

BOOK TAX DIFFERENCES, DEBT LEVELS, AND LIQUIDITY INFLUENCE EARNINGS PERSISTENCE OF COMPANIES

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Abstract: This study aims to analyze and find out whether book-tax differences, debt levels, and liquidity have a significant influence on earning persistence between 2013 and 2017. The population in this study was 16 companies. The research sample involved six companies, which was determined by purposive sampling method. The present study was quantitative, meaning SPSS 25, upon its data analysis. Based on data analysis, the results show that book-tax differences do not affect earnings persistence. Debt levels have a significant adverse effect on earnings persistence. The findings also point out that liquidity has a significant negative impact on earnings persistence.

Keywords: Tax, Data, Companies

Abstrak: Tujuan dari penelitian ini adalah untuk menganalisis dan mencari tahu apakah perbedaan pajak buku, tingkat hutang dan likuiditas memberikan pengaruh yang signifikan terhadap persistensi laba selama periode 2013- 2017. Populasi dalam penelitian ini adalah 16 perusahaan. Sampel penelitian melibatkan 6 perusahaan, yang ditentukan dengan metode purposive sampling. Penelitian ini bersifat kuantitatif, melibatkan SPSS 25 pada analisis datanya. Berdasarkan analisis data, hasilnya menunjukkan bahwa perbedaan pajak buku tidak mempengaruhi persistensi laba. Tingkat hutang memiliki pengaruh negatif yang signifikan terhadap persistensi laba. Temuan ini juga menunjukkan bahwa likuiditas berpengaruh negatif signifikan terhadap persistensi laba.

Kata Kunci: Pajak, Data, Perusahaan

INTRODUCTION

Financial statements are a form of corporate responsibility to internal and external parties in a certain period. Information in financial statements is very pivotal in making decisions, especially regarding the information on earnings quality. High-quality earnings show that investors are interested in earnings information (Molaei *et al.*, 2012). The quality of corporate profits is often associated with earnings persistence because earnings persistence is a component of the qualitative characteristics of relevance, namely, predictive value (Jonas and Blanchet, 2000). According to Scott (2015), earnings persistence is the expected revision of earnings in the future (expected future earnings), which is implied by the current year's earnings innovation. Earnings persistence can be seen from the profit innovation of the current year, which is associated with changes in stock prices.

The financial statements of a company, other than those intended for the benefit of shareholders, are also designed for tax purposes. There is a difference between accounting earnings and tax profits that can affect the quality of revenues in the financial statements presented. The difference between accounting profit and taxable income is usually referred to as book-tax differences. In PSAK 46, it is stated that accounting profit is net profit or loss for one period before deducting tax expense. In comparison, tax profit is profit (loss) for one period, which is calculated based on regulations stipulated by the Tax Authorities on income tax payable (repaid). Given the differences between accounting earnings and tax profits or called book-tax differences, such a gap can affect earnings persistence. Some previous research results concerned with tax differences on earnings persistence show different results compared to those as found by Wiem (2016), Antonio (2016), Tang (2012), Jackson (2009), Lev and Nissim (2004). These studies demonstrate that book-tax differences generate a positive influence on earnings persistence, while the results of research conducted by Hanlon (2005), Wijayanti (2006), Wiryandari and Yulianti (2009) contend that book-tax differences have a negative influence on earnings persistence.

Company's ability to earn profits cannot be separated from the source of capital. One source of corporate money is debt. According to Keshtavar *et al.* (2013), debt entitled to the company is related to the profits the company will get. The higher the company's liability is, the more dynamic the company will be. According to Subramanyam and Wild (2013), financial leverage is the use of debt to increase profits. Researches delving into the level of debt to

earnings persistence carried out by Yanti (2017), Sabrina (2017), and Ghosh (2010) indicate that the level of debt has a positive effect on earnings persistence. The higher level of debt will increase the endurance of earnings. However, such a notion is different from the research conducted by Desra (2014), demonstrating that debt harms earnings persistence.

