

The Effect of Tax Avoidance on the Quality of Financial Statements of Infrastructure Companies Listed on the IDX in 2022–2024

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Abstract: This study examines the effect of tax avoidance on the quality of financial statements of IDX infrastructure companies for 2022-2024. Tax avoidance is measured by CETR and BTD. A sample of 24 companies with a total of 72 observations, was analyzed by regression of REM panel data. Results: CETR (prob. 0.5068) and BTD (prob. 0.9712) had no significant effect on profit management, either partial or simultaneous ($F=0.721$). Adjusted R^2 -0.019. Conclusion: tax avoidance has not been proven to have a significant effect on the quality of the financial statements of infrastructure companies for the 2022-2024 period. This study contributes as empirical evidence that the influence of tax avoidance on profit management is contextual and not universal.

Keywords: Tax Avoidance, CETR, BTD, Financial Statement Quality

Abstract: Penelitian ini mengkaji pengaruh penghindaran pajak terhadap kualitas laporan keuangan perusahaan infrastruktur yang terdaftar di IDX selama periode 2022 hingga 2024. Penghindaran pajak diukur menggunakan CETR dan BTD. Sebuah sampel yang terdiri dari 24 perusahaan dengan 72 pengamatan dianalisis menggunakan regresi data panel REM. Hasil: CETR (prob. 0,5068) dan BTD (prob. 0,9712) tidak memiliki pengaruh yang signifikan terhadap manajemen laba, baik secara parsial maupun secara simultan ($F=0,721$). R^2 yang disesuaikan adalah -0,019. Kesimpulan: Penghindaran pajak tidak terbukti memiliki pengaruh yang signifikan terhadap kualitas laporan keuangan perusahaan infrastruktur untuk periode 2022–2024. Penelitian ini berkontribusi sebagai bukti empiris bahwa pengaruh penghindaran pajak terhadap manajemen laba bersifat kontekstual dan tidak universal.

Kata kunci: Penghindaran Pajak, CETR, BTD, Kualitas Laporan Keuangan

INTRODUCTION

Corporate tax collection often encounters obstacles because there are differences between the government and the company. The government will always maximize tax revenue from companies while companies strive to minimize tax payments because they are considered to reduce the company's net profit. The way companies use to reduce the tax burden is through tax avoidance. Although legal, tax avoidance can result in losses for the government because it reduces state tax revenue. Data from the Tax Justice Network 2020 report shows that Indonesia suffered losses of 67.6 trillion rupiah due to corporate tax evasion (unairnews, 2024). One of the factors that can affect the occurrence of tax avoidance practices is corporate social responsibility itself or also known as Corporate Social Responsibility (CSR). Companies with good CSR will carry out CSR programs well and according to the needs of the surrounding environment. (Dayani & Suryandari, 2020)

Information received from the coordinating minister for maritime affairs and investment, Luhut Binsar

Pandjaitan, and the head of the agency supervision and development (BPKP) Muhammad Yusuf Ateh. President Prabowo has pocketed 300 companies suspected of tax evasion, mostly from the oil palm plantation sector. This problem has a direct impact on state revenue, oil palm plantations are an important sector for Indonesia, so tax evasion on a large scale like this can significantly harm the country, especially in the development and welfare of the community (Nasly, 2024).

Departing from these problems, good company financial statements are not necessarily of high quality. The quality of the financial statements themselves is very important for stakeholders or *Squirrel* Because financial statements are the main source of information about a company's financial performance and position. *Stakeholder* want a level *Leverage* while the management wants a low *Leverage* high because *Leverage* which will incur an interest burden from the taxpayer borne by the company where this burden will minimize the amount of income tax payable (Dayani & Suryandari, 2020). Therefore, the quality of financial statements is

indispensable for every company which can be characteristic for investors to help in decision-making (Regulation of the Minister of Health, 2017).

The construction sector contributes 9.48 percent to the Gross Domestic Product (GDP) in the second quarter – 2025 (Ayu, 2025). The infrastructure sector has the characteristics of very massive fixed assets, such as roads, bridges, ports, airports, and power grids. This condition opens up opportunities for management to manage profits through depreciation policies. Management may change the estimated useful life of an asset, a straight-line depreciation method or a decreasing balance, or residual value to affect the magnitude of the reported depreciation expense. Infrastructure assets are of very large value, even small changes in the depreciation estimate have a material impact on the financial statements.

