The effect of tax planning, company value, and leverage on income smoothing practices in companies listed on Jakarta Islamic Index

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Abstract

Purpose - The purpose of this paper is to identify the effect of tax planning, company value, and leverage on income smoothing practice in companies listed on the Jakarta Islamic Index for the period 2010-2017.

Method - The data in this study consisted of 12 companies listed on the Jakarta Islamic Index for the period 2010-2017. Samples are selected using the purposive sampling method. Eckel Index classification uses two types of earning as the target of incomee smoothing, namely operating income and income before tax. Hypothesis testing uses a logistic regression analysis model.

Result - Result of simultaneously logistic regression tests tax planning, company value, and leverage affect income smoothing. And results of the partial logistic regression test of company value variable have a significant effect on income smoothing practices, while the tax planning and leverage variables have no significant effect on income smoothing practices.

Implication - This study proves that tax planning, corporate value, and leverage simultaneously have a significant effect on income smoothing practices but partially not so that there are many variables that play a role.

Originality - The research is the first study that describe use sharia relate income smoothing.

Keywords: income smoothing; tax planning; company value; leverage

Journal of Islamic
Accounting and Finance
Research

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Introduction

The growing development of the business world in Indonesia, has triggered increasingly fierce business competition. This encourages company management to maintain the company's operational activities so that it can display financial information that looks good. The company's management performance can be seen from the financial statements. And one of the parameters used to measure management performance is profit (Belkaoui, 2000). Profit is information that becomes a parameter to measure the increase or decrease in company performance. Juniarti and Corolina (2005) state that profit in financial statements is one of the potential information for internal and external parties. Earnings information is a component of a company's financial statements that aims to assess the performance of a company's management, help estimate the ability of a representative profit in the long run, and estimate investment risk to lend funds.

The financial statements are prepared by management. Therefore, in agency theory, it is stated that management has more information about the company than the company owner. So that here managers have space to do various alternative actions to change various accounting policies in accordance with the interests of the company. Consciously or not, this is what drives managers to do income smoothing (Murdayanti & Suharla, 2007). Income smoothing is included in the pattern of managers doing earnings management. One of the causes of earnings management according to agency theory is because there are differences in interests between the principal and the agent.

Management actions to do income smoothing are generally based on satisfying the interests of the company owner or the manager of the company itself. To satisfy the interests of company owners, managers conduct income smoothing to reduce the tax burden paid and/or increase stock prices or company value. Whereas to satisfy the interests of management itself, namely to get compensation or maintain his position (Juniarti & Corolina, 2005).

The emergence of income smoothing practices carried out by management will generally mislead users of financial statements, because the points in the financial statements will also be manipulated. This practice is of course carried out by management with consideration of various factors, but in this study researchers will focus on examining whether tax planning, company value, and leverage ratio are factors that influence management actions to do income smoothing.

Tax planning is a way of managers to minimize the tax burden that needs to be paid without violating the applicable legal provisions. To obtain a minimum tax burden, managers practice income smoothing so that the tax burden paid to the government is not too high. In this case the income smoothing action is carried out with the aim of reducing taxes.

Not only tax planning, company value is also considered to influence the emergence of income smoothing. This is because the value of the company is reflected in the market price of the company's stock. High stock market prices mean that the shares are in demand by investors. Investors' interest in stocks is certainly based on various considerations, one of which is the financial performance reflected by profit. To continue to maintain investor perceptions of the company, management will conduct income smoothing to maintain good corporate performance.

In addition to the two factors above, leverage is also one of the things that is considered influential on the emergence of income smoothing practices. One of the leverage ratios used in this study is the debt to equity ratio. The higher the DER indicates the company's risk of high debt. Generally, creditors will be attracted to the low DER level of the company, because the company does not have a high risk of debt, so creditors can guarantee that the company can pay off its debt properly. Companies with good financial conditions tend to have a low risk of DER with a stable level of profit. So to achieve this, the management will practice income smoothing to obtain good financial conditions with a low DER level.

