

ANALYSIS OF CHANGES IN INCOME TAX RATES BEFORE AND AFTER THE APPLICATION OF LAW NO. 36 IN 2008 FOR PROFIT MANAGEMEN (EMPIRICAL STUDY ON PROPERTY COMPANIES AND REAL ESTATE IN INDONESIA STOCK EXCHANGE)

Yunita Sari Rioni

Universitas Pembangunan Panca Budi, Medan, Indonesia
yunitasaririoni@gmail.com

Abstract: *This study aims to prove and analyze the presence or absence of the influence of net income on earnings management before and after the enactment of tax rate no 36 of 2008. The population in this study are property and real estate companies listing on the IDX using the Windows period technique before the change in tariffs in 2004-2008 and after the change in tariffs in 2013 - 2017. The sampling technique uses purposive sampling technique. The samples used were 15 companies that met the sampling criteria. The data analysis technique used statistical difference test of paired sample t-test with the help of SPSS 17 program. The results of this study show that there are differences in net income before and after changes in the 2008 tax rates. In conclusion, the changes in the 2008 tax rates affect earnings management from the aspect of net income. Changes in the 2008 tax rate have a negative effect on earnings management. This can be seen from the results of the negative t-test which means that with a change in the 2008 tax rate the company will minimize its profits to reduce tax payments.*

Key Words: *Net Income, Earnings Management and Changes in Tax Rates.*

1. INTRODUCTION:

Earnings management is believed to emerge as a direct consequence of the efforts of managers or financial statement makers to manage accounting information, especially earnings, for personal and / or corporate interests. According to Fahmi (2012, p. 279) "Earnings management (earnings management) is an act that regulates profits in accordance with what is desired by certain parties or especially by company management. Earnings management actions. Actually based on various goals and purposes contained therein ". Based on this understanding, it can be seen that earnings management is the behavior of managers in managing earnings in accordance with their wishes for the purposes of managerial interests. One of the factors that can influence earnings management is the policy, both the policies of the internal parties of the company and the policies of external parties such as Government regulations that are directly related to corporate financial reporting. Ard Mardiasmo (2002, p. 27) states that tax reform includes aspects of improving administration, tax modernization and tax collection procedures to avoid tax manipulation and embezzlement from both taxpayers and tax officials. Changes to the 2008 Tax Reform by charging different rates for individual taxpayers and corporate taxpayers. The Minister of Finance's decision regarding the change in the Agency's tax rate which took effect on January 1, 2009 uses a single 28% rate, lowered to 25% in 2010. It is expected that with the new tax rate, corporate taxpayers can benefit more so that revenue from corporate taxpayers increases.

2. THEORICAL BASIS:

2.1 Income tax

Income Tax (PPh) is a tax that is directly imposed on tax subjects (Individuals, Entities, Permanent Establishments (BUT)) on the income received or obtained in the tax year. Judiseno, (2005, p. 7) said: Tax is a state obligation in the form of trust and active role of citizens and community members to finance various state needs in the form of National Development whose implementation is regulated in laws and regulations for the purpose of the welfare of the nation and state.

2.2 Changes to the 2008 Tax Rate

Ratification of the Law on General Provisions and Tax Procedures in 2007 and the Law on Income Tax (PPh) in 2008 by the House of Representatives (DPR) and the President brought changes to taxation in Indonesia.

The principal changes in this tax law still hold fast to the principles of taxation that are universally adhered to, namely justice, administrative ease / efficiency, as well as the increase and optimization of state revenue while maintaining a self-assessment system. This amendment is one of the major steps undertaken to support the taxation reforms currently taking place at the Directorate General of Taxes, so that it is expected that in the medium to long term it can increase state revenues in line with increasing voluntary compliance and improving the business climate.