Previous research on the influence of tax avoidant was conducted by Sari Intan Fitria (2025) on the infrastructure sector. The study uses a complex model involving three independent variables (*Tax Avoidance, leverage, profitability*)

The results of the research show that *profitability* and *leverage* have a significant positive influence on *tax evaindant* practices while *capital intensity* show significant negative influences. These findings are different from the results of research conducted by Prata and Narsa (2022), the results of their research found a positive relationship between tax avoidance and the clarity of financial statements. Similarly, the absence of a relationship between tax avoidance and the quality of financial statements was found in a study conducted by Daun and Saputra (2023).

The urgency of this research is that there is a gap from previous research that has not fundamentally discussed the direct relationship between tax avoidance and the quality of financial statements. The research was conducted by analyzing the financial statements of infrastructure companies listed on the IDX. This research will provide a purer basic understanding of whether *Tax Avoidance* really affects the financial statements of infrastructure companies in Indonesia. The results of this study are expected to be the foundation for future studies that want to develop more complex models.

The formulation of the problem in this study is that it is not clear the direct effect of tax avoidance on the quality of financial statements in infrastructure companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. So the purpose of this study is to prove whether tax avoidance has an effect on the quality of financial statements in infrastructure companies listed on the IDX for the 2022-2024 period. And tested the pure influence of tax avoidance on financial statements that were not yet known on the complex model of previous researchers.

This research is expected to enrich the literature in the field of accounting, especially regarding the relationship between *Tax Avoidance* and profit management in infrastructure sector companies. It can be an evaluation in the preparation and supervision of policies related to taxation and the quality of financial statements for DGT and OJK regulators. Provide information on the quality of the company's financial statements related to *Tax Avoidance* and profit management so as to assist investors in making decisions. Increasing management's awareness of the impact

of *tax avoidance* practices on the credibility of financial statements and the trust of external parties of the company. This research can also be used as a basic reference for development for future research, especially related to *Tax Avoidance*, profit management or other relevant variables.

LITERATURE REVIEW

Agency Theory

The theory proposed by Jensen and Meckling (1976) formed the theoretical basis known as the principal-agent relationship (Talitha, 2025). This theory of agency describes the relationship of interest between the owner or shareholder (principal) and management (agent) in terms of delegating decision-making authority to the agent, to carry out the principal's wishes (Old, 2023). This separation of functions between ownership and control is the main feature of agency relationships.

This separation creates a conflict of interest, where the agent tends to prioritize personal interests such as bonuses and short-term targets, while the principal wants the optimal return on investment (Talitha, 2025). The

conflict also extends to the relationship of the company with the government, where the government as the principal is entitled to tax revenue, while the company as an incentive agent minimizes the tax burden (Reyhan Herwanda, 2024).

This condition is exacerbated by information asymmetry, namely inequality of access to information between management, shareholders and the government (Purba, 2023). This information asymmetry gives room for management to take self-benefit actions at the expense of the principal's interests.

In this study, agency theory is the basis for explaining the relationship between *Tax Avoidance* and profit management. Management has the opportunity to perform profit management by engineering accruals to increase profits to meet targets, while taking advantage of tax avoidance loopholes to lower corporate taxes. Both use the same instrument, namely discretionary accrual, so companies that are aggressive in taxation tend to be aggressive in financial reporting (Fitria, 2025).

Thus, agency theory is the basis for explaining the relationship between *Tax Avoidance* affects the quality of financial statements in this study.

Tax Avoidance

Tax avoidance is a part of tax management to minimize the tax burden in general by taking advantage of loopholes in tax regulations (IAI, 2015). Hanlon and Heitzman (2010) defines tax avoidance as an activity that lowers the company's explicit tax. Although there are no general rules regarding tax avoidance, the KUP Law Articles 38, 39, and 41A are the main basis for tax authorities to reject tax deductions that have no actual economic substance (IAI, 2023), in theory this is also considered legal because it only optimizes gaps in the laws and regulations (Herianti & Marundha, 2024).

In contrast to tax evasion which is illegal, this strategy has the same goal of minimizing the tax burden only by going against the applicable tax provisions and laws (IAI, 2015).

This study uses *Cash Effective Tax Rate* (CETR) and *Book-Tax Differences* (BTD) to measure tax avoidance. The

following is the formula for CETR and
BTD, namely:

$$CETR = \frac{Pembayaran Pajak}{Laba Sebelum Pajak}$$

$$BTD = Laba Sebelum Pajak - \left(\frac{Beban Pajak Kini}{Tarif Pajak} \right)$$

This ratio was chosen because it reflects the practice of tax avoidance to profit management which affects the quality of financial statements.

