

# Tax Planning, Income Tax Expenses, and Banking Equity

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KEYWORDS	ABSTRACT
<p><b>Keywords:</b> tax planning; income tax expenses; equity; banking.</p> <p><b>Conflict of Interest Statement:</b> The author(s) declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.</p> <p><b>Copyright</b> © 2025 AMAR. All rights reserved.</p>	<p><b>Purpose:</b> This study aims to analyze the effect of Tax Planning and Income Tax Expenses on the equity of banking companies listed on the Indonesia Stock Exchange for the period 2019-2023. The focus of this study is to examine the extent to which taxation strategies can influence a company's capital structure, particularly its equity component.</p> <p><b>Research Design and Methodology:</b> This study employs a quantitative, causal-comparative design. The population in this study comprises all companies in the banking sub-sector, and the sample was selected using purposive sampling, yielding 8 companies that met specific criteria. The data used are secondary, obtained from annual financial reports. Data analysis techniques include descriptive statistics, classical assumption tests, multiple linear regression analysis, t-tests, F-tests, and the coefficient of determination (<math>R^2</math>), all conducted in SPSS version 27.</p> <p><b>Findings and Discussion:</b> The analysis results show that Tax Planning and Income Tax Expenses have a positive and significant effect on Equity, both partially and simultaneously. This proves that optimal management of taxation aspects can increase the equity value of banking companies.</p> <p><b>Implications:</b> The practical implications of this study indicate that companies need to integrate tax-planning strategies and income-tax expense management into their long-term financial policies to strengthen their capital position and increase their attractiveness to investors.</p>

## Introduction

Indonesia, as a country based on the rule of law and founded on Pancasila and the 1945 Constitution, is committed to realizing a just, prosperous, and equitable society. To achieve this goal, the country requires substantial funding, including tax revenue. Taxes are the primary source of state revenue for financing infrastructure, public services, and national development as a whole ([Tax Administration Law No. 28 of 2007](#)). In the 2022 State Budget, tax revenue reached IDR 2,034.5 trillion, confirming the important role of taxes in supporting the country's economy. The Indonesian government has been reforming taxation since 1983 by implementing a self-assessment system, in which taxpayers are responsible for calculating, paying, and reporting their own taxes (Mardiasmo, 2016). However, amid the government's efforts to increase state revenue, conflicts of interest often arise with companies that seek to minimize their tax obligations to maximize profits. This phenomenon has given rise to tax avoidance practices, both legal and illegal, stemming from loopholes in tax regulations and weak capacity among tax authorities. In the context of companies, ineffective tax management can affect a company's financial condition, particularly its equity value. For example, PT KB Bukopin Tbk (BBKP) experienced a decline in equity from IDR 13.2 trillion in 2021 to IDR 11.27 trillion in 2022, accompanied by an increase in losses from IDR 2.31 trillion to IDR 5.03 trillion. A similar phenomenon occurred at PT Asuransi Jiwasraya, which in 2019 recorded an equity deficit of

IDR 34.61 trillion, due to a large imbalance between assets (IDR 18.13 trillion) and liabilities (IDR 52.74 trillion). These facts show that tax management, particularly tax planning and income tax expense management, is an important factor that can directly affect a company's equity value, warranting further study in the context of companies in Indonesia's banking sub-sector.

Various previous studies have examined the relationship among tax planning, income tax Expense, and company equity value, yielding mixed results. Tax planning is understood as a legal strategy employed by companies to reduce their tax expense by utilizing regulatory loopholes and tax incentives, thereby optimizing their business structure and increasing profitability (Astutik & Mildawati, 2016; Pohan, 2018). Rori (2013) emphasizes that effective tax planning will increase operational efficiency and company competitiveness through more optimal resource allocation. Furthermore, Elumilade et al. (2022) highlight that the complexity of tax regulations presents a significant opportunity for companies to implement tax planning to manage their fiscal obligations. Income tax is the amount of tax a company must pay on its taxable income, which directly affects the remaining profit available to be converted into equity. [Research by Efendi & Aris \(2014\)](#), [Elinda & Iskandar \(2023\)](#), and [Sucipto \(2021\)](#) indicates that effective tax planning significantly contributes to increasing the value of company equity. However, [Susanto & Cahyati \(2024\)](#) reported that, in some cases, tax-planning strategies adversely affected equity through opportunistic practices detrimental to the company's financial position. This difference highlights the importance of further examination of these variables, especially for companies in the banking sector.