The inconsistency of the results of previous studies related to company value variables and leverage on income smoothing made it necessary to re-arrange the two variables. Yolanda et al (2017) conducted a study on the effect of corporate value on income smoothing. The result is that company value influences income smoothing. In contrast to the results of the research Dianila Oktyawati and Dian Agustia (2014) stated that the value of the company did not significantly influence income smoothing.

While Siti Herlina (2017) conducts research on leverage variables, and the result is leverage has a significant effect on income smoothing. However, the results of Hendro Susilo et al (2017) and Miftah Maharani (2018) research suggest that leverage does not affect income smoothing.

Based on the description above, the author needs to conduct research related to the Effect of Tax Planning, Company Value, and Leverage on Profit Leveling Practices in Companies Registered in the Jakarta Islamic Index for the 2010-2017 Period.

Literature Review

Financial Report

Financial statements are information that converts data evidence into information by recording various transactions and grouping them into accounts. This is stated in Al-Qur'an surah Al-Baqarah verse 282, which reads:

> *"O ye who believe! If you do the debts for a specified time, write it down. And let a writer of yours write it down correctly. Do not writers refuse to write them as God has taught him, so let him write them down ...". (QS. Al-Baqarah: 282)*

Based on the paragraph above, it is clear that every transaction that occurs requires recording to report. Every transaction that exists must be recorded and reported in the form of financial statements.

The contents of the financial statements made by company management are an illustration of the condition of the company's activities delivered to the owners of the company and external parties (Warno, 2013). Financial reports are historical as well as comprehensive and as a progress report consisting of

data which is the result of a combination of: facts that have been recorded; principles and habits in accounting; and personal opinions (Najmudin, 2011).

Complete financial statements include financial statements for commercial activities which include balance sheet, income statement, statement of changes in financial position (presented in the form of cash flow statements and changes in equity reports), and notes to financial statements (Fauzi, 2012). The purpose of financial statements in general based on Financial Accounting Standards is to provide information about the financial position, performance and cash flow of the company that is beneficial for most users of financial statements in order to make economic decisions and show management stewardship for the use of resources entrusted to them (IAI, 2002).

Agency Theory

Agency theory is one of the theories used as the basis of research related to income smoothing practices. This theory explains the relationship between the principal and the agent. Agency theory has the assumption that each individual is solely motivated by his own interests, giving rise to a conflict of interest between the principal and the agent. And from here arises some contradictions between the principal and the agent, including: 1) management wants to improve the welfare of the company, while investors want to increase wealth; 2) management wants to obtain large loans with low interest, while creditors only want to give credit according to the company's ability; 3) Management wants to pay low taxes, while the government wants to collect taxes as high as possible (Apriyani, 2008).

Agency Theory emphasizes the importance of the principal giving up the management of the company to professionals. This is intended so that shareholders get the maximum benefit possible at the most efficient cost.

The agents have the freedom to run company management. So that sometimes between agents and principals will have different interests or goals in each decision making. The Principal has the goal that the agent must choose actions that will maximize the principal's wealth. But in reality

managers (agents) tend to choose actions that benefit their own interests that can maximize their wealth rather than benefit shareholders (principal).

Profit Management

According to Schipper (1998) cited by Endriati et al, earnings management is a management disclosure as a means of intervention or direct involvement of company management in the financial reporting process through processing income or profits with the intention of obtaining certain benefits or benefits, for managers or companies (Endriati, 2017).

The manager is one of the parties who is more in control of the company than the owner of the company. So that managers can do earnings management in order to achieve certain goals, such as: improving work performance in the company, welfare of shareholders, obtaining low interest loans, and avoiding a high tax burden.