Profit Management

Schipper (1989) stated that profit management is the deliberate intervention of managers in the financial reporting process with the intention of obtaining personal profits, this is reinforced by Healy and Wahlen (1999) who said that management uses considerations in compiling transactions to change financial statements, either misleading or affecting the accounting figures in it (Gokhale and Pillai, 2024).

The driving factor for management to adjust profits is due to the contractual relationship with stakeholders. Based

on previous research, the main motivations that drive profit management practices include:

1. Motivation Bonus

The existence of offers of rewards such as extra money or bonuses to the opportunity to buy shares at a low price is the motivation for them to participate in profit management activities (Hammam et al., 2023).

2. Debt Contract Motivation

For companies with high levels of debt, profit management becomes profitable in order to get low costs to borrow money, avoid penalties and stay within the limits of creditor terms (Francis, et.al, 2026).

3. Capital Market Motivation

In order to increase competition in the capital market, profit management is also used to show and maintain the company's performance (Dechow, et al., 1996).

4. Tax Motivation

In the existence of tax obligations, management uses incentive rights to minimize tax burden for the benefit of both individuals and companies (Hanlon & Heitzman, 2010)

Based on the techniques used, profit management is divided into three types. *First*, accrual-based profit management (*accrual-based earnings management*) that utilizes discretion in accounting estimates such as depreciation, uncollectible receivables reserves, and revenue recognition. This technique is difficult to detect because it is still in the corridor of accounting standards, but it is *reversible* (should be restored in the future) (Dechow et al., 2000). *Second*, real profit management (*Real Earnings Management*) which is defined by Roychowdhury (2006) as management actions that deviate from normal business practices with the aim of misleading stakeholders into believing that profit targets have been achieved. This technique includes providing massive discounts, delaying research and development (R&D) expenditures, and selling fixed assets, and the impact is more damaging to the company's long-term value than accrual profit management. *Third*, *Classification Shifting*, i.e. moving cost or revenue components between categories to affect a certain profit figure, for example classifying operating expenses as non-operating expenses to make operating profits appear higher (McVay, 2006).

To measure profit management, this study used the Modified Jones Model developed by Dechow, Sloan, and Sweeney (1995) as an improvement over the Jones model (1991). This model separates total accruals into two components: non-discretionary accruals (which are normal) and discretionary accruals (which reflect engineering). Total accruals are calculated using the following cash flow statement approach (Fiquriansyah et al., 2024):

$$TAC = Laba\ bersih_{it} - Kas\ operasi_{it}$$

To obtain the regression coefficient, the following equation is used:

$$\frac{TA_{it}}{A_{it}} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right) + \varepsilon$$

Once the regression coefficient is obtained, the non-discretionary accrual (NDA) is calculated as follows:

$$NDA_{it} = \beta_1 \left(\frac{1}{A_{it-1}} \right) + \beta_2 \left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta Rec_{it}}{A_{it-1}} \right) + \beta_3 \left(\frac{PPE_{it}}{A_{it-1}} \right)$$

Furthermore, the discretionary accrual (DA) that is the profit management proxy is calculated by the formula:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

Description:

DA_{it} = Discretionary Accruals of the company i in the period of the year t

NDA_{it} = Nondiscretionary Accruals of companies i in the period of year t

TA_{it} = Total accrual of the company i in the period of year t

NI_{it} = The company's net profit in the period of year t

CFO_{it} = Cash flow from the company's operating activities i in the period of year t

A_{it-1} = Total assets of the company i in the period of year t-1

ΔRev_{it} = Company revenue i in year t minus company income I in year t-1

PPE_{it} = Property, factory, and equipment of the company i in the period of year t

ΔRec_{it} = Company I receivables in year t minus company income I in year t-1.

ε = Error

Modified Jones Model has advantages over other models. *First*, by subtracting the change in accounts receivable (ΔREC) from the change in revenue (ΔREV), the model is able to capture the profit management practices carried out through increased credit

sales at the end of the period that were not detected by the Jones model (Dechow et al., 1995). *Second*, fixed asset (PPE) variables are included as controls to accommodate depreciation expenses that are non-discretionary. *Third*, the entire variable is scaled by the previous year's total assets (A_{it-1}) to reduce heteroscedasticity issues in the data. *Fourth*, this model becomes *Benchmark* in profit management research globally and has been used in various studies in Indonesia, including Fitria (2025) in the infrastructure sector and Herwanda and Frimansyah (2024) in the manufacturing sector.

