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THE INFLUENCE OF TAX PLANNING AND EARNINGS MANAGEMENT ON THE PERFORMANCE OF LISTED COMPANIES ON THE STOCK EXCHANGE OF THAILAND

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Abstract

The purpose of this research was to examine the influence of tax planning and earnings management on the performance of listed companies in the Stock Exchange of Thailand. The researcher collected secondary data from 2020 to 2021, comprising 620 samples. The measurements included assessing tax planning from the Effective Tax Rate (ETR), Tax/Total Assets (ASSET), measuring Earnings management, and measuring the Firm Performance, Return on Equity (ROE), and Return on Assets (ROA). Additionally, economic aspects were considered using Tobin's Q indicators. The analysis utilized Structural Equation Modeling (SEM) and Path Analysis.

The study revealed that Tax planning based on the Effective Tax Rate (ETR) displayed a positive correlation with the Firm Performance, as measured by Return on Equity (ROE), and Return on Assets (ROA). However, no statistically significant correlation was identified when measuring performance based on Tobin's Q concept. This suggests that the companies employing Tax planning tend to experience enhanced performance. Tax planning among listed companies on the stock exchange is manifested in the form of a declining Effective Tax Rate (ETR) and the Tax to Total Assets (Asset) ratios on an annual basis. Conversely, Earnings Management (EM) demonstrated a propensity to fluctuate. Earnings Management displayed a correlation with performance outcomes in the same direction. This is due to executives effectively managing to boost earnings, thereby showcasing commendable performance. This is crucial for achieving heightened returns and meeting the investors' expectations, subsequently attracting more investor capital and augmenting the stock value, ultimately contributing to improved firm performance.

Keywords: Tax Planning, Effective Tax Rate, Tax to Total Assets, Earnings Management, Performance

1. Introduction

Taxes are the funds collected by the government from citizens and businesses. They are considered an important source of revenue for managing and developing the country, encompassing aspects such as the economy, society, education, public health, public utilities, or welfare programs for the nation's people. Corporate income tax is a levy imposed on the earnings of companies and is categorized as a direct tax under the Revenue Code. It stands as the government's second-highest revenue-generating tax after the Value Added Tax (VAT) (Ministry of Finance, 2022). The majority of the corporate income tax in Thailand is collected from

corporations and legal partnerships that operate based on their net profits. Initially, this tax was set at 30 percent of net profits. Later, in 2012, the Ministry of Finance announced a reduction to 23 percent of net profit. Subsequently, in 2013, and continuing to the present, the rate was further decreased to just 20 percent of net profit. Consequently, corporate income tax is classified as an obligatory expense for companies and legal partnerships in adherence to the law. This expense must be shown in the income statement that directly affects the net profit and cash flow of an entity. As a result, business executives typically strategize their corporate income tax approach by choosing tax legislative privileges to legally curtail tax expenses. This practice ultimately boosts the business's net profit and cash flow.

Tax Planning involves a strategic approach to utilizing various tax benefits to reduce expenses through tax reduction and enhance the profit and cash flow of the entity. The primary objective is to minimize tax liability while remaining fully compliant with the provisions of tax laws. Tax planning encompasses aspects of tax avoidance, which entails exploiting legal gaps in tax regulations to derive the greatest advantage for a business without contravening the law (Ponpitak, 2020). An example is utilizing a judgment approach to precisely define the contract conditions for tax avoidance. However, it's crucial to ensure that such actions stay within the bounds of tax laws, avoiding practices like creating false transactions or disregarding income recognition, as engaging in such activities could lead to both civil and criminal penalties upon discovery. Such conduct would be categorized as tax evasion, carrying inherent operational risks and hidden costs, as discussed above. Effective tax planning, geared toward accurate and comprehensive tax payment, aids in reducing tax expenses. This approach prevents excessive tax payments and alleviates the burden of potential fines and penalties arising from operational errors that violate the stipulated rules, procedures, and conditions set forth by the law. Tax planning serves as a valuable tool for entrepreneurs, allowing them to leverage tax privileges and achieve minimal tax expenses within the bounds of legality. Lowering tax payments translates to reduced operational costs, contributing to a competitive edge. Properly executed tax planning can lead to enhanced shareholder returns, subsequently driving up stock prices and overall returns. The interest of investors in tax planning influences accounting profit in two distinct manners: firstly, by causing a decrease in taxable profit while leaving accounting profit unaffected, and secondly, by reflecting the effective tax rate of an entity, indicating a low effective tax rate when significant tax planning is in place. This phenomenon underscores the prevalence of tax planning. Many corporations engaged in tax planning exhibit an effective tax rate lower than the statutory corporate income tax rate, which currently stands at 20 percent. If a business attains an excessively reduced tax rate, falling well below the legal rate, it could raise suspicions of irregularity, verging on fraudulent or illicit tax evasion. Tax planning that results in diminished accounting and taxable profit can be gauged through metrics such as the ratio of tax to net cash flow from the firm performance and the ratio of tax to total assets.