The action of earnings management carried out is included in unfair actions, because here managers measure the company's assets, debt, capital, income, expenses and profits incorrectly and unfairly to achieve its objectives. Whereas in the Al-Qur'an it is conveyed that we must act fairly in every measurement, this is stated in Al-Qur'an Surah Asy-Syu'ara verse 181-184 which reads:

> *"Complete the measure and do not be among those who are detrimental and weigh with a straight scale. And do not harm men on their rights and do not run rampant on the face of the earth by making damage and fear Allah who created you and the people who used to". (QS. Asy-Syu'ara: 181-184)*

Based on the above verse it is clear that God commands humans to be fair especially in measurement. However, managerial behavior in earnings management actions is included in unfair actions due to improper measurement of accounting posts, even though these actions are actually carried out to achieve goals that are good for the company and for external parties.

According to Scott (2006) cited by Sari & Kristanti, the pattern of corporate managers in performing earnings management actions takes many forms, including: 1) Taking a bath, this action is taken to reduce current

earnings per share; 2) Income Minimization, this action is carried out when the company's earnings for this period are too high; 3) Income Maximization, this action is carried out when company profits decrease; 4) Income Smoothing, this action is done to reduce fluctuations in earnings from year to year (Sari & Kristanti, 2015).

This earnings management action is generally driven by several manager's motivations, including: 1) Bonus Plans; 2) Other Contractual Motivations; 3) Political Motivations; 4) Taxation Motivations; 5) Change of Chief Executive Officer; 6) Initial Public Offering; 7) Communicate Information to Investors (Scott (2000) cited by Aditama & Purwaningsih, 2014).

Income Smoothing

The practice of income smoothing is a tool used by company management to reduce fluctuations in reported earnings and manipulate accounting variables or by conducting real transactions in companies with the aim of stabilizing financial conditions to make them look good (Budiasih, 2009).

Income smoothing actions are commonly used in companies that have unstable or fluctuating earnings conditions. Fluctuating profit makes users of financial statement information have to rethink in decision making. Income smoothing actions are generally carried out for various reasons such as reducing taxes or avoiding employee pressure to increase salaries or wages. In addition, it can also be done by company management to achieve the desired profit position in the income statement to attract investors, creditors and other external parties. This is because income smoothing is one of the dysfunctional behaviors that aims to make a positive response from investors to the value of the company (Anwar & Chandra, 2017).

The emergence of income smoothing practices is certainly based on several considerations of company management, among which are: 1) Managers have the assumption that a stable profit flow can support dividends with a higher level than a profit stream with more variables; and 2) The

ability to oppose the nature of cycle earnings reports and possibly also reduce the correlation between corporate return expectations and the return of market portfolios (Annie et al, 2005).

According to Eckel (1981), the type of income smoothing consists of two types, namely natural income smoothing and intentional income smoothing. Deliberate income smoothing is divided into 2 types, namely: 1) Real income smoothing that shows management actions that try to control economic events that directly affect company profits in the future; 2) Artificial income smoothing that shows the effort of manipulation carried out by management to smooth profit. This manipulation takes the form of shifting the burden and/or income from one period to another.

Income Smoothing on Islamic View

Basically income smoothing is included in manager's fraudulent actions, although here managers do not violate applicable accounting standards. But the information contained in the company's financial statements that practices income smoothing contains information that is incorrect or not in accordance with the actual situation. Whereas in Islam every work must be based on honesty and truth. This is stated in the Al-Qur'an Surat An-Nisa 'verse 29 which reads:

> *"O ye who believe! Do not eat your neighbor's property in the wrong way, except in the trade that prevails on the basis of mutual love among you. And do not kill yourself. Indeed, Allah is Most Merciful to you". (QS. An-Nisa: 29)*

Based on the above paragraph it can be understood that in fact the Islamic concept prohibits forms of trade whose information is received incompletely and incorrectly so that the formation of prices does not proceed with a healthy mechanism. So in this case the practice of income smoothing carried out by company management including violating the Islamic concept. Because here it means the financial statements presented do not contain true and complete information. Especially for the practice of artificial income smoothing where managers shift expenses and income from one period to another. So the information presented is incorrect and incomplete. Transactions like this can lead to miss information including munazabah, an-

najazy, muhaqolah, ghan al murtasal. In fact this can be said to include imperfect competition because it is interfered with by gharar, ignorance, tadlis, gambling, fraud or any form of eating of other people's property in a false manner.