Quality of Financial Statements

In KBBI, quality is defined as the level of good or bad of something, level, degree, or level. while financial statements based on PSAK No. 1 are defined as the presentation of structured information on the financial position and performance of a company (IAI, 2015). The information must meet two characteristics, namely fundamental and enhancing qualitative characteristics, where relevance and proper representation are fundamental qualitative parts that must both be able to influence user decisions and ensure completeness,

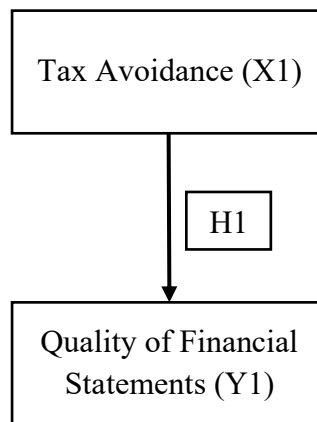
neutrality, and freedom from material errors. In addition to these two characteristics, the presentation of financial statements must also be comparable, verifiable, timely, and understandable according to the qualitative characteristics of the improvement (IAI, 2019). This characteristic is the main benchmark for assessing the quality of financial statements and the feasibility of unbiased information.

Profit management is an important issue in relation to the quality of financial statements, many researchers use this profit management as a proxy for the quality of financial statements because profit is a reflection of the company's condition such as research Fraditya and Purwaningsih (2023) who found *Level Accrual Earnings Management* negative effect on the earnings quality of manufacturing companies listed on the Indonesia Stock Exchange. Healy and Wahlen (1998) explained that profit management is carried out with consideration to change financial statements which can ultimately mislead external parties. In line with that, this has an effect on the high manipulation of accruals because it

causes low profit quality, which means that the higher the profit management, the lower the quality of financial statements (Dechow, et al., 2000).

Conceptual Framework

Figure 1. Conceptual Framework



Source: Data processed by the author, 2026

Hypothesis Development

The hypothesis of this research is the effect of tax avoidance on the quality of financial statements. The high level of intensive management of conflicts of interest to carry out tax avoidance and profit management will cause information asymmetrical (Old, 2023). Based on research Jananto and Firmansyah, (2019) who found that the more aggressive the company was in tax evasion, the more aggressive the manipulation of financial statements was carried out. This is supported by

the results of a study from Herwanda (2024) and Fitria (2025) shows that tax avoidance has a positive effect on the quality of financial statements.

H1: Tax Avoidance has a significant effect on the Quality of Financial Statements.

Methodology

Research Design

The design of this study uses quantitative methods with secondary data. According to Rusydi A. Siroj, at all (2024) Quantitative methods involve the collection and analysis of data based on numbers, which allows researchers to investigate phenomena and relationships between variables with a structured scientific approach. This approach was chosen because the data used is in the form of numbers that can be measured and analyzed statistically. The goal of the quantitative approach is to test hypotheses and find out the relationships between variables objectively. In this study, a quantitative approach was used to measure how much tax avoidance affects the quality of financial statements.

The type of data used in this study is secondary data. The secondary data

source in this study comes from the annual financial statements of infrastructure companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. The financial statements are accessed through the official website of the IDX (www.idx.co.id) or the company's official website.

This research is causal, which aims to determine the cause-and-effect relationship between two or more variables. In this study, tax avoidance plays a role as a cause (independent variable) that is suspected to affect the outcome (dependent variable), namely the quality of financial statements.

Population and Sample

The population used in this study is infrastructure companies listed on the IDX as many as 70 companies for the 2022-2024 period. The sampling technique used is *purposive sampling* with the sampling criteria in table 3 below:

Table 3. Population and Sample

Yes	Criteria	Not Meeting the Criteria	Meet the Criteria
1	Infrastructure sector companies listed on the IDX	-29	41

	consecutively for the 2022-2024 period		
2	Publish audited annual financial statements as of December 31	-29	41
3	Financial statements in Rupiah	-32	38
4	The company had a positive profit during the research period	-33	37
5	Have complete current tax expenditure data in the Notes on Financial Statements	-34	36
6	Data is available complete to calculate all variables (Cash ETR, BTID, and Modified Jones)	-36	34

Number of companies that meet the criteria during 2022-2024 (24 companies x 3 years)	72
Number of research samples	72

Source: Data processed by author, 2026

Variable Operational Definition

Variable operational is a definition to describe research that contains indicators of each specified variable (Abi Melin Monitaria, 2021). This study uses two proxies for independent variables (Tax Avoidance) and one proxy for dependent variables (Financial Statement Quality):