Although numerous studies have shown that tax planning can increase a company's equity value, significant differences in results persist across industries and research periods. For example, studies by [Efendi & Aris \(2014\)](#) and [Sucipto \(2021\)](#) demonstrate the positive effect of tax planning on equity, particularly in the manufacturing and banking sectors. However, another study by [Susanto & Cahyati \(2024\)](#) finds the opposite: tax planning actually reduces company equity value. These differing results suggest the possibility of opportunistic tax-planning strategies that may reduce tax liabilities in the short term but negatively affect investor perception and the credibility of financial reports. Most previous studies have not explicitly linked empirical findings to the Agency Theory framework, which emphasizes the conflict of interest between managers (agents) and owners (principals), particularly in the management of tax information and the presentation of financial reports ([Jensen & Meckling, 1976](#)). Information asymmetry enables agents to engage in tax-planning maneuvers that can obscure the true value of equity. In addition, research specifically examining the relationship among tax planning, income tax Expense, and equity in the Indonesian banking sector during the most recent period (2019-2023) remains very limited.

This gap indicates the need for further research to provide a more complete empirical and theoretical understanding. This study analyzes the effects of tax planning and income tax expense on company equity in the banking sub-sector listed on the Indonesia Stock Exchange during 2019-2023. This topic has rarely been explored in depth in the academic literature. Unlike previous studies that generally focus on the manufacturing sector or highlight only one fiscal variable, this study simultaneously examines two main variables—tax planning and income tax Expense—that are considered to have direct and indirect effects on equity conditions. In addition, this study integrates the Agency Theory framework to examine potential conflicts of interest and asymmetric information between companies and the government in taxation practices. This topic has rarely been explored in depth in the context of the Indonesian banking sector. Based on the theoretical and empirical gaps identified, the main objective of this study is to analyze and empirically prove how tax planning and income tax expenses affect the equity of banking companies in Indonesia, with the hope of contributing to the development of theory and practical recommendations for management and regulators in designing effective and sustainable taxation strategies.

## Literature Review

### Agency Theory

Agency theory is one of the main theories in finance and corporate governance that explains the relationship between principals (company owners) and agents (managers) in an employment contract. Jensen & Meckling (1976) argue that this relationship is prone to conflicts of interest because agents

tend to act in their own interests, rather than solely in the interests of the principals. In the context of equity, agency conflicts can cause managers to make decisions that benefit themselves, such as adopting suboptimal financing or dividend distribution policies, which ultimately reduce the value of the company's equity. A study by Herrera-Echeverri et al. (2025) in the private equity sector finds that when managerial supervision is tightened, managers tend to act more efficiently, leading to an increase in equity value. Similarly, [Lu et al. \(2018\)](#) found that the quality of executive leadership and managers' ability to manage resources significantly influence increases in company value. Therefore, agency theory is an important foundation for understanding how financial policies and internal supervision contribute to strengthening a company's financial position, including maintaining and increasing equity. When effective oversight and incentives align with owners' interests, managerial decisions tend to create greater value for the company's net worth.