- 1) Facility for Changing Rates

Decree of the Minister of Finance concerning changes to the Agency's tax rates which took effect on January 1, 2009

- a) 30% single rate
 - b) Lowered to 28% in 2009, and to 25% in 2010.
 - c) For Exchange Entity Entity WP, a rate of 5% is lower than the prevailing tariff.
- 2) Facilities for UMKM
 Micro small businesses are also given attractive facilities in the form of a 50% discount on the tax rates of domestic corporate taxpayers for gross income up to 4.8 billion rupiah. Included in this group are taxpayers whose gross circulation is up to 50 billion rupiah per year. This facility is a counterweight to the facility which has so far only been enjoyed by strong economic groups and at the same time reduced the burden of taxpayers for WP UMKM bodies due to the application of the single corporate income tax rate.
- 3) Facilities for Individual People
 In this law, individual taxpayers receive a number of tax facilities, including in the form of a reduction in income tax rates, an increase in the limit of non-taxable income (PTKP), a reduction in dividend rates, and the determination of installments for certain entrepreneurs. With these facilities, it is expected that the tax savings owned can be used to improve the quality of life and increase the capital of the taxpayers. Income tax rates for individual taxpayers from 2009 remain progressive, but the taxable income layer from each of the tariff layers changes to Rp. 50 million, which was originally Rp. 25 million for the lowest layer.

Meanwhile, the highest taxable income layer also changed from Rp 200 million to Rp 500 million. Likewise for the tariff layer, the highest layer changes from 35% to 30%. The conclusion is that changes in tax rates aim to facilitate and ease taxpayers in fulfilling their tax obligations. This ease can be seen from the change in tax rates that have decreased from the highest tariff before the tax rate changes of 35% to 30% and reduced again to 28%.

2.3 Profit management

Earnings management is the manager's behavior in reporting company earnings in accordance with the manager's interests. Fahmi (2012, p. 279) said: Earnings management (earnings management) is an act that regulates profits in accordance with what is desired by certain parties or especially by company management. Earnings management actions. Actually based on various goals and purposes contained there in "

Scott (2000, p. 351) divides the way of understanding of earnings management into two. First, see it as the opportunistic behavior of managers to maximize their utility in dealing with compensation contracts, debt contracts, and political costs (Opportunistic Earnings Management). Second, by looking at earnings management from the perspective of efficient contracting (Efficient Earnings Management), where earnings management gives managers a flexibility to protect themselves and the company in anticipating unexpected events for the benefit of parties involved in the contract. Thus, managers can influence the market value of the company's stock through earnings management, for example by making income smoothing and profit growth over time.

2.4 Net Income

Net income (net income) is an indication of the success of a business entity by measuring its effectiveness and efficiency. Net income is generally seen as a basis for taxation, determination of dividend payment policies, investment guidelines, and decision making. Kuswadi (2006, p. 91) said "Net income is the amount of operating income and non-operating net income". Hansen and Mowen (2003, p. 38) say "Net income is operating profit minus taxes, interest costs, research and development costs. Net income is presented in the income statement by comparing income with costs "

2.5 Conceptual Framework

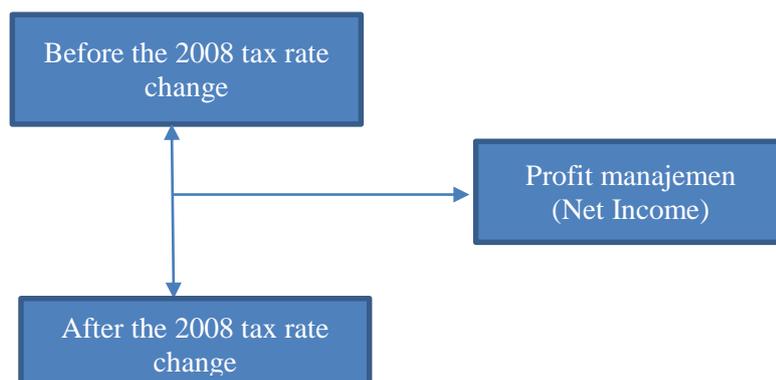


Figure 1. Conceptual Framework

3. RESEARCH METHOD:

3.1 Research Approach

In this study using a causal research approach, namely research that aims to determine the effect of one independent variable and one dependent variable. The variable to be examined is net income to earnings management before the 2008 tax rate changes

