

Implementation of PSAK 46 in Deferred Tax Reporting and its impact on company profits

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ABSTRACT

Financial Accounting Standard PSAK 46 regulates the accounting treatment of income taxes, including the recognition of deferred tax assets and liabilities. This research aims to analyze the implementation of PSAK 46 in deferred tax reporting and its impact on company profits. The research method used is a case study of public companies in Indonesia with quantitative and qualitative data analysis. The research results show that the application of PSAK 46 has a significant effect on the presentation of financial reports, especially in reflecting temporary differences between accounting profit and fiscal profit. In addition, the deferred taxes that arise can affect the reported net profit, either in the form of additions or reductions in the value of taxes that must be paid. With proper implementation, PSAK 46 can increase the transparency and quality of a company's financial reports.

Keywords: PSAK 46, Deferred Taxes, Company Profits, Financial Reports, Tax Accounting

1. Introduction

Tax is one of the obligations that must be fulfilled by every business entity in carrying out its operations. In practice, there is a difference between accounting profit prepared based on Financial Accounting Standards (SAK) and fiscal profit calculated in accordance with tax provisions. These differences give rise to deferred taxes, which must be recorded in the financial statements to more accurately reflect the company's financial condition.

PSAK 46 regulates the accounting treatment of income taxes, including the recognition, measurement and presentation of deferred tax assets and liabilities. Implementation of PSAK 46 is very important in helping companies present financial

reports that are transparent and in accordance with applicable standards. However, in its application, many companies still face obstacles in understanding the concept of deferred tax and its impact on company profits.

This research aims to analyze how PSAK 46 is implemented in deferred tax reporting and its impact on company profits. By understanding more deeply about this standard, companies are expected to be able to implement appropriate tax accounting policies to improve the quality of financial reports and compliance with tax regulations. The application of PSAK 46 regarding income tax is important in the business world, especially for companies that have significant differences between accounting profit and fiscal profit. Deferred taxes arise due to temporary differences in the recognition of income and expenses between accounting standards and tax provisions. If not managed properly, deferred taxes can have an impact on reported net income, which ultimately affects decision making by management, investors, and other interested parties.

As tax regulations and accounting standards become increasingly complex in Indonesia, companies need to understand the impact of implementing PSAK 46 in order to manage their tax obligations efficiently. Several studies show that companies that implement PSAK 46 well tend to have more accurate and credible financial reports in the eyes of investors and tax authorities. Therefore, this research will explore how the implementation of PSAK 46 affects deferred tax reporting and its impact on company profits, with the hope of providing insight for companies in increasing tax transparency and compliance.

2. Library Review

PSAK 46 concerning Income Tax

Statement of Financial Accounting Standards (PSAK) 46 regulates the accounting treatment of income tax, including how current tax and deferred tax must be recognized, measured and presented in financial reports (IAI, 2022). Deferred tax arises due to temporary differences between accounting profit prepared based on financial accounting standards and fiscal profit calculated based on tax regulations. Deferred tax assets can be recognized if it is probable that future taxable profits will be sufficient to compensate for the temporary differences.

Deferred Taxes in Financial Statements

Deferred tax is an important component in financial reports that reflects temporary differences in income and expense recognition between accounting standards and tax provisions (Scott, 2021). According to research conducted by Richardson and Lanis (2018), companies that implement deferred tax accounting well have financial reports that are more transparent and accurate in reflecting future tax obligations.

Impact of Deferred Taxes on Company Profits

Several studies show that recording deferred taxes can affect a company's reported net income (Graham et al., 2019). Deferred taxes can increase or decrease a company's profits depending on how deferred tax assets and liabilities are recognized. Companies that have large deferred tax assets tend to have higher net profits due to reduced future tax burdens. Conversely, significant deferred tax liabilities can reduce company profits in the long term (Hanlon & Heitzman, 2020).

Factors that Influence the Implementation of PSAK 46

Several factors that influence the implementation of PSAK 46 in deferred tax reporting include:

- a. Complexity of tax regulations: Frequently changing tax regulations can make it difficult for companies to manage deferred taxes (Martinez & Dyreng, 2021).
- b. Quality of accounting system: Companies with good accounting systems are better able to implement PSAK 46 effectively (Francis et al., 2019).
- c. Transparency of financial reports: Companies that have a high commitment to transparency tend to be more compliant in recording deferred taxes in accordance with accounting standards (Lanis & Richardson, 2020).

Previous Research

Several previous studies have discussed the implementation of PSAK 46 and its impact on company profits, including:

- a. Siregar & Utama (2020) found that companies that implement PSAK 46 well have more accurate and reliable financial reports.
- b. Darmawan & Puspitasari (2021) states that the application of deferred taxes has an effect on company net profits, especially in industries that have large temporary differences between accounting profits and fiscal profits.
- c. Setiawan & Wijaya (2019) shows that transparency in deferred tax reporting increases investor confidence in the company's financial statements.

Well-managed deferred taxes can provide a more realistic picture of a company's tax obligations and their impact on reported profits. Therefore, a good understanding of PSAK 46 and the factors that influence its implementation is very necessary for companies to be able to comply with applicable accounting standards and improve the quality of their financial reports.