In several recent studies, agency theory has been further strengthened by empirical evidence demonstrating the relationship between corporate governance and the strength of equity structures. [Li et al. \(2021\)](#), in a study of Indonesian companies, found that those with low agency costs tend to perform better and have higher equity values. Effective supervisory structures, such as independent commissioners and strong institutional ownership, usually lead to low agency costs. This is in line with the findings of [Affes & Jarboui \(2023\)](#) in the ASEAN region, which state that good corporate governance can reduce conflicts between agents and principals and keep financial decisions within the corridor of the company's long-term interests. A study by [Alodat et al. \(2022\)](#) also reinforces the finding that strict management supervision is positively correlated with conservative managerial decisions, such as profit retention, which in turn affect equity accumulation. In the context of family businesses, [Agostino & Trivieri \(2019\)](#) add that family involvement in management not only reduces agency costs but also increases loyalty and prudence in financial decision-making, thereby strengthening equity. Thus, agency theory provides a relevant framework for explaining how managing conflicts of interest can lead to a healthier, more sustainable equity structure in the long term.

#### Equity

Equity planning is a crucial aspect of a company's financial strategy, aimed at establishing a healthy, stable capital structure that supports sustainable growth. Equity, as a major component of capital structure, not only reflects the company's net worth but also plays an important role in determining competitiveness and investment feasibility in the eyes of investors. [Beltrame & Sclip \(2023\)](#) explain that the equity planning process involves a careful assessment of internal funding sources and capital-strengthening strategies to support long-term company value. This is also emphasized by [De Luca \(2023\)](#), who states that equity planning is a systematic effort to align investment needs with internal financial resources through policies such as retained earnings, new share issuance, or dividend control. In practice, these decisions must be adjusted to market dynamics, the company's risk profile, and long-term strategic orientation. Equity planning is also closely related to company valuation policies. [Knaisch \(2024\)](#) shows that uncertainty in fiscal planning, including dividend and capital investment policies, can affect market perceptions of a company's equity value. In situations like this, financial managers must balance expected growth with capital risk, including maintaining an optimal debt-to-equity ratio.

The dynamics of equity planning decisions are also influenced by external factors such as capital costs and shareholder expectations. [Arhinful et al. \(2024\)](#) reveal that high equity costs can influence dividend decisions and internal financing schemes, so companies must be careful in managing their capital structure. [Graham \(2022\)](#) adds that many CFOs are now beginning to adjust their strategic decisions in response to market perceptions of shareholder value and demands for more inclusive corporate governance. Thus, equity planning is becoming increasingly complex, as it must balance short-term profitability with long-term sustainability. In this context, [Fadri & Fil \(2024\)](#) emphasize the importance of integrating strategic planning and capital decisions to increase shareholder value without sacrificing financial flexibility. Equity planning is not limited to internal decisions; it is also closely related to public offering mechanisms. [Hoang et al. \(2024\)](#) state that in the seasoned equity offering (SEO) process, companies need to assess the hierarchical complexity of decision-making and ownership structures to avoid dilutive effects detrimental to existing shareholders. Therefore, in

formulating equity planning policies, management must not only consider capital requirements but also maintain market confidence and stock price stability.

#### Tax Planning Expenses

Tax planning is a financial strategy that companies consciously and systematically employ to manage their tax obligations and pay taxes in an optimal, legal, and efficient manner. This strategy does not aim to avoid tax obligations illegally, but rather to take advantage of legal loopholes in tax regulations to reduce income tax Expenses. [Hanlon & Heitzman \(2010\)](#) state that tax planning can be viewed as a form of managerial efficiency that can influence company value, especially when applied within the corridor of accountability and legal compliance. [Armstrong et al. \(2012\)](#) show that companies that actively implement tax planning strategies have a greater potential to increase company value because they earn higher net profits and can increase equity. Meanwhile, [Khaoula & Mohamed Ali \(2012\)](#) found that careful tax-planning strategies not only affect fiscal efficiency but also contribute to long-term performance stability, especially in family businesses. This occurs because family businesses are more cautious when formulating fiscal strategies to avoid negatively impacting their reputation and business continuity. Therefore, tax planning is an important element of financial management that not only aims to reduce tax Expenses but also supports capital resilience and sustainable company growth.