3.2 Definition of Variable Operations

Operational definition is a guide to how a variable is measured or to know the pros and cons of a study, and to facilitate understanding in discussing research. The operational definitions in this study are as follows:

1. Tax Rates before Law No. 36 of 2008

Changes in tax rates namely the establishment of progressive tax rates to fixed tax rates where before tax reform in 2008 tax collection used progressive rates ranging from 10%, 15% and 30%

2. Tax Rates after Law No. 36 of 2008

Changes in tax rates are fixed tax rates after the 2008 tax reform using a 28% fixed rate for each taxable layer.
Net Income Management

Earnings management is the selection of accounting policies by managers from existing accounting standards and can naturally maximize their utility and or the company's market value. Net income is operating profit minus taxes, interest costs, research and development costs. Net income is presented in the income statement by comparing income with costs.

3.3 Population and Research Samples

The population in this study are all property and real estate companies listed on the Indonesia Stock Exchange (IDX) since 2004 - 2008 and 2013 - 2017, amounting to 39 companies. To determine the sample size the Purposive Sampling method is used, where this method is to get sample units according to certain criteria. Based on the criteria for determining the samples that have been stated, then the sample used is as many as 15 company samples.

3.4 Data collection technique

Data collection techniques in this research use documentation study that is collecting data, which is in the form of data on the financial performance of property and real estate companies in the Indonesia Stock Exchange for the period of 2004 to 2017 obtained by researchers indirectly through internet intermediary media taken directly from the site Indonesia Stock Exchange (www.idx.co.id).

3.5 Data analysis technique

To simplify the analysis process that will be carried out, the writer will make an analysis model that the writer will do in order to answer the existing problems. To prove the hypothesis proposed in this study using different statistical test tools. Hypothesis testing uses a paired two-sample test. This different test is carried out to evaluate whether there are differences in stock prices before and after the publication of the rights issue using the SPSS-17 program (Statistical Program For Social Science) with a statistical test parametrics pired sample t-test by determining the degree of confidence of 95% and an error rate of α of 5%. Ghazali (2005, pp. 55 and 56), states:

A different t-test is used to determine whether two unrelated samples have different mean values. Different t-test is done by comparing the difference between the two average values with the standard error of the average difference of the two samples

4. RESEARCH RESULTS AND DISCUSSION:

4.1. Research Result

4.1.1 Descriptive statistics

The procedure starts by entering the research variables namely net income, debt to equity ratio, return on equity. These variables are entered into the SPSS program and produce outputs according to predetermined data analysis methods. General description of the results of the measurement of variables against the 15 sample companies is presented in the description of the data as in table as follows :

Table 1. Descriptif Statistic Net Income

	N	Minimum	Maximum	Mean	Std. Deviation
CR.sblm	60	219274.00	642911.00	64099.40	142176.28
CR.sdh	60	-21808.00	1848521.00	178469.40	281802.45
Valid N (listwise)	60				

From the calculations on the 4 years before and after the date of change in the 2008 tax rate, the statistical results are as follows:

1. The average net income before the change in the 2008 tax rate was 7641.7284 with a standard deviation of 57384.42937. The maximum value is 499612.50 and the minimum value is 47.60. This indicates that the data is quite varied and is scattered between the maximum and minimum values.
2. The average net income after changing the 2008 tax rate was 721.3854 with a standard deviation of 2867,15963. The maximum value is 24736.12 and the minimum value is 15.27. This indicates that the data is quite varied and is scattered between the maximum and minimum values.

