGPI rating by IICG is voluntary and is not compulsory, resulting in companies that participate in the CGPI ranking annually differently (only a few companies participate in a row each year), So stakeholders will feel less confident with the CGPI rating results.

Based on the results of hypothesis testing 4 which is a test by using variable pemoderasi corporate governance indicates that these variables affect the relationship between tax planning with corporate value. This can be interpreted that the higher the CGPI score on companies doing tax planning activities, it will further increase the value of the company in the eyes of investors. It can be concluded that a high CGPI score within a company can increase the company's value even though the company is proven to conduct tax planning which in this study is proxied with tax avoidance activities. The assessment of corporate governance mechanisms conducted by The Indonesian Institute for Corporate Governance (IICG) which measures several aspects of the company such as commitment, transparency, accountability, responsibility, independence, equity, compensation and leadership will limit management behavior in conducting tax avoidance behavior. Tax avoidance activities are conducted only as a tax efficiency behavior rather than as a non compliance (Hanlon, 2009).

5. CONCLUSIONS AND LIMITATIONS

5.1. Conclusion

Based on the results of the study, it can be concluded that the first hypothesis, as we know earnings management proved to significantly influence the value of the company with a negative direction so that the practice of earnings management in the company can reduce the value of the company. The second hypothesis gives results that tax planning negatively affects the value of the company. It can be concluded that the higher the tax planning action undertaken by managers for their own interests, will have an impact on the decline of corporate value. The result of the third hypothesis shows that Corporate Governance as a moderating variable in earnings management against corporate value has no significant effect, so it can be concluded that Corporate Governance which is proxied by Corporate Governance Perception Index (CGPI) scores is not able to reduce the unconformity of interest between management with owner or holder stock. The result of the last hypothesis (H4) shows that Corporate Governance as a moderating variable from tax planning to firm value has a significant influence. This means that corporate governance proxied with high CGPI scores within a company can increase the value of a company even if it is proven to be tax planning.
5.2. Limitations
This study focuses on companies listed in the participation of Corporate Governance Perception Index (CGPI), so that the number of samples in this study is limited and make the company studied comes from various sectors.

5.3. Suggestions
1. Adding the research variable because there are still many factors that contribute in influencing the value of companies that have not been studied before, such as dividend policy, managerial ownership, company growth, capital structure and company size.
2. Using corporate governance measurement methods other than CGPI scores, this is because there are only a few of the listed companies listed on the Indonesia Stock Exchange (IDX) that can cause a small sample of research. In addition, it is advisable to focus the observations on only one sector of the firm, as the effect of moderation that serves to weaken the action of earnings management and tax planning will have a different pattern in each business sector.

References