Another factor that is thought to be one of the determinants of earnings persistence is liquidity. Liquidity is the company's ability to fulfill its smooth obligations that will soon be due. High liquidity causes companies to disclose earnings information widely to external parties, which will illustrate good value for investors. Research on cash conducted by Kartika (2016) and Jang *et al.* (2007) indicates that liquidity has a positive effect on earnings quality. Unlike the study conducted by Gharezi and Zadeh (2013) that cash has a weak and negative relationship to earnings quality. What is more, Kadek's research (2014) points out that liquidity poses no impact on earnings quality.

METHOD

The number of companies registered in the Jakarta Islamic Index (JII) during the research accomplishment was 16 companies, of which six companies were involved. Purposive sampling is the determination of samples with particular consideration, which predetermines specific criteria over sample selection (Juliansyah Noor, 2011). In this regard, the criteria used were companies listed in the Jakarta Islamic Index (JII) in 2013-2017, and only those who had complete financial data for five consecutive years. The data collection method dealt with secondary data. According to Sugiyono (2014), secondary data is a source of research data obtained by researchers indirectly through intermediary media (collected and recorded by other parties). The variables in this study consisted of dependent variables and independent variables. The dependent variable in this study was earnings persistence, and the independent variables in this study were book-tax differences (X1), debt levels (X2), and liquidity (X3).

The samples taken were companies listed in the Jakarta Islamic Index (JII) and generated profits. These companies also possessed the value of current assets more excellent than the amount of existing debt from 2013 through 2017. This study deployed multiple regression analysis.

RESULTS

Table 1
Coefficeient

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.488	.066		6.802	.000
BOOKTAXDIFF	-.907	3.393	-.034	-.267	.791
Debt Levels	-.562	.096	-1.106	-5.871	.000
Liquidity	-.050	.160	1.191	-3.091	.005

Source : SPSS-generated data

From the results of the calculation involving multiple linear regression, the Book Tax Differences, Debt Levels, and Liquidity regression equation is obtained from the following formula:

$$\hat{Y} = 0.448 - 0.907 X_1 - 0.562 X_2 - 0.050 X_3$$

- 1) Book Tax Differences (X1) has a t_{count} of $-0.267 > t_{table}$ of -2.055 and a significance value of $0.790 > 0.050$. Given this value, H_0 is rejected, which signifies that, in partial fashion, book tax differences do not affect the persistence of earnings.
- 2) Debt Level (X2) has a t_{count} of $-5,871 < t_{table}$ of $-2,055$ and a significance value of $0,000 < 0.050$. This implies that H_2 is accepted, meaning that partially debt level variable has a negative and significant effect on earnings persistence.
- 3) Liquidity (X3) has a t_{count} of $-3,091 < t_{table}$ of $-2,055$ and a significance value of $0.005 < 0.050$. As such, H_3 is accepted, so it can be interpreted in partial fashion that liquidity variable poses a significant negative effect on earnings persistence.

Table 2
Coefficeient

ANOVA ^a				
Model	Sum of Squares	Mean Square	F	Sig.
				.

Regression	,070	,023	13,258	,000 ^b
Residual	,046	,002		
Total	,116			

As shown by the ANOVA table above, the f count is 13.258 > f table (2.98) with significance value of $0.000 < 0.050$. As such, this finding indicates that H_4 is approved, and by implication it evinces that Book tax differences, debt levels, and liquidity pose significant influence on earnings persistence.

Table 3
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.778a	.605	.559	.04193

Source: Output from SPSS 25.0

Based on the table above, with regard to the auto-correlation test, the value of Adjusted R Square (Adjusted R) is 0.559, which means that 55.9% of profit persistence is accounted for by book tax differences, the level of debt, and liquidity. By contrast, 44.1% of profit persistence is influenced by extraneous variables.

CONCLUSION

Partially, the book-tax differences variable (X1) did not pose a significant effect on earnings persistence. Debt levels (X2) somewhat had a negative and significant impact on earnings persistence. In the same vein, liquidity variable (X3) had a negative and significant effect on earnings persistence. Simultaneously, the book-tax differences, the level of debt, and liquidity pose a considerable impact on the persistence of earnings.

The present study suggests that the significant effect of Book tax differences (X1), debt level (X2) and liquidity (X3) on the persistence of earnings (Y) in companies listed in the Jakarta Islamic Index (JII) in the 2013-2017 period should generate positive impacts on the development of sharia shares.

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