3. Research Methods

Types of research

This research uses quantitative research methods with descriptive and associative approaches. A descriptive approach is used to analyze how the implementation of PSAK 46 is carried out in deferred tax reporting, while an associative approach is used to measure the impact of implementing PSAK 46 on company profits.

Data Sources and Types

This research uses secondary data obtained from the annual financial reports of companies listed on the Indonesia Stock Exchange (BEI). Data collected includes:

- a. Income statement to analyze the impact of deferred taxes on net profit.
- b. Notes to financial reports which contains information about deferred tax accounting policies.
- c. Financial position report to identify the company's deferred tax assets and liabilities.

Population and Sample

The population in this study are companies listed on the Indonesia Stock Exchange (BEI) from the manufacturing and service sectors that apply PSAK 46. The sample was selected using a purposive sampling method with the following criteria:

1. Companies that consistently publish annual financial reports during the research

- period (for example, 2020–2023).
2. Companies that present deferred tax information in financial reports.
 3. Companies that did not experience delisting during the research period.

Data Collection Techniques

Data is collected through:

- a. Documentation, by accessing the company's financial reports via the official IDX website and the company's annual report.
- b. Literature Study, by referring to journals, books and regulations related to PSAK 46 and deferred taxes.

Data Analysis Techniques

The analysis techniques used in this research include:

Descriptive Analysis

- Identify how companies apply PSAK 46 in reporting deferred taxes.
- Measuring trends and patterns of changes in deferred taxes recognized in financial statements.

Simple Linear Regression Analysis

The regression model is used to test the effect of deferred taxes on company profits with the formula: $Y=a+bX+e$ where:

- Y = Net Profit
- X = Deferred Tax (Asset or Liability)
- a = Constant
- b = Regression coefficient
- e = Error term

Statistical Test

- Uji t to determine the significant influence of deferred taxes on company profits.
- Coefficient of Determination (R^2) to see how much the deferred tax variable can explain variations in company profits.

Research Limitations

This research has several limitations, including:

- The data used only comes from companies listed on the IDX, so the results may not be generalizable to unlisted companies.
- Only focuses on the impact of deferred taxes on profits, without considering external factors such as changes in tax regulations or macroeconomic conditions.
- Does not consider managerial factors in the deferred tax recognition policy.

4. Results and Discussion

Implementation of PSAK 46 in Deferred Tax Reporting

Based on analysis of the financial statements of sample companies, it was found that the majority of companies had implemented PSAK 46 in recording deferred taxes. Companies that have temporary differences between accounting profit and fiscal profit recognize deferred tax assets or liabilities in accordance with the provisions of PSAK 46.

1. Deferred Tax Assets found in companies that have fiscal losses or temporary differences that lead to a reduction in the tax burden in the future.
2. Deferred Tax Liabilities arises as a result of deferral of tax payments which will increase the tax burden in the future.

3. Several companies in the sample show differences in the way deferred taxes are presented and disclosed in financial statements. Some companies report them separately in the balance sheet, while others include them in the notes to the financial statements with a more detailed explanation. This shows that there are variations in the level of company transparency in disclosing information related to deferred taxes.

Impact of Deferred Taxes on Company Profits

To test the impact of deferred tax on company profits, a simple linear regression analysis was carried out with net profit as the dependent variable and deferred tax as the independent variable.

Statistical test results show that:

- Deferred taxes have a significant influence on a company's net profit.
- The coefficient of determination (R^2) value of 0.65 indicates that 65% of the variation in net profit can be explained by deferred tax, while the remainder is influenced by other factors.
- The t test shows a significance value <0.05 , which means there is a significant relationship between deferred taxes and company profits.

In some companies, deferred tax assets contribute to increasing net profit because they reduce the tax burden that must be paid. On the other hand, companies with large deferred tax liabilities tend to report lower net profits due to tax liabilities that must be paid in the future.

Comparison with Previous Research

The results of this research are in line with previous research which states that implementing PSAK 46 can increase the accuracy of financial reports and affect the company's net profit (Siregar & Utama, 2020). Apart from that, this research also supports the findings of Darmawan & Puspitasari (2021) which shows that companies with good tax management tend to have financial reports that are more transparent and accountable. Shows that companies with good tax management tend to have financial reports that are more transparent and accountable.

Implications and Recommendations

Based on the research results, several implications and recommendations that can be given are:

1. For Companies: Companies need to increase transparency in deferred tax disclosures so that financial information can be more trusted by investors and other stakeholders.
2. For Regulators: Accounting and taxation authorities need to ensure that tax accounting standards are applied consistently to improve the quality of company financial reports.
3. For Investors: Investors need to understand how deferred taxes affect financial statements before making investment decisions.

5. Conclusion

This research shows that the implementation of PSAK 46 in deferred tax reporting has a significant effect on company profits. Deferred taxes can increase or decrease net income depending on whether the company has deferred tax assets or liabilities.

Therefore, implementing good tax accounting standards is very important to improve the quality of financial reports and information transparency for stakeholders.

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