Tax Planning

According to Pohan in his book, Tax planning is a process of organizing a taxpayer's business in such a way that the tax debt both income tax and other taxes are in a minimal amount, as long as it does not violate the provisions of the law (Pohan, 2013). Based on this understanding, it means that tax planning (tax planning) may be carried out in accordance with the rules or applicable laws and carried out in the right way, in accordance with the verse Al-Quran Surah Al-Baqarah verse 188 which reads:

> *"And do not eat wealth among you in the righteous way, and (do not) bribe it to the judges in order that you may partially eat the wealth of others while you know". (QS. Al-Baqarah: 188)*

Tax planning or tax planning is the initial stage for systematic analysis of various tax treatment alternatives with the aim of achieving minimum tax obligations.

Tax planning can be applied when the taxpayer will start his business activities until the closing of his business (liquidation). Tax planning begins when it will establish a company (selection of business forms, selection of accounting methods, selection of business locations); when running a business (selection of transactions to be carried out in its operational activities, selection of accounting and taxation methods, responsibility for stakeholders; when it will close the business (business/company restructuring, liquidation, mergers) (Pohan, 2013).

In general, the main objective of tax planning is to minimize the tax burden owed. While the benefits of tax planning are saving cash out, because taxes are a cost element that can be reduced. And regulate the cash flow in and out, because with a mature tax planning can be estimated cash

requirements for taxes and determine the time of payment so that the company can formulate a cash budget accurately (Pohan, 2013).

Company Value

Company value is an investor's perception of the level of success of the company associated with stock prices (Sujoko & Soebiantoro, 2007). The value of the company is very important because it reflects the performance of the company that can affect the perception of investors. The high share price of the company makes the company value too high. The stock market value reflects the value of the company. Thus the value of the company falls then the stock market value will also decrease and vice versa.

The value of the company in an Islamic perspective is associated with sharia principles that must be considered by companies in increasing the value of the company. In increasing the value of the company, it must not be included in gambling or speculation that contains elements of maysir, gharar and usury which are prohibited by Islamic law. This prohibition is stated in Al-Qur'an Surah Al-Maidah verse 90 which reads:

"O believers! Indeed liquor, gambling, (sacrificing for) idols, and raffling the fate with arrows is a cruel act and includes the actions of Satan. So keep away from them so that you will be lucky". (QS. Al-Maidah: 90)

Paragraph above means that companies that speculate or do gambling in business with the aim of obtaining good value from investors against companies and including gambling or speculation that contain elements of maysir, then this action is prohibited by Islam.

Theories in finance have one focus, namely how to maximize the prosperity of shareholders or company owners. Shareholder prosperity will automatically increase with increasing company value. A high market value that reflects a high corporate value will make the market believe not only in the company's current performance but also the company's future prospects.

The task of financial managers in terms of maximizing the value of the company is to maximize the value of the company's shares. Whether or not this goal is achieved can be seen and measured from the stock price of the

company in question from time to time. The advantage with the increasing value of the company's shares is that the company will gain the trust of financial institutions (banks) to obtain loans with easier requirements and trust from suppliers (Kasmir, 2010).

Leverage

Leverage Ratio is a ratio used to measure how far a company is financed by debt. This means that the amount of debt burden borne by the company compared to capital and assets (Kasmir, 2010).

Leverage is the ratio associated with debt. Islam is very concerned about debt problems. In Islam, debt is called qardh. Qardh transactions are permissible in Islam, this is contained in the Qur'an Al-Hadid verse 11, which reads:

> *"Who is willing to lend to God a good loan, God will multiply the loan for him, and he will get a lot of reward". (QS. Al-Hadid: 11)*

Based on the above paragraph it is clear that debt transactions are permissible in Islam provided they are with good intentions. Although Islam allows for debt transactions, debt transactions that are carried out may not be burdensome to people who are in debt (companies), for example bankrupting a business because of the high interest on each month. Therefore, it would be better if the debtor (company) should have a capital composition greater than debt. This is because so that debt can be paid without harming those in debt.