The relationship between tax planning and income tax Expense is very close, as effective planning strategies can directly reduce the amount of tax companies must pay to the state. However, this strategy does not always have a positive impact if it is not implemented with caution. [Higgins et al. \(2015\)](#) argue that overly aggressive tax-planning strategies can increase a company's exposure to financial risk and regulatory uncertainty, ultimately reducing its credibility and weakening its financial position. In this context, [Bird & Davis-Nozemack \(2018\)](#) emphasize the importance of a more critical approach to tax planning, especially given public and regulatory pressure against tax avoidance that is considered detrimental to the state. [Research by Lanis & Richardson \(2013\)](#) also reinforces this view, stating that companies committed to social responsibility tend to avoid aggressive tax strategies and instead maintain a balance between fiscal efficiency and social contribution through proportional tax payments. Meanwhile, [Taylor et al. \(2015\)](#) show that multinational companies with complex tax schemes tend to shift their tax expenses to low-tax jurisdictions, but this can trigger a negative response from tax authorities and damage the company's global reputation.

#### Income Tax

Income tax planning is an important fiscal strategy that companies use to manage their tax expenses legally and efficiently ([Pasolo et al., 2023](#)). This strategy not only aims to reduce the amount of tax payable but also aims to improve the efficiency of resource allocation and strengthen the company's financial structure. [Chen et al. \(2025\)](#) explain that tax planning influences profit persistence, with companies that implement systematic tax planning tending to have more stable financial statements over the long term. However, the effectiveness of this strategy depends heavily on the role of credible external tax advisors and on shareholders' perceptions of the company's fiscal transparency. [Donohoe et al. \(2024\)](#) show that investor confidence can increase when tax planning is carried out with the involvement of professional, accountable advisors. In practice, this strategy often involves adjusting the timing of income and expense recognition and using more efficient investment and financing structures. [Knaisch \(2024\)](#) adds that uncertainty in tax planning must also be considered when valuing a company, as overly aggressive strategies can increase fiscal risk and potentially reduce the company's value.

In addition, corporate culture also influences the level of aggressiveness in income tax planning. [Afzali & Thor \(2025\)](#) mention that companies with a conservative governance culture tend to be more cautious in designing tax strategies to avoid exposure to audit risks or reputational damage. Not only internal cultural aspects but also the stages of the company's life cycle determine the fiscal strategy chosen. [Gabrielli & Greco \(2023\)](#) found that companies in the early stages of growth tend to be more aggressive in tax planning to allocate more funds to business expansion. However, companies that have entered the mature stage usually focus more on fiscal compliance to maintain stability and stakeholder trust. Income tax planning is also often related to the practice of transferring income and expenses between entities, especially in multinational companies. [Kołodziej et al. \(2023\)](#) found that

this strategy can pose a risk of tax avoidance if not managed prudently. Therefore, companies need to balance fiscal efficiency and legal compliance. [Johnson \(2024\)](#) emphasizes that strategic income tax planning requires a deep understanding of taxation policies, industry dynamics, and the company's long-term goals.

## Research Design and Methodology

This study uses a quantitative approach with a causal-comparative research design to analyze the effects of tax planning and income tax expense on the equity of banking companies listed on the Indonesia Stock Exchange (IDX) during 2019-2023. This design was chosen because it can test the cause-and-effect relationship between the independent and dependent variables using available historical data. The population in this study includes all companies in the banking sub-sector listed on the IDX during the observation period. The sample selection was carried out using purposive sampling, a technique based on criteria set by the researcher. Based on these criteria, 8 banking companies were selected as a sample from a total population of 46 companies. The data collection technique involved documenting secondary data sourced from companies' financial and annual reports, officially published by the Indonesia Stock Exchange, and from each company's official website. The instruments in this study include indicators representing tax planning variables, income tax expenses, and equity, which were formulated based on theoretical studies and previous research. Data analysis was carried out in several stages, namely descriptive statistical analysis, classical assumption tests (normality, multicollinearity, heteroscedasticity), multiple linear regression analysis to test simultaneous and partial effects, t-tests and F-tests for variable significance, and the coefficient of determination ( $R^2$ ) to see the contribution of independent variables to the dependent variable. All analyses were performed using SPSS software version 27.