Table 4. Variable Operational Definition

Variable Proxy Names and Types	Definition	Parameters	Scale (interval and ratio)	Interpretation
Profit Management (Y)	Profit management is defined as management's efforts in regulating, compiling, and using its authority over financial statements, which can mislead <i>stakeholders</i> in assessing the quality of financial statements with an influence on the	$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$	Ratio	The higher the DA value, the higher the level of profit management carried out by the company, which means that the lower the quality of the company's financial statements

	numbers in financial statements			
Cash Effective Tax Rate (X1)	CETR is a proxy that measures the effective tax rate based on taxes actually paid (cash out) compared to pre-tax earnings. CETR reflects the company's actual cash tax burden and long-term tax avoidance strategy	$CETR = \frac{\text{Pembayaran Pajak}}{\text{Laba Sebelum Pajak}}$	Ratio	The lower the CETR value, the higher the indication of the company to tax avoidance, because the company manages to reduce tax payments relative to the profit generated
Book Tax Differences (X2)	BTD is a proxy that measures the difference between accounting profit (commercial profit) and fiscal profit. A large BTD indicates the practice of tax avoidance through accrual engineering and the use of permanent and temporary differences between	$BTD = \text{Laba Sebelum Pajak} - \left(\frac{\text{Beban Pajak Kini}}{\text{Tarif Pajak}} \right)$	Rupiah	The higher the BTD (positive) value, the greater the difference between commercial profit and fiscal profit, which indicates the higher the practice of tax avoidance.

accounting
standards and tax
regulations

Data Collection Techniques

The data collection technique is carried out through secondary data, namely the annual financial statements of the sample company. This annual report is used to gather the information needed in the research, i.e. taxes paid and profit before tax to calculate CETR, current tax expense to calculate BTDR, as well as net profit, operating cash flow, total assets, sales, accounts receivable, and fixed assets to calculate profit management with the Modified Jones model.

Data Testing Analysis

The data test analysis technique used is *Eviews software* with a panel data regression model, to see the impact or influence of independent variables on dependent variables. The tests are carried out through descriptive statistical tests, classical assumption tests, partial tests, and simultaneous tests. Panel data regression equations used in testing research hypotheses, including:

$$DA_{it} = \alpha + \beta_1 CETR_{it} + \beta_2 BTDR_{it} + \varepsilon_{it}$$

Description:

THE TRUTH : Management of the company's profits *i* in year *t* (value discretionary accruals)

CETR_{it} : Cash effective tax rate of the company *i* in year *t*

BTDR_{it} : Book tax difference company *i* in year *t* (in rupiah)

α : Constant

β_1, β_2 : Regression Coefficients

ε : Error

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive analysis is used to find out the explanation of a data for each variable as seen from the maximum value, minimum value, mean value, and standard deviation value.

Table 5. Descriptive Statistical Results

	Y	X2	X1
Mean	-0.657066	2.08E+11	2.177827
Median	-0.274013	7.56E+10	0.330771
Maximum	94.54540	4.45E+12	40.71010
Minimum	-93.80926	-5.75E+12	0.000000
Std. Dev.	16.30179	1.08E+12	6.410265
Skewness	0.072546	-1.311027	4.292142
Kurtosis	32.05496	17.08814	22.47151
Jarque-Bera	2532.636	616.0529	1358.489
Probability	0.000000	0.000000	0.000000
Sum	-47.30876	1.50E+13	156.8035
Sum Sq. Dev.	18868.13	8.33E+25	2917.496
Observations	72	72	72

Source: Processed Data Eviews 2013

Based on the data presented, it is known that the average value of variable Y (Profit Management) is -0.657066 with a standard deviation of 16.30179. Based on this data, the average Profit Management variable (Y) of 0.657066 indicates the average tendency of companies to carry out profit management practices that reduce profits (income decreasing). However, the standard deviation value of 16.30179 indicates that the data spread is very high, far exceeding the average value. This indicates that there is a large variation between companies, where some companies show positive values (increasing profits) and others negatively (decreasing profits).

The mean variable X2 (BTD) is 2.08E+11 with a standard deviation of 1.08E+12. The mean value of BTD which is much smaller than the standard deviation indicates that the distribution of data is very high and there are extreme values (outliers) that dominate the variation, so that the average is less representative to describe the population in general.

The mean variable X1 (CETR) is 2.177827 with a standard deviation of 6.410265. The mean value of the CETR that is smaller than the standard deviation indicates a wide and varied distribution of data, with the possibility of significant outliers, so that the average is less representative of the overall data.

The maximum value of Y (Profit Management) reached 94.54540, while the minimum value was -93.80926, indicating considerable variation in the data. Meanwhile, the maximum value of X2 (BTD) is 4.45E+12 and the minimum is -5.75E+12, and for X1 (CETR) the maximum value is 40.71010 and the minimum is 0.000000. The results of the Jarque-Bera test for the three variables showed a probability value of 0.000000, which indicates that the data is not normally distributed.