Therefore, the researcher is interested in studying the influence of tax planning and earnings management on the performance of listed companies in the Stock Exchange of Thailand. The performance indicators are needed that can reflect both accounting performance and economic

performance. An examination of the past existing literature identified that Tobin's Q indicator (Tobin and Brainard, 1976) can effectively assess the firm performance by encompassing data from financial statements to represent both its accounting and economic performance. In addition, the researcher reviewed the work of DeChow et al. (2012) who stated that corporate earnings management behaviors directly influence a company's performance, resulting in elevated performance values. Nonetheless, in subsequent periods, firms engaging in earnings management exhibit a reversal in behavior, impacting their performance and potentially leading to a decline in performance metrics. Importantly, DeChow et al. (2012) do not provide a predictive framework for when this reversal in behavior might occur. Consequently, this particular issue prompted an exploration into the correlation between tax planning, earnings management, and a firm's overall performance.

2. Research Objectives

1. To study the influence of tax planning on the performance of listed companies in the Stock Exchange of Thailand,
2. To study the influence of earnings management on the performance of listed companies in the Stock Exchange of Thailand,
3. To study the influence of tax planning on the earnings management of listed companies in the Stock Exchange of Thailand.

3. Literature Review and Hypothesis Formulation

Tax Planning Theory, as presented by Hoffman (1961), discusses considerations and practices for computing taxes for an entity. It emphasizes that the tax burden of an entity is more closely tied to its taxable profits rather than its accounting profits. This discrepancy arises due to the implementation of various tax policies, including increased deduction benefits and income exemption benefits. These adjustments have no bearing on the enhancement of accounting profit, but they yield a positive impact on overall performance. The Trace-off Theory, formulated by Modigliani and Miller (MM) (1953), introduces the concept of weighing the costs and benefits of tax planning. In scenarios where a company heavily relies on borrowed funds, the expense of interest payments becomes a factor. The company must weigh the decision to employ interest expenses as a tax-deductible measure. While this approach can lead to reduced tax payments, it also comes with the expense of higher interest payments, potentially escalating to the point of the company facing bankruptcy. Hence, managerial decision-making must strike a balance between the costs incurred and the benefits gained from tax planning. This consideration is crucial in choosing the most advantageous approach and fostering a positive impact on the company's performance.

Tax planning and earnings management are closely related to executive decision-making in business planning (Polpanumas et al., 2021). Tax planning and earnings management can be defined as follows: According to Phongphitak (2020), tax planning involves establishing guidelines for correct and practical practices in future Financial Transactions related to tax issues.

This encompasses both short-term and long-term strategies aimed at addressing existing tax issues and preventing potential problems. The objective is to ensure accurate and complete adherence to tax regulations, procedures, and conditions outlined by tax laws. This approach seeks to minimize tax liabilities or maximize tax advantages without resorting to corruption or tax evasion. On the other hand, Earnings Management, as defined by Supattarakul (2005), refers to the performance management tactics employed by executives to manipulate accounting policies. This manipulation aims to achieve profit goals by avoiding the reporting of reduced performance or earnings that fall below management's projections or investor expectations. Techniques such as spreading earnings, earnings decoration, earnings management, and account manipulation (Jarupat, 2020), or similar terminologies with analogous meanings, are only feasible when transactions or financial reports are subject to executive discretion. The intent is to enhance, alter, or manipulate the company's financial statements to lead investors or relevant stakeholders into misinterpreting the financial figures presented in these statements, or to benefit from specific actions resulting from adjustments to such transactions.