## Findings and Discussion

### Findings

#### *Descriptive Statistical Analysis*

**Table 1. Descriptive Statistical Test Results**

Descriptive Statistics			
	N	Mean	Std. Deviation
Equity	40	93.7698	93.45717
Tax Planning	40	.7505	.08288
Income Tax Expense	40	.0043	.00219
Valid N (listwise)	40		

*Source: Processed data (2024)*

Analysis of Table 1 shows that:

a. Tax Planning

The analysis results show that the average equity value of the eight companies is 0.7505 with a relatively small standard deviation of 0.08288. Therefore, the distribution of equity values indicates a healthy condition.

b. Income Tax Expense

The analysis results show that the eight companies studied have an average tax expense of 0.0043 and a relatively small standard deviation of 0.00129. Therefore, the distribution of equity values indicates a healthy condition.

c. Equity

The analysis results show that the equity values of the eight companies studied vary considerably. This can be seen from the standard deviation, which is almost the same as the mean. However, the mean equity value of 93.7698 indicates a normal distribution of values.

Normality Test

Table 2. Normality Test Results  
 One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
	N		40
Normal Parameters <sup>a,b</sup>	Mean		.0000000
	Std. Deviation		80.07219317
Most Extreme Differences	Absolute		.125
	Positive		.125
	Negative		-.071
	Test Statistic		.125
	Asymp. Sig. (2-tailed) <sup>c</sup>		.117
Monte Carlo Sig. (2-tailed) <sup>d</sup>	Sig.		.114
	99% Confidence Interval	Lower Bound	.106
		Upper Bound	.122

Source: Processed data (2024)

Analysis of Table 2 shows that the asymptotic significance value of 0.117 exceeds the 0.05 significance threshold. This result indicates that the normality assumption in our regression model is satisfied and that the data are normally distributed.

Multicollinearity Test

Based on the analysis results, the Variance Inflation Factor (VIF) values of all independent variables are below the threshold of 10, while the tolerance values are above 0.10. These results indicate that there are no multicollinearity issues. Therefore, the data is suitable for use in this study.

Autocorrelation Test

Based on the analysis, the DW statistical value is 1.651. There are 40 observations and 2 independent variables. Thus, the DL value is 1.390, and the dU value is 1.600. The DW value of 1.651 is greater than the upper limit, which is dU 1.600, and less than (2-dU) 2-1.600= 2.4. We can conclude that there is autocorrelation in the data.

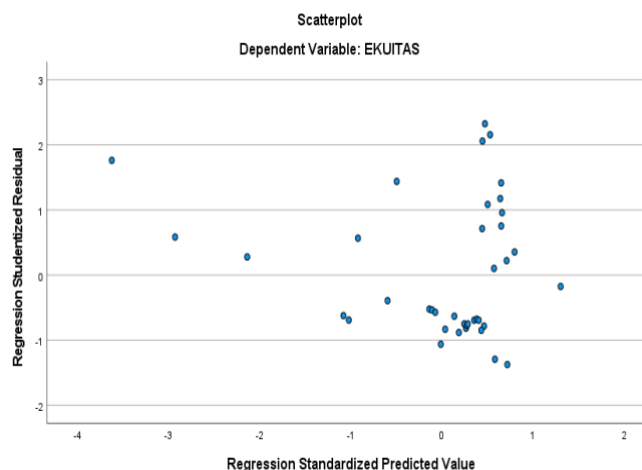


Figure 1. Results of the Heteroscedasticity Test

The scatterplot analysis above shows that the model residuals are evenly distributed above and below the 0 line, with no clear pattern. Based on these results, we can conclude that the assumption of no heteroscedasticity holds.