In this study researchers used Debt to Equity Ratio (DER) as a proxy to measure the level of leverage ratio of a company. Debt to Equity Ratio is a ratio that shows the ratio between debt and equity. This ratio is used to determine the ability of the company's capital to fulfill all its obligations (Kasmir, 2010).

Hypothesis Development

The Effects of Tax Planning on Income Smoothing

Tax planning is a way of managers to minimize the tax burden that needs to be paid. According to Scott (2003) cited by Enny Endriati et al. Companies that are dealing with political costs tend to make a profit reduction engineering with the aim of minimizing political costs, which in political costs cover all costs that must be borne by the company, one of which is a tax burden. The company carries out tax planning with the aim of obtaining fiscal benefits and obtaining additional capital from investors (Enny Endriati et al, 2017).

To achieve this, managers carry out earnings management with income smoothing patterns. By doing income smoothing, the tax burden paid by the company will not be too high, because profit is a benchmark for calculating the amount of the tax burden owed.

H₁: Tax Planning has a significant effect on income smoothing practices in companies listed in the Jakarta Islamic Index Period

The Effects of Company Values on Income Smoothing

The value of the company is very important because it reflects the performance of the company that can affect the perception of investors. The high market price of the company's stock makes the company's value too high. High stock market prices mean that the shares are in demand by investors. The interest of investors to invest their funds in companies is certainly based on various considerations, one of which is the company's financial performance reflected through profit.

Yolanda et al (2017) research also explained that the higher the value of the company, the tendency to do income smoothing is greater because good corporate value is considered to be stable profits made by the company so that it attracts management interest in doing income smoothing.

H₂: Company value has a significant effect on income smoothing practices in companies listed in the Jakarta Islamic Index for the 2010-2017 period

The Effect of Leverage on Income Smoothing

One of the leverage ratios used in this research is the debt to equity ratio. Companies that have high DERs will tend to violate the debt agreement when experiencing financial difficulties due to the proportion of company funding mostly funded by debt, and companies with high DERs will also have the risk of suffering large losses. This causes external parties to be afraid to invest or lend funds to the company so that this will trigger the company's management to do income smoothing.

H₃: Leverage has a significant effect on income smoothing practices in companies listed in the Jakarta Islamic Index Period 2010-2017

The Effect of Tax Planning, Company Value and Leverage on Income Smoothing

Every company must publish financial statements in each period. Financial information is issued to the government to report the tax burden that must be paid to the government, each company certainly wants to pay a minimum amount of tax. So that the management of the company will do various ways so that the tax burden paid to the government in the minimum amount without violating tax provisions, one of them with tax planning. In addition, financial information issued to attract investors and creditors is to pay attention to the company's value and the company's leverage ratio because the value of the company and leverage is closely related to investors and creditors. To overcome this, the company's management performs income smoothing for tax planning, maximizes company value and minimizes leverage ratios.

H₄: Tax Planning, Corporate Value, and Leverage have a significant effect on income smoothing practices in companies listed in the Jakarta Islamic Index for the 2010-2017 period

Based on the explanation above, systematically the theoretical framework of this research can be described as follows:
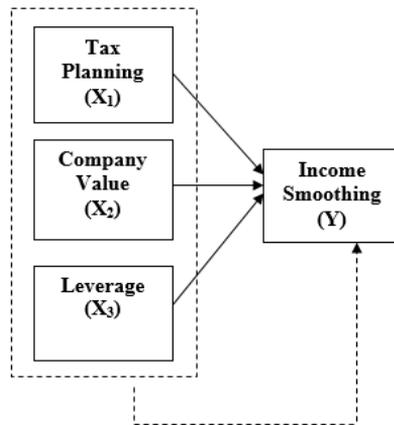
Figure 1. Research Framework

Research Methods

The type of data used in this study is secondary data. The data sources used in this study were obtained from the Indonesia Stock Exchange website: www.idx.co.id. This study uses data from financial statements and annual reports of go public companies in the data period of 2008 to 2017. According to the nature of the data in this study including quantitative data. Quantitative data is data in the form of numbers or certain quantities that are certain.