4.1.2 Data Normality Test

The curve depicting the normal distribution is a normal curve that is symmetrical in shape. To test whether the research sample is a normal distribution type, the Kolmogorov-Smirnov Goodness of Fit Test is used for each variable. The function of testing a data categorized as a normal distribution or not is as a means of drawing population conclusions based on sample data. The significance level (α) used is 5%.

The results of the normality test using the Kolmogorov-Smirnov (K-S) test after the data were transformed are as shown in Table as below:

Table 2. One-Sample Kolmogorov Sminov Test

		Net.Income.S ebelum.Perub ahan.Tarif.LN	Net.Income.S etelah.Peruba han.Tarif.LN
N		50	49
Normal Parameters ^a	Mean	9.6523	11.4676
	Std. Deviation	2.46051	1.54196
Most Extreme Differences	Absolute	.140	.148
	Positive	.065	.099
	Negative	-.140	-.148
Kolmogorov-Smirnov Z		.987	1.037
Asymp. Sig. (2-tailed)		.284	.233

After the transformation, it turns out that all variables have fulfilled the normal distribution because the sig net income before the change in the 2008 tax rate was $0.284 > 0.05$ and the net income variable after the 2008 tax change was $0.233 > 0.05$, so this model is fit to be used parametric analysis paired sample t test

4.1.3 Hypothesis test

The difference in figures produced by the two data groups whether statistically significantly different or not using a parametric test is summarized as follows :

Table 3. Hypothesis Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Net.Income.Sebelum Per ubahan Tarif.LN - Net.Income.Setelah Perub ahan Tarif.LN	-1.45804	1.50644	.22710	-1.91604	-1.00004	-6.420	43	.000

For t-test criteria, it was conducted at $\alpha = 5\%$ with two directions (0.025). The value of t for $n = 60 - 2 = 58$ is 2.002 so the decision can be taken to accept or reject the following hypothesis:

$t_{count} = -6,420$

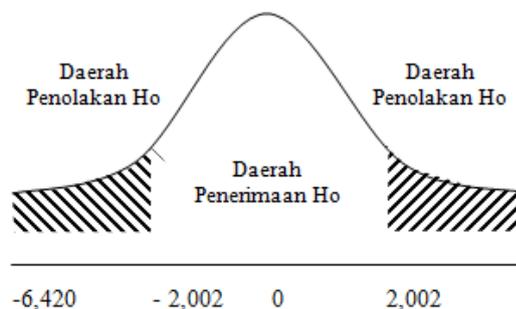
$t_{table} = -2,002$

from decision making criteria:

H_0 is accepted if: $-2.002 \leq t_{count} \leq 2.002$

H_a accepted if: 1. $t_{count} \geq 2.002$

2. $-t_{count} \leq -2.002$



From the picture above it can be seen that the value of t arithmetic $-6,420 < -2,002$ with a significance level of $0,000 < 0,05$ means that the hypothesis is accepted meaning that there is a difference between net income before changes in the 2008 tax rate and net income after changes in the tax rates in the Year Law 2008. In conclusion changes in the 2008 tax rate Act have an influence on earnings management from the aspect of net income. This is due to companies doing earnings management by utilizing changes in the 2008 tax rate Act aimed at minimizing the payment of income tax (PPh) owed.

4.2 Discussion

The results of this study support the theory put forward by Muhammad Samsul (2005, p. 200) which states: Changes in tax regulations will have an impact on the increase or decrease in taxes paid by companies. An increase in corporate income tax will burden the company and reduce net income which in the next stage can reduce share prices. An increase in sales tax can reduce sales turnover due to decreased demand for goods because consumers object to rising prices. In the end, the company's net profit will also decline. An increase in personal income tax will cause the income consumed to also decrease which in the next stage can reduce the company's sales in the aggregate

The results of this study are also in line with the results of the study of Albert and Aprilia (2011) who examined the analysis of changes in income tax rates before and after the enactment of Law No. 36 of 2008 towards earnings management. The results of his research also prove that there are significant differences in earnings management before and after the enactment of Law no. 36 of 2008. The impact of changes in tax rates for companies is very large where if the tax rate has increased the company will tend to do earnings management by minimizing income (minimisation income), conversely if the tax rate changes have decreased then the company will be more comfortable reporting all profits usually called (maximization income) .