Regression Analysis Test

Table 3. Multiple Linear Regression Analysis Results  
 Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-2077.841	162.886		-12.221	.001		
	Tax Planning	2039.240	217.340	.223	9.376	.001	.973	1.028
	Income Tax Expense	2177.639	516.076	1.003	42.199	.001	.973	1.028

a. Dependent Variable: Equity

The resulting regression equation is:

$$Y = -2077.841 + 2039.240X_1 + 2177.639X_2 + \epsilon$$

The regression equation coefficients above can be interpreted as follows:

- The constant value of -2077.841 indicates that if all independent variables (tax planning (X1) and tax Expense (X2)) are considered constant or equal to 0, then equity (Y) will be -2077.841.
- The tax planning coefficient of 2039.240 indicates that for every one unit increase in tax planning, there will be a decrease in equity value of 2039.240.
- The tax Expense coefficient of 2177.639 indicates that for every one unit increase in the tax Expense, there will be a decrease in equity value of 2177.639.

Table 4 Simultaneous Test Results  
 ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	91027.063	2	45513.532	6.747	.003 <sup>b</sup>
Residual	249608.412	37	6746.173		
Total	340635.475	39			

a. Dependent Variable: Equity

b. Predictors: (Constant), Income Tax Expense, Tax Planning

Based on Table 4, the calculated F value is greater than the table F value (6.747 > 3.25), and the significance of 0.03 is smaller than the significance level of 0.05, so that H0 is rejected and h0 is accepted. The analysis results show that tax planning and the income tax Expense have a significant, simultaneous effect on the company's equity level.

t-test results

- The effect of tax planning on equity

Based on the t-test results, the calculated t-value is greater than the table t-value (9.376 > 2.021). The significance value of 0.01 is smaller than the specified value of 0.05, so H0 is rejected. This means that, partially, tax planning has a significant positive effect on the dependent variable, namely equity.

- The effect of tax Expense on equity.

Based on the regression analysis, the calculated t-value (42.199) exceeds the table t-value (2.021). The calculated significance value is smaller than the specified significance value (0.01 < 0.05), so H0 is rejected, and h0 is accepted. This means that, partially, the tax Expense has a significant positive effect on the dependent variable, namely equity.

*Coefficient of Determination (R2)*

**Table 5. Results of the Coefficient of Determination Test**

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate	Durbin-Watson
1	.865 <sup>a</sup>	.749	.733	.213509	1.651

a. Predictors: (Constant), Income Tax Expense, Tax Planning

b. Dependent Variable: Equity

The output shows that the effect of the independent variables on the dependent variable is 0.749 or 74.9%. A value close to 1 means that the independent variables account for almost all the variation in the dependent variable, while the remaining 25.1% is explained by other variables not included in the regression model.

## Discussion

### *Tax Planning Affects Equity*

The results of this study empirically show that tax planning has a positive and significant effect on the equity of banking companies listed on the Indonesia Stock Exchange. This finding confirms that the greater the intensity or effectiveness of a company's tax planning, the higher its equity value. Tax planning in this context is not merely an attempt to avoid taxes, but rather a form of strategic and legal planning aimed at reducing income tax Expenses by utilizing provisions of valid tax regulations. In practice, companies can use certain accounting policies, choose efficient financing structures, or take advantage of fiscal incentives regulated in tax laws as part of their tax planning strategy. These efforts will indirectly increase the company's net profit by reducing taxes payable, thereby increasing retained earnings and equity. This directly increases the company's equity. Thus, the results of this study emphasize that tax planning is not only relevant for fiscal efficiency purposes but also plays an important role in strengthening the company's financial structure. This fact adds a new dimension to the understanding of corporate financial management, particularly in the legal management of income tax Expenses to achieve more stable and competitive financial conditions.

This finding is consistent with agency theory proposed by [Jensen & Meckling \(1976\)](#), which posits that in an agency relationship, there is a potential conflict of interest between the principal (the government) and the agent (the company). The government, as the principal, has an interest in maximizing state revenue through taxes, while companies, as agents, have an interest in maximizing profits by reducing taxes. In such conditions, tax planning is a strategy companies use to manage their fiscal expenses legally, without violating regulations. However, this strategy can lead to asymmetric information between the agent and the principal, especially when companies do not transparently disclose their tax structures. In this context, the existence of tax planning as an important variable not only reflects managerial capabilities in fiscal efficiency, but also shows the extent to which companies implement careful financial policies under pressure from two conflicting interests. With good tax planning, companies can optimize their internal resources, maintain business continuity, and maintain shareholder confidence in their capital strength. Therefore, agency theory provides a strong theoretical foundation for explaining why and how tax planning can affect a company's equity value, especially in highly regulated sectors such as banking.