3.1 Tax planning and the firm performance: Effective tax planning can significantly alleviate the burden of tax expenses on a company's costs, thereby improving both its net profit and overall performance. This improvement can be reflected in metrics such as return on equity, which not only showcases the company's strength and viability but also underscores the efficacy and efficiency of resource management across its activities, investments, and financing (Saidu, 2018). Moreover, assessing a firm performance holds the utmost importance for executives, providing them with essential insights into its status and accomplishments. This information is pivotal for devising strategies, and competition policies, and evaluating management competency. Equally important, it serves as a compass to ascertain whether the firm's achievements align with its set objectives and guides its trajectory for future performance (Pasu Decharin, 2018). For instance, when taxes play a pivotal role in policy decisions, strategic tax planning becomes a critical aspect of the decision-making process. Such decisions are inherently influenced by tax considerations, as taxation directly impacts organizational costs, subsequently affecting performance. Consequently, the pursuit of avenues to mitigate tax expenditures becomes even more imperative (Graham, 2004).

Tax planning is a strategic technique employed by executives to leverage the benefits and legal loopholes within tax laws. The primary objective is to minimize tax payments while adhering to the legal framework, ultimately enhancing the business's performance. Once a business achieves profitability, the consequential concern becomes tax expenses. Increased profits directly lead to higher tax expenses. Hence, tax planning assumes a crucial role in aiding businesses to curtail their tax burdens, enabling effective fund management within the enterprise. Business owners can opt to implement tax planning strategies right from the inception of their venture, during its operational phase, or at the outset of the fiscal year. This allows businesses to trim costs and capitalize on maximal benefits. It's important to note that tax planning should not be confused with tax avoidance or tax evasion. Bordin Mahawong and Phaiboon Phajongwong (2019) explored the "Relationship between Firm Performance and Corporate Tax Avoidance of Listed Companies in

the Stock Exchange of Thailand within the SET 100 Index." The study employed Return on Equity (ROE) as a financial benchmark to gauge company performance, highlighting profitable growth and shareholder wealth creation. Tax avoidance was gauged by the effective tax rate (ETR). Their research revealed a negative correlation between the effective tax rate (ETR) and the return on equity (ROE). In essence, adept tax planning maintains a low effective tax rate and subsequently yields favorable performance outcomes, as evidenced by the return on equity. This conclusion resonates with the findings of Desai and Dhammapala (2007) as well as Abdul-Wahab (2010), who investigated the interplay between tax planning, company value, and its influence on corporate governance in the United States and England. These studies assessed tax planning through the lens of the effective tax rate (ETR) and evaluated company value using Tobin's Q, a reliable indicator of future growth prospects and long-term financial performance. Historical research indicates a positive correlation between tax planning and performance, primarily attributed to the strategic utilization of tax incentives to mitigate business expenses. By doing so, companies enhance net profits and cash flow, invariably augmenting their performance metrics (Sribunruang and Sutthi, 2021). Conversely, some prior research points to an opposing correlation. This arises due to escalated tax planning efforts resulting in ancillary costs like bankruptcy expenses and financial costs, all in pursuit of garnering tax benefits. Such a strategy inadvertently heightens the business's overall costs, negating the positive impact of tax planning on performance outcomes (Thanjunpong, 2014).