And the number of observations for each variable is 72.

Estimation Model Determination between Common Effect Model (CEM) and Fixed Effect Model (FEM) with Chow Test

To determine whether the CEM or FEM estimation model is used in forming a regression model, the Chow Test is used. The hypotheses tested are as follows:

H0: The CEM model is better than the FEM model.

H1: FEM models are better than CEM models

The following are the results based on the chow test using Eviews 13.

Table 6. Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.031729	(23,46)	1.0000
Cross-section Chi-square	1.133289	23	1.0000

Source: Eviews 13 processed data

The decision-making rules for the hypothesis are as follows: If the probability value of the cross-section Chi- square < 0.05 , then H0 is rejected and H1 is accepted. If the probability value of the cross-section Chi-square ≥ 0.05 , then H0 is accepted and H1 is

rejected. Based on the results of the Chow test in Table 6, it is known that the probability value is 1,000. Because the probability value is $1,000 > 0.05$, the estimation model used is the CEM model.

Estimation Model Determination between Fixed Effect Model (FEM) and Random Effect Model (REM) with Hausman Test

To be able to determine the model chosen between FEM and REM in forming a regression model, the Hausman test is used. The following are the results based on the Hausman test using Eviews version 13.

Table 7. Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.180777	2	0.9136

Source: Eviews 13 processed data

Based on the results of the Hausman test in Table 7, it is known that the probability value is 0.9136. Because the probability value is $0.9136 > 0.05$, the estimation model used is a random effect model (REM).

Estimation model between Common Effect Model (CEM) and Random Effect

Model (REM) with Lagrange Multiplier Test

To be able to determine the model chosen between FEM and REM in forming a regression model, the Lagrange Multiplier test is used. The following are the results based on the Hausman test using Eviews version 13.

Table 8. LM Test Results

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	16.58280 (0.0000)	0.017256 (0.8955)	16.60006 (0.0000)

Source: Eviews 13 processed data

Based on the results of the Lagrange Multiplier test in Table 8, it is known that the probability value is 0.0000. Because the probability value is $0.000 > 0.05$, the estimation model used is a random effect model (REM).

Based on the three types of model selection that were tested, the model that was bred was the REM model, so the mode chosen for the next test was the REM model.

Table 9. Model Selection Results

Testing	EMC	REM	FEM	Remarks
Chow Test	V			EMC

Hausman Test		V		REM
LM Test		V		REM

Source: Data processed by the author, 2026

Multicollinearity Test

According to Widarjono (2010), multicollinearity refers to the existence of a linear relationship between independent variables in multiple regression. This test aims to detect correlations between each of the independent variables. An ideal regression model should not contain correlations between independent variables (Ghozali Imam, 2005). If these variables are correlated with each other, then they are not orthogonal. An independent variable is said to be orthogonal if the correlation value between independent variables is equal to zero (Ghozali Imam, 2005).

Table 10. Multicollinearity Test Results

Covariance Analysis: Ordinary
Date: 05/10/26 Time: 18:05
Sample: 2022 2024
Included observations: 72

Correlation	Y	X2	X1
Y	1.000000		
X2	-0.000146	1.000000	
X1	-0.097016	-0.052761	1.000000

Source: Eviews 13 processed data

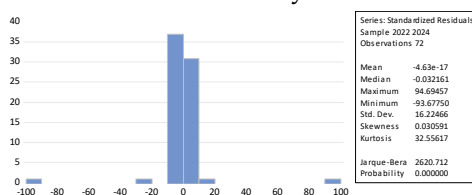
Based on the results of the multicollinearity test, it is known that the correlation value between

variables x is $0.052 < 0.9$, so multicollinearity does not occur.

Normality Test

In this study, the tool used to conduct the normality test is by using the Jarque Bera with a histogram normality test. If the lines formed follow a straight diagonal line and mostly converge in the middle, then the regression model is declared normal.

Table 11. Normality Test Results



Source: Eviews 13 processed data

The results of the residual normality test with Jarque-Bera showed a probability of $0.00 < 0.05$, which indicates that statistically the residual is not normally distributed. However, this violation was not a serious problem in this study because a considerable number of observations ($N=72$) had met the Central Limit Theorem (CLT). CLT guarantees that for large sample sizes, the regression coefficient distribution will be close to normal, so that the t-test and F-test

remain valid for use (Gujarati & Porter, 2009; Ajija et al., 2011). Thus, hypothesis testing can be resumed.

Autocorrelation Test

The autocorrelation test is a state in which in the regression model there is a correlation between the residual in the period t and the residual in the previous period ($t-1$). A good regression model is one where there are no autocorrelation problems.