The results of this study reinforce the findings of numerous previous studies that consistently show that tax planning has a positive and significant effect on company equity. [Desita \(2016\)](#), in her study of the manufacturing sector on the Indonesia Stock Exchange, found that systematic tax planning can increase company equity value. The study shows that tax efficiency achieved through strategic planning can be a determining factor in achieving sound financial conditions. In line with this, [Fitriyani et al. \(2023\)](#), in their study of banking companies, also concluded that companies implementing optimal tax planning strategies tend to increase their equity value. This finding is further reinforced by [Wedha & Sastri's \(2017\)](#) research on the food and beverage sector, which found a positive relationship between tax planning and Return on Equity (ROE), which is a key indicator of equity value. These three studies provide empirical evidence supporting this study's results,

demonstrating that tax planning is an effective strategic financial instrument across various industrial sectors.

### ***Income Tax Expense Affects Equity***

Based on the test results, this study found that income tax expenses have a positive and significant effect on the equity of banking companies. These findings indicate that the higher a company's income tax expenses, the higher the equity value recorded in its financial statements. This occurs because high tax expenses typically reflect the company's profit. In other words, companies with large profits will face higher income tax obligations and, at the same time, will have a greater ability to increase retained earnings, ultimately leading to higher equity. This fact confirms that tax expenses are not always viewed as a factor that reduces financial performance; in this context, they actually represent the company's financial strength, especially in the banking sector, which tends to have a complex and stable income structure. Therefore, the management of income tax expenses, carried out appropriately, transparently, and in compliance with tax regulations, can be an indicator of the company's stability and credibility. This study provides a new understanding: tax expenses, if managed properly, are not an expense but rather a reflection of high profit capacity and its contribution to the overall value of the company's equity.

The finding that income tax expenses have a positive and significant effect on company equity can be explained theoretically through the agency theory approach. In this framework, the relationship between company managers, acting as agents, and company owners or regulators, acting as principals, has a high potential for conflicts of interest, especially regarding tax management strategies. Managers tend to minimize tax expenses to maintain high profitability, while the government seeks to increase state tax revenue. However, in the context of this study, the positive effect of tax expenses on equity indicates that companies are not solely focused on tax avoidance but can maintain a balance between fiscal efficiency and legal compliance. When companies pay large amounts of tax, this can be a positive signal to investors that the company has strong earning capacity, a healthy financial structure, and operates within a good governance framework. By understanding the logic of conflicts of interest in agency theory, companies can design tax strategies that not only reduce expenses but also build public reputation and trust through transparent, credible financial reporting. Thus, tax Expense management becomes a strategic aspect in creating added value for shareholders and strengthening the company's financial position.

The findings in this study are reinforced by previous research by [Fitriyani et al. \(2023\)](#), who also studied banking companies in Indonesia and found that income tax Expenses significantly affect equity. In her research, Siti concluded that companies with high tax expenses tend to record an increase in equity value due to high reported profits, which in turn contributes to the accumulation of their own capital. This study proves that tax expenses are not merely an expense that reduces the company's wealth but can also reflect strong financial performance. These results also support the view that companies with good tax management can maintain their fiscal reputation while increasing the company's value in the eyes of stakeholders. By integrating these results with agency theory, it appears that transparent tax management can reduce potential conflicts between agents and principals and increase investor confidence in financial reports.

