



## **THE EFFECT OF TAX PLANNING, EARNING POWER AND PROFITABILITY ON EARNINGS MANAGEMENT IN PLANTATION COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE**

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## ABSTRACT

This study aims to examine the effect of tax planning, earning power, and profitability on earnings management in plantation companies listed on the Indonesia Stock Exchange during the period 2020–2022. The theoretical foundation is based on Agency Theory, which suggests that managers may engage in earnings manipulation to align reported performance with stakeholder expectations or personal incentives. Earnings management is analyzed as a function of tax planning, earning power, and profitability. Using a quantitative descriptive approach and purposive sampling technique, 48 observations from 16 plantation companies were analyzed using multiple linear regression. The findings reveal that tax planning has a significant negative effect on earnings management, indicating that lower levels of tax planning are associated with higher earnings manipulation. Conversely, earning power and profitability were found to have no significant individual effect. However, the three variables jointly have a significant impact on earnings management. These results suggest that while effective tax planning can constrain earnings manipulation, high earning power and profitability alone do not necessarily motivate managers to engage in or avoid such practices. This highlights the importance of strengthening corporate governance and financial transparency, particularly in sectors characterized by income volatility and complex tax environments.

**Keywords:** *Tax Planning; Earning Power; Profitability; Earnings Management; Plantation Companies*