The population in this study were all companies listed in the Jakarta Islamic Index for the period 2010-2017, which numbered 30 companies. The selection of samples in this study was determined by purposive sampling, namely the technique of taking research samples by determining certain criteria. The criteria used to determine the sample in this study are as follows: 1) Companies registered in the Jakarta Islamic Index (JII) whose shares are fixed from 2010 to 2017. 2) Companies that publish financial statements as of December 31 for the period 2008-2017. 3) The company consistently reports earnings from 2008-2017. 4) Companies that have actually practiced income smoothing with the calculation of the eckel index method. Based on the above criteria, the sample in this study amounted to 12 companies.

The data collection method used is a study of documentation and literature study. Documentation is done by collecting documentary data sources such as company history, company profile, company annual report which is the sample of this study and data collection obtained from internet media by downloading through the site www.idx.co.id to obtain data on financial statements that needed in this study. The library study method is carried out by collecting theoretical data on problems related to this research. This method is carried out to support the completeness of the data by using library literature such as books, theses, journals, and other sources related to income smoothing.

Dependent Variables

The dependent variable in this study is Profit Leveling. Earnings equity is measured in the form of an index that will distinguish between companies that practice income smoothing and those that do not practice income smoothing. For companies that do income smoothing are given a symbol 1 and those who do not do income smoothing are given a symbol 0. The Profit Leveling Index is calculated by the Eckel Index formula:

$$Indeks\ Eckel = \frac{CV\Delta I}{CV\Delta S}$$

Information:
CVΔI = coefficient of variation for changes in earnings in one period
CVΔS = Variable coefficient for changes in income in one period

$$CV\Delta I\ dan\ CV\Delta S = \frac{\sqrt{\frac{\Sigma(\Delta X - \Delta\bar{x})^2}{n-1}}}{\Delta\bar{x}}$$

Information :
Δx = Change in profit (I) or inter-year income (S) with n-1
$\Delta\bar{x}$ = average change in profit (I) or income (S)
n = Number of years observed

In this study, the profits used in the calculation are operating income or net income before tax. While the income used in the calculation is net sales or income. The calculation results of the eckel index with a score <1 means that the company does income smoothing and if the score> 1 means that the company does not do income smoothing.

Independent Variables

The independent variables in this study are Tax Planning, Company Value, and Leverage Ratio.

Tax Planning (X1)

In this study tax planning is measured by the Effective Tax Rate, with the formula:

$$\frac{Tax\ cost}{EAT}$$

Effective tax rates are used to find out how much tax savings or tax delays obtained by the company. The lower the ETR, the more effective tax planning.

Company Value (X2)

The value of the company in this study uses the proxy price to book value ratio (PBV). PBV is calculated by the formula:

$$\frac{Market\ share\ price}{Book\ Value\ Per\ Share}$$

PBV is a ratio used to measure company value. The higher the PBV of a company, the greater the additional benefits enjoyed by the company owner.

Leverage Ratio (X3)

One of the leverage ratios used in this study is the debt to equity ratio (DER), which is calculated by the formula:

$$ER = \frac{Total\ debt}{Equity}$$

This ratio is used to determine the ability of the company's capital to fulfill all its obligations. The higher the DER of a company means the higher the risk faced by creditors.

The data analysis model used in this study is logistic regression. Logistic regression analysis is part of the regression analysis used when the dependent variable is a dummy variable.

To carry out hypothesis testing, several tests are carried out first including: 1) Conformity Test of the Overall Model; 2) Feasibility Test of the Regression Model; 3) Determination Coefficient Test; and 4) Mariks Classification Test. After that, the regression hypothesis test is done either partially or simultaneously.