Table 12. Autocorrelation Test Results

Residual Cross-Section Dependence Test
Null hypothesis: No cross-section dependence (correlation) in residuals
Equation: Untitled
Periods included: 3
Cross-sections included: 24
Total panel observations: 72
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	401.6545	276	0.0000
Pesaran scaled LM	5.348213		0.0000
Pesaran CD	0.735102		0.4623

Source: Data processed Eviews 13

Based on the table above, the probability value is 0.4623 which means it is greater than 0.05. So it means that this research data is free from autocorrelation and is good to use.

Heteroscedasticity Test

According to Greene (2007), if a random effect model has been

selected, the classical assumption test is no longer necessary. This is because the random effect model is estimated using the Generalized Least Square (GLS) method which is directly able to handle time series autocorrelation and correlation between individuals (cross-section). In addition, GLS produces a conjecture that meets the BLUE (Best Linear Unbiased Estimation) trait as well as a solution to violations of heteroscedasticity and autocorrelation assumptions.

Panel Data Regression Analysis

Panel data regression analysis is used to test the partial and simultaneous relationship of independent variables to dependent variables.

Table 13. Panel Data Regression Analysis Test Results

Method: Panel EGLS (Cross-section random effects)
Date: 05/10/26 Time: 16:51
Sample: 2022 2024
Periods included: 3
Cross-sections included: 24
Total panel (balanced) observations: 72
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.101653	2.540689	-0.040010	0.9682
X1	-0.247427	0.370773	-0.667327	0.5068
X2	-7.95E-14	2.19E-12	-0.036213	0.9712

Effects Specification		S.D.	Rho
Cross-section random		0.000000	0.0000
Idiosyncratic random		19.99899	1.0000

Weighted Statistics			
R-squared	0.009440	Mean dependent var	-0.657066
Adjusted R-squared	-0.019272	S.D. dependent var	16.30179
S.E. of regression	16.45812	Sum squared resid	18690.02
F-statistic	0.328779	Durbin-Watson stat	3.586171
Prob(F-statistic)	0.720923		

Unweighted Statistics			
R-squared	0.009440	Mean dependent var	-0.657066
Sum squared resid	18690.02	Durbin-Watson stat	3.586171

Source: Eviews 13 processed data

The linear regression equation formed based on the coefficients and variable constants above is

$$Y = -0.101653 - 0.247427 X1 - 7.95 \times 10^{-14} X2$$

From the equation, the constant (C) is -0.101653, the coefficient X1 is -0.247427, and the coefficient X2 is close to zero (very small). However, all independent variables have a probability > 0.05, so they are not statistically significant at the general confidence level (e.g. 95%). A very low R-squared value (0.00944) also indicates that the model is barely able

to explain the variation of dependent variables.

1. Constant of -0.101653

A constant value of -0.102 mathematically indicates a profit management prediction when CETR and BTM are zero. However, since the dependent variable (the accrual discretionary absolute value) is always positive, the interpretation of such negative constants is not economically relevant and only serves as an adjuster in regression equations.

2. CETR coefficient ($\beta_1 = -0.247$)

The CETR coefficient of -0.247 indicates a negative influence on profit management. Mathematically, a decrease in the CETR by one percentage point would increase profit management by 0.247 units, according to the direction of the hypothesis that higher tax avoidance is associated with higher profit management. However, with a probability value of 0.5068 (>0.05), the effect was not statistically significant, so the hypothesis was rejected.

3. BTM coefficient ($\beta_2 = -7.95 \times 10^{-14}$)

The BTM coefficient shows a very small negative value (-7.95×10^{-14}),

so it is practically negligible. Mathematically, an increase in BTM of one rupiah will only reduce profit management by 7.95×10^{-14} units, which is not economically meaningful. This negative direction does not match the research hypothesis that expects a positive relationship. With a probability value of 0.9712 (>0.05), the influence of BTM was declared to be statistically insignificant, so the hypothesis was rejected.

T Test

The t-test was carried out using a statistical test t to see the partial effect and to find out whether or not there was an influence of each independent variable individually on the independent variable tested at a significance level of 0.05.

1. Based on table 12, it is known that the prob value (F-statistics), 0.5068, based on the decision-making rules for the following hypotheses: the effect of CETR on profit management, namely (H0) which states that CETR has no significant effect on profit management, and the alternative hypothesis (H1) which states that

CETR has a significant effect on profit management. The probability value is 0.5068. Since the probability value is greater than the set significance level of 0.05, H1 is rejected and H0 is accepted, it can be concluded that CETR has no significant effect on profit management.