### ***Tax planning and tax Expenses together affect equity.***

Based on the results of simultaneous analysis, it was found that tax planning and income tax expenses together have a significant effect on the equity of banking companies. This finding indicates that these two variables cannot be separated in their influence on the company's financial structure, particularly with respect to increases in equity value. Systematically designed tax planning in accordance with tax regulations can help companies legally reduce their income tax Expense, thereby increasing net income. This increase in net profit will be recorded as retained earnings, thereby directly increasing equity. Conversely, high income tax expenses will reduce available net profit and may encourage management to seek efficient ways to manage their tax obligations. Thus, the simultaneous relationship between these two variables reflects the strategic dynamics of corporate financial management. In the highly regulated banking industry, companies are required not only to

fulfill their tax obligations but also to maintain competitive financial performance. Therefore, these results show that the simultaneous management of tax planning and income tax expenses can be an important managerial tool for strengthening a company's equity and creating a healthy, sustainable capital structure.

This finding is consistent with agency theory, which posits that in the relationship between principals (owners) and agents (management), conflicts of interest tend to arise due to differences in objectives. Principals generally want the company to generate high profits and increase its value, including through increased equity. On the other hand, managers, as agents, have objectives that are not always identical to the owners' wishes, including how the company manages its taxes. In this context, tax planning serves as an instrument for management to achieve fiscal efficiency while maintaining regulatory compliance. Through good tax planning, management can reduce income tax Expenses and maintain the stability of the company's net profit, thereby increasing the opportunity for equity growth. Thus, agency theory provides a basis for understanding that taxation strategy is not only a response to fiscal obligations but also part of financial decisions aimed at maintaining a balance between owners' interests and managerial actions. The results of this study reinforce the argument that effective, integrative tax management between tax planning and the income tax expense can support the achievement of corporate strategic objectives by strengthening sustainable, credible equity value.

The results of this study reinforce the findings of previous studies, particularly [Fitriyani et al. \(2023\)](#), which concluded that both tax planning and income tax expenses significantly affect the equity of banking companies. However, an important contribution of this study is its more comprehensive approach, which tests both variables simultaneously, thereby providing a more complete understanding of how they interact and affect a company's capital structure. In an empirical context, these findings validate the view that corporate tax strategies must be viewed holistically rather than as two separate elements. Effective tax planning can reduce tax Expenses and support profit growth, while high tax Expenses signal the need for companies to design more efficient fiscal strategies.

## Conclusion

This study aims to analyze the effects of tax planning and income tax expense on the equity of banking companies listed on the Indonesia Stock Exchange during 2019-2023. Based on the data analysis and discussion, it can be concluded that, both partially and simultaneously, tax planning and income tax Expense Have a positive and significant effect on company equity. This finding confirms that effective tax planning and optimal tax Expense Management are important strategies companies can use to strengthen their financial structure, particularly to build and increase equity value. In other words, successful management of fiscal aspects not only affects cost efficiency but also directly impacts the company's competitiveness and financial sustainability.

This study makes an important contribution to the literature on finance and taxation, particularly in the context of Indonesia's banking sector. The originality of this research lies in its simultaneous testing of two taxation variables against equity, as well as its application in a highly regulated sector such as banking. Practically, the results of this study imply that company management needs to strengthen legal and accountable tax planning functions and manage tax Expenses efficiently as part of a strategy to increase company value.

In managerial practice, these results highlight the importance of collaboration between finance and taxation teams to design fiscal policies aligned with the company's strategic objectives, including increasing investor and stakeholder confidence through transparency and sound tax governance. However, this study has several limitations that need to be considered.

This study focuses only on banking companies, so the generalizability of the results does not yet extend to other sectors with different fiscal and financial characteristics. In addition, the variables used are still limited to tax planning and income tax Expense. At the same time, other factors such as company size, liquidity, leverage, and dividend policy may influence equity but are not included in this research model. Therefore, the suggestion for further research is to expand the scope of the industry sector analyzed and consider adding other relevant variables to gain a more comprehensive understanding of the determinants of corporate equity. With a broader approach and more diverse

variables, future research is expected to enrich empirical insights and support the formulation of corporate fiscal policies more accurately and comprehensively.

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