Results and Discussion

Description of Research Object

The population in this study are companies registered in the Jakarta Islamic index (JII) in 2010-2017. The reason the researchers chose the company listed on JII as the object of research was because the company listed on JII was a collection of 30 sharia stock indices in Indonesia which were classified as the most liquid sharia stocks. Generally the companies listed on the JII will not conflict with established sharia principles and are expected to be free from income smoothing practices.

Conformity Test of the Overall Model (Fit Overall Models)

This test is intended to see whether the regression model is good and fit by entering the independent variable. A good regression model must be fit with the data.

Table 1. Fit model

	Chi-Square	Df	Sig
Step	8,674	3	,034
Block	8,674	3	,034
Model	8,674	3	,034

Based on the SPSS output above, it can be seen in the Chi-square column that the value between -2 Log Likelihood (-2LL) Block number 0 and -2 Log Likelihood (-2LL) Block number 1 is decreased by 8.674 with a significance level (p) <0.05. Decreasing Likelihood followed by significance of <0.05 indicates a regression model in this study is good or in other words the model hypothesized is fit with the data.

Feasibility Test Results of the Regression Model

The feasibility of the regression model was assessed using Hosmer and Lemeshow's Goodness of Fit Test with a significance level> 0.05.

Based on the results of the SPSS output above, the test shows that the Chi-square value is 8.792 smaller than the Chi-square table value of 15.5073 and with a significance level (p) of 0.360. Based on these results and because of the significance value> 0.05, the regression model can be used for further analysis and able to predict the value of his observations.

Determination Coefficient Test Results (Nagelkerke R Square)

The Determination Coefficient is a test to measure how far the model's ability to explain the variation of the dependent variable. The coefficient of determination in the logistic regression model is indicated by the value of Nagelkerke R Square.

Tabel 2. Hosmer and Lemeshow's Goodness of Fit Test

Step	Chi-Square	Df	Sig
1	8,792	8	,360

Tabel 3. Nagelkerke R Square

-2 Log Likelihood	Cox & Snell R Square	Nagelkerke R Square
123,367	,086	,116

Based on the test results of the coefficient of determination above, the Nagelkerke R Square value is 0.116, which means that the variability of the dependent variable which can be explained by the independent variable is 11.6%, while the remaining 88.4% is explained by other variables outside the research model that are not examined in this study.

Results of the Classification Matrix

The classification matrix shows the predictive power of the regression model to predict the likelihood of the company carrying out income smoothing actions.

Predictive strength of the regression model to predict the likelihood of companies doing income smoothing is 77.4%. This shows that by using the regression model used, there are as many as 41 samples predicted to do income smoothing from a total of 53 samples that do income smoothing. The predictive power of the company model that does not do income smoothing is 55.8%, which means that with the regression model used as many as 24 samples are predicted not to do income smoothing from a total of 43 samples that do not do income smoothing.

Table 4. Classification Matrix

Observed	Bukan Perata	Perata	Percentage
Bukan Perata	24	19	55,8
Perata	12	41	77,4

Table 5. Test of Tax Planning Hypothesis

	B	Wald	Sig.
ETR	-3,301	2,165	,141

Partial Hypothesis Test

The Effect of Tax Planning on Income Smoothing

The tax planning variable measured by ETR shows a regression coefficient of -3.301 with a significance level (p) of 0.141, greater than alpha = 5% and a calculated wald value of 2.165 smaller than the Chi-square table value of 3.841. Because the wald value is calculated <Chi-square table and the significance level (p) is greater than alpha = 5%, the 1st hypothesis (H1) is rejected. This study proves that tax planning has no significant effect on income smoothing practices.

The results of this study are not in line with the results of the research of Husnul Khotimah (2014) which states that tax planning proxied by effective tax rates has a significant effect on earnings management.

However, the results of this study are in line with the results of the study of Enny Endriati et al (2017), and Ferry Aditama and Anna Purwaningsih (2014) which state that tax planning does not significantly influence earnings management. In addition, the results of this study are also in line with the results of research conducted by Dewi Kusuma Wardani and Desifa Kurnia Santi (2018) which also states that tax planning has no significant effect on earnings management.