2. Based on table 12, the probability value is 0.9712, based on the decision-making rules for the following hypotheses: the influence of BTD on profit management, namely (H0) which states that BTD has no significant effect on profit management, and the alternative hypothesis (H1) which states that BTD has a significant effect on profit management. The probability value is 0.9712. Since the probability value is greater than the set significance level of 0.05, H1 is rejected and H0 is accepted, it can be concluded that BTD has no significant effect on profit management.

Test F

Based on table 12 probability values (F-statistic) of 0.721, based on the decision-making rules for the

following hypotheses: the effect of CETR and BTD on profit management simultaneously, namely (H0) which states that CETR and BTD have no significant effect on profit management simultaneously, and the alternative hypothesis (H1) which states that CETR and BTD have a significant effect on profit management simultaneously. The probability value is 0.721. Since the probability value is greater than the set significance level of 0.05, H1 is rejected and H0 is accepted, it can be concluded that CETR and BTD have no significant effect on profit management simultaneously.

Coefficient Determination Analysis

Based on table 12, it is known that the value of the determination coefficient (Adjusted R-squared) of $R^2 = 0.019$ this value can be interpreted as 1.9%, indicating that only 1.9% of the variation in profit management can be explained by the two independent variables (CETR and BTD). The two independent variables (CETR and BTD) have almost no ability to explain the variation of the dependent variables (profit management). In other words, the proportion of profit management variations that the

model can explain is negative, which indicates the model is very weak and not suitable for prediction. The remaining 98.1% is explained by variables outside the model.

DISCUSSION

The Influence of CETR on Profit Management

The results of this study explain that CETR has a probability value greater than 0.05 ($0.5068 > 0.05$). Thus, it can be concluded that CETR has no significant effect on profit management. The direction of the negative relationship suggests that the decline in CETR was followed by an increase in profit management, but because it was not statistically significant, the hypothesis was rejected. This is in line with research conducted by (Ningsih & Widodo, 2021) which also found evidence that CETR has no significant effect on profit management.

The Influence of BTD on Profit Management

The results of this study explain that BTD has a probability value greater than 0.05 ($0.9712 > 0.05$). Thus, it can be concluded that BTD has no significant effect on profit management. The

direction of a very small negative relationship is contrary to the hypothesis that expects a positive relationship. This research is in line with research conducted by (Pratama & Sari, 2022) which also found evidence that BTD has no significant effect on profit management.

The Simultaneous Influence of CETR and BTD on Profit Management

The results of this study explain that CETR and BTD together have a probability value of F-statistic greater than 0.05 ($0.721 > 0.05$). Thus, it can be concluded that CETR and BTD do not have a significant effect on profit management simultaneously. A negative Adjusted R-squared value (-0.019) indicates that the model is very weak and that almost all variation in profit management is explained by variables other than the model.

CONCLUSION

This study concluded that CETR and BTD either partially or simultaneously had no significant effect on profit management, with probability values of 0.5068 and 0.9712 respectively and F-statistical probability of 0.721 which were all above 0.05. The model's

ability to explain the variation in profit management is very weak, as can be seen from the negative Adjusted R-squared value (-0.019), so the research hypothesis is rejected, which means that Tax Avoidance does not have a significant effect on the Quality of Financial Statements in Infrastructure Companies for the period 2022 – 2024. The theoretical implication of these findings is that the relationship between tax avoidance and profit management is contextual, non-universal, and strongly influenced by the characteristics of the sector, time period, as well as the proxies used.

LIMITATIONS

This research has several limitations. First, the research period is only three years (2022–2024) so it has not been able to describe the long-term relationship. Second, the sample only included 24 companies with 72 observations and was limited to companies that earned positive profits. Third, the study only used the *Modified Jones Model* to measure profit management without including real profit management. Fourth, the use of BTD in rupiah units produces a very small coefficient so that the economic interpretation becomes less than

optimal. Fifth, the study has not included other variables such as corporate governance, company size, and leverage that may affect the relationship between variables. In addition, the results of the residual normality test showed that the data were not completely normal, although it was still tolerable because the number of observations was quite large.

ADVICE

For regulators, tax supervision and transparency need to be continuously improved to prevent tax avoidance and profit management practices. For investors, a low CETR can be used as a risk signal while still considering the characteristics of the infrastructure sector. For company management, it is important to maintain a balance between tax efficiency and the credibility of financial statements. For future researchers, it is recommended to extend the research period, expand the sample, use additional proxies, and add moderation variables such as corporate governance and auditor quality to make the research results stronger.

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