3.2. Tax planning and earnings management of the company

Tax planning involves formulating strategies for future financial transactions related to taxation, both in the short and long term, with the overarching goal of fulfilling tax obligations. This practice ensures that a business's taxation procedures are both accurate and comprehensive, adhering to the rules and regulations stipulated in tax laws. The objective is to minimize tax payments while adhering to legal norms and promoting ethical practices. The aim is not to engage in fraudulent activities or tax evasion but rather to leverage legitimate tax privileges to optimize business efficiency. A study conducted by Hanlon, Mills, and Slemrod (2005) revealed that companies engaged in more robust tax planning tend to exhibit more favorable effective tax rates. When comparing the effective tax rate with the statutory tax rate (e.g., 20%), the difference can also gauge the extent of tax avoidance. This comparison assumes that business leaders strive to reduce tax expenses, which often necessitates higher accounting income. As a result, businesses with tax planning policies tend to exhibit lower effective tax rates, which can be attributed to legitimate efforts to reduce tax liabilities rather than engage in tax evasion. It's worth noting that higher accounting earnings, carefully managed to surpass taxable income, can lead to this lower effective tax rate. Analyzing actual tax rates alongside these metrics aids in discerning irregularities that may indicate tax evasion or other illegitimate practices. The practice of tax planning significantly influences earnings management by executives. When executives engage in tax planning to optimize tax treatment, it can subsequently impact net accounting profits by driving an increase. Since executive compensation often hinges on company performance, as reflected in net accounting profit (aligned with Positive Accounting Theory), tax planning becomes a strategic

tool. Executives might strategically engage in tax planning to reduce taxable income while bolstering net accounting profits. However, previous research outcomes have presented a mix of positive, negative, and inconclusive effects of tax planning on accounting profit.

The research has concluded that tax planning has a positive impact on accounting profit, as demonstrated in Anothai Polpanumas's (2020) study titled "The Effect of Tax Planning of Non-capital market companies on Earnings Management in Thailand". The study revealed that tax planning exerts a positive impact on earnings management in Thailand. The relationship between accounting principles and tax principles might incentivize executives to manage earnings. In addition, companies listed on the Stock Exchange of Thailand exhibit differences in tax planning and earnings management when compared to companies outside capital markets. The findings of this research are expected to offer supplementary insights for making investment decisions, enabling investors to consider accounting information from the perspective of tax planning. This aligns with the research conducted by Thitirat Jitkham (2022), who examined the "Relationship of Tax Planning and Earnings Management with the Performance of Companies Listed on the Stock Exchange of the Market for Alternative Investment (MAI)." The study demonstrated a statistically significant positive direction in the relationship between tax planning, earnings management, and company performance in the current year. Additionally, it found that this relationship extends in a positive direction to the company's performance in the next one to three years. From the literature review, the hypotheses are formulated as follows:

Hypothesis 1a: Tax-asset ratio (TAX/ASSET) influences the Return on Equity of listed companies on the Stock Exchange of Thailand.

Hypothesis 1b: Tax-asset ratio (TAX/ASSET) influences the Return on Assets of listed companies on the Stock Exchange of Thailand.

Hypothesis 1c: Tax-asset ratio (TAX/ASSET) influences Tobin's Q of listed companies in the Stock Exchange of Thailand.

Hypothesis 1d: Tax-asset ratio (TAX/ASSET) influences the Earnings Management of listed companies in the Stock Exchange of Thailand.

Hypothesis 2a: Effective Tax Rate influences the Return on Equity of listed companies in the Stock Exchange of Thailand.

Hypothesis 2b: Effective Tax Rate influences the Return on Assets of listed companies in the Stock Exchange of Thailand.

Hypothesis 2c: Effective Tax Rate influences Tobin's Q of listed companies in the Stock Exchange of Thailand.

Hypothesis 2d: Effective Tax Rate influences the Earrings Management of listed companies on the Stock Exchange of Thailand.

3.3 Earnings management and the firm performance

Earnings management and the firm performance: Previous research found that there was a correlation between earnings management and the firm performance in the same direction. When executives deliberately increase accounting profits, it is often to showcase favorable performance,

meet higher return expectations, or maintain profits in line with investors' anticipations. This strategic manipulation can attract increased capital from investors, subsequently driving up the value of securities and contributing to improved overall performance (Jiraporn et al., 2008; Mahmud, Ibrahim, and Pox, 2009). This finding is congruent with the findings of Krissanut Wiratchworkorn's study (2020) titled "The Growth Potential Affecting the Profitability and Stock Return of the SET 100 Group Registered in the Stock Exchange of Thailand." The study disclosed that sales growth exerts a positive influence on both the return on equity and earnings generated from price differences. Concurrently, the study noted that sales growth has a negative impact on the return on equity ratio. From the literature review, the hypotheses are formulated as follows:

Hypothesis 3a: Earnings Management influences the Return on Equity of listed companies on the Stock Exchange of Thailand.