The Effect of Company Value on Income Smoothing

The variable firm value as measured by PBV shows a regression coefficient of -0.309 with a significance level (p) of 0.015, smaller than alpha = 5% and a wald value calculated at 5.911 greater than the Chi-square table value of 3.841. Because the wald value is calculated> Chi-square table and the significance level (p) is smaller than alpha = 5%, the second hypothesis (H2) is accepted. This study proves that firm value has a significant effect on income smoothing practices.

The results of this study are not in line with the results of previous studies conducted by Dianila Oktyawati and Dian Agustia (2014) which stated that firm value did not significantly influence income smoothing.

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Table 6. Test of Company Value Hypothesis

	B	Wald	Sig.
PBV	-,309	5,911	,015

Tabel 7. Test of Leverage Hypothesis

	B	Wald	Sig.
DER	-1,131	,590	,055

But the results of this study are in line with the results of previous research conducted by Yolanda Saputri, et al (2017) which states that the value of the company affects income smoothing, according to him the higher the company's value, the tendency of managers to make income smoothing is greater.

The Effect of Leverage on Income Smoothing

The leverage variable measured by DER shows a regression coefficient of -1.131 with a significance level (p) of 0.055, greater than alpha = 5% and a wald value calculated at 3.673 smaller than the Chi-square table value of 3.841. Because the wald value is calculated <Chi-square table and the significance level (p) is greater than alpha = 5%, the third hypothesis (H3) is rejected. This study proves that leverage has no significant effect on income smoothing practices.

Table 8. Test of Simultaneous Hypothesis

	Chi-Square	Df	Sig
Step	8,674	3	,034
Block	8,674	3	,034
Model	8,674	3	,034

The results of this study are not in line with the results of research conducted by Siti Herlina (2017) which states that leverage has a significant effect on income smoothing, according to the company with high leverage, the greater the risk borne by the company that the manager will do income smoothing.

But the results of this study are different with the results of research conducted by Hendro Susilo, et al (2017) which states that leverage does not affect income smoothing. The results of this study are also different with the results of the research of Miftah Maharani (2018) which also states that Financial Leverage has no effect on income smoothing. According to him, the influence of financial leverage on income smoothing practices means that companies that have a high value of financial leverage do not necessarily have a tendency to do income smoothing and vice versa. In addition, financial leverage has not gotten the attention of both management and investors as an indicator or benchmark that a company can do income smoothing.

Test of Simultaneous Hypotheses

Based on the results of simultaneous tests conducted, it can be seen in the Omnibus Test of Coeffficient Model table showing the Chi-Square value of 8.674 greater than the Chi-square table value of 7.8147 with a significance level (p) of 0.034, smaller than alpha = 5 %. Because the Chi-square value is calculated> Chi-square table and the significance level (p) is smaller than alpha = 5%, the 4th hypothesis (H4) is accepted. This study proves that tax planning, company value, and leverage simultaneously have a significant effect on income smoothing practices. the greater the risk borne by the company for that the manager will do income smoothing.

Conclusion

Based on data analysis that has been done to find out the effect of tax planning, company value, and leverage on income smoothing practices in companies listed in the Jakarta Islamic Index for the period 2010-2017. The results of testing the data on data that has been collected and analyzed using

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several tests, then the conclusions from the results of testing in this study are as follows: 1) The first hypothesis (H1) is rejected. This study proves that tax planning has no significant effect on income smoothing practices. 2) The second hypothesis (H2) is accepted. This study proves that firm value has a significant effect on income smoothing practices. 3) The third hypothesis (H3) is rejected. This study proves that leverage has no significant effect on income smoothing practices. 4) Based on the results of the simultaneous test conducted, the fourth hypothesis (H4) is accepted. This study proves that tax planning, company value, and leverage simultaneously have a significant effect on income smoothing practices.

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