5. CONCLUSION:

From the results of the study it can be concluded that there are differences in net income before and after changes in the 2008 tax rate Act. In conclusion the 2008 tax rate changes affect earnings management from the aspect of net income. Changes in the 2008 tax rate have a negative effect on earnings management. This can be seen from the results of the negative t-test which means that with a change in the 2008 tax rate the company will minimize its profits to reduce tax payments.

Based on the conclusion above, the researcher tries to give the following advice: 1). Capital market participants, especially investors, are expected to be more sensitive to various activities on events that directly or indirectly affect the company's earnings management because this will overall affect the expected profits of investors; 2). The author realizes that this research still has many shortcomings, especially due to the limitations of the relatively small sample size. Therefore, researchers suggest that if there are further similar studies, it is better to pay attention to this by adding samples and extending the observation period.

REFERENCES:

1. Anggito Abimanyu (2003), Sekilas Modernisasi Administrasi Perpajakan, jurnal penelitian, www.google.co.id.

2. Albert dan Aprilia (2011), Pengaruh Perubahan Tarif Pajak Penghasilan Sebelum dan Sesudah Berlakunya UU No. 36 Tahun 2008 Terhadap Manajemen Laba (Studi Empiris Pada Perusahaan Primary Sector dan Service Sector Di Bursa Efek Indonesia). Jurnal Akuntansi STIE MDP.
3. Dechow, P.M., and R.G. Sloan.(1996).”Executive Incentives and the Horizon Problem:an Empirical Investigation”, Journal of Accounting and Economics 14: 51-89
4. Ety Rochaety, Ratih Tresnati dan H. Abdul Madjid Latief, (2007). ”Metodologi Penelitian Bisnis Dengan Menggunakan Aplikasi SPSS”, Mitra Wacana Media, Jakarta.
5. Ghozali Imam, (2005), Aplikasi Analisis Multivariate dengan Program SPSS, Badan Penerbit Universitas Diponegoro, Semarang
6. Ifonie (2012), Analisis Manajemen Laba Perusahaan Manufaktur di BEJ. Skripsi UII
7. Judisseno Rinsky K. (2004). Pajak & Strategi Bisnis, Suatu Tinjauan Tentang Kepastian Hukum dan Penerapan Akuntansi di Inonesia. Penerbit PT. Gramedia Pustaka Utama, Jakarta.
8. Mardiasmo, (2002). Perpajakan, Edisi Revisi. Penerbit Andi, Yogyakarta.
9. Mohammad Samsul, (2006). Pasar Modal dan Manajemen Portofoli. Jakarta: Erlangga
10. Resmi Siti (2008), Perpajakan Teori dan Kasus, Edisi empat, Salemba Empat, Jakarta.
11. Singgih Santoso, (2006), Buku LatihanSPSS Statistik Parametrik, PT. Elex Media Komputindo, Jakarta.
12. Slamet Sutrisno, (2001), Manajemen Keuangan: Teori, Konsep dan Aplikasi, Jakarta : Edisi pertama, Ekonisia
13. Undang-Undang No.17 Tahun 2000, Perubahan Tarif PPh Badan. Jakarta: Departemen Keuangan RI.
14. Undang-Undang No.36 Tahun 2008, Perubahan Tarif PPh Badan. Jakarta: Departemen Keuangan RI.
15. Wiwik Utami (2005), Pengaruh Manajemen Laba Terhadap Biaya Modal Ekuitas (studi pada perusahaan publik sektor manufaktur). Solo : SNA VIII
16. [http ://www.bei.co.id](http://www.bei.co.id), 2013 Bursa Efek Indonesia, data dan laporan keuangan perusahaan.