Hypothesis 3b: Earnings Management influences the Return on Assets of listed companies on the Stock Exchange of Thailand.

Hypothesis 3c: Earnings Management influences Tobin's Q of listed companies on the Stock Exchange of Thailand.

4. Conceptual Framework

Based on the analysis of concepts, theories, and documents throughout the relevant research, the research conceptual framework is constructed as follows:

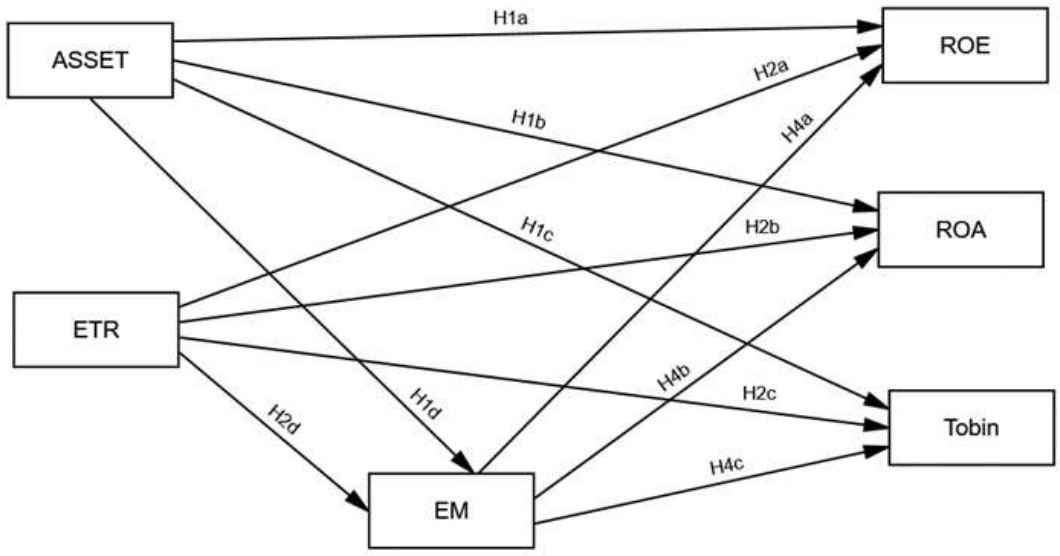


Figure 1: Initial model of the proposed relationship between Tax Planning and Earnings Management of Firm Performance

5. Research Methods

5.1 Population and sample

The population for this study comprises companies listed on the stock exchange, types of industry groups with the performance from 2020 - 2021, totaling 516 companies, a total of 2 years,

1,032 company-years (516 × 2 years = 1,032 company-years) (The Stock Exchange of Thailand, 2022).

The sample group for this study consists of companies listed on the stock exchange, types of industry groups with the performance from 2020 - 2021, a total of 393 companies for a period of two years by a purposive sampling using the formula developed by Krejcie, R.V. & Morgan, D.W. (Krejcie, R.V. & Morgan, D. W., 1970). The selection criteria are focused on companies listed on the Market for Alternative Investment (MAI) within industry groups that have demonstrated excellent performance over the span of 2020 to 2022, covering a total of two years. This excellence is defined as sustained exceptional performance for two consecutive years. The selection process is further narrowed down to companies operating within six distinct industries: 1) Agriculture and food industry: 62 companies, 2) Consumer goods: 68 companies, 3) Industrial products: 70 companies, 4) Resources: 63 companies, 5) Service: 85 companies, and 6) Technology: 45 companies, a total of 786 company-years (393 × 2 years = 786 company-years).

Data Collection and Data Management: The researcher collected secondary data for this study, including regular financial statements and market value of equity (MVE), obtained from the website www.setsmart.com. Additionally, annual registration statements (Form 56-1), and the annual report were gathered from the websites www.set.or.th and www.sec.or.th. The data collection process prioritized companies furnishing comprehensive financial information as mandated by the study's requirements. All selected companies share a common accounting period, concluding on December 31st. This uniformity serves to mitigate the influence of potential time variations, thus facilitating meaningful comparisons with the data received.

5.2 Measurement of variables

Table 1. Measurement of variables

Variables	Variables name	
Tax planning		
Annual Effective Tax Rate	ETR	Paying tax on income/ Earnings before tax deduction
Tax/Toal Assets	ASSET	Income Tax Expenses / Total Assets
Earnings Management	EM	$DAC_{it} = (TA_{it} / A_{it-1})\text{-}NDAC_{it}$ Using the Modified Jones model (1991)
Accounting Performance Measurement	ROA	Return on Assets * 100
	ROE	Return on Equity/shareholders' equity * 100
Economic Performance Measurement	Tobin's Q	Market Cap + Accounting Value of Total Liabilities /Accounting Value of Total Assets

5.3 Data analysis

The data analysis was divided into two distinct parts by the researcher: 1) basic statistical analysis and descriptive Statistics used by the researcher to explain and describe the results of preliminary data analysis and inferential statistics; and 2) Structural Equation Modeling (SEM) through Path Analysis with techniques using the Maximum Likelihood (ML) technique to estimate the path coefficient by AMOS program.

6. Research results

A study of the influence of tax planning and earnings management on the performance of listed companies in the Stock Exchange of Thailand found that data for this study was derived from annual registration statements (Form 56-1) publicly disclosed on the Stock Exchange of Thailand's website, covering a span of two years from 2020 to 2021. The dataset encompassed a total of 786 company-years, reflecting a comprehensive collection of data points. These data were meticulously extracted and compiled from working papers for thorough analysis and they were analyzed by using descriptive statistics as shown in Table 1.

Table 2. Tax planning, earnings management, and performance of listed companies on the Stock Exchange of Thailand

Variables	2563		2564		Total	
	$\bar{x}$	S.D.	$\bar{x}$	S.D.	$\bar{x}$	S.D.
ETR	0.231	2.503	0.228	0.226	0.228	2.236
ASSET	0.021	0.015	0.023	0.015	0.022	0.025
EM	0.078	0.197	0.196	0.124	0.137	0.141
ROE	0.107	0.352	0.032	0.215	0.069	0.071
ROA	0.087	0.215	0.013	0.126	0.050	0.053
Tobin's Q	0.026	0.023	0.045	0.043	0.035	0.039

It revealed that tax planning from 2020-2021 has discernible trends, including tax planning using the effective tax rate (ETR) method ($\bar{x}$ = 228, S.D. = 2.236) and tax planning using the tax to total assets (Asset) ($\bar{x}$ = 0.022, S.D. = 0.025), and Earnings Management (EV) ($\bar{x}$ = 0.137, S.D. = 0.141), Return on Equity (ROE) ($\bar{x}$ = 0.069, S.D. = 0.071), the Return on total assets (ROA) ($\bar{x}$ = 0.050, 5.D. = 0.053), and Tobin's Q ($\bar{x}$ = 0.035, 3.D. = 0.039).

Table 3. The Correlation of Construct

Additionally, Table 3 indicates discriminant validity with all bold diagonal values higher than other values in the same row/column, making SEM acceptable.

	ASSET	ERT	CFO	EM	ROE	ROA	Tobin's Q
ASSET	1.000						
ERT	0.142	1.000					
EM	-0.019	-0.332	0.094	1.000			
ROE	-0.143	-0.285	-0.347	0.099	1.000		

	ASSET	ERT	CFO	EM	ROE	ROA	Tobin's Q
ROA	-0.188	0.088	0.029	-0.258	-0.308	1.000	
Tobin's Q	-0.004	-0.064	0.032	-0.183	0.110	-0.150	1.000

- Significance of Correlations: * $p < 0.050$, ** $p < 0.010$, and *** $p < 0.001$
- ASSET = Tax / Total Asset; ERT = Effective Tax Rate; ROE = Return on Equity; ROA = Return on Assets , Tobin's Q
- The above calculation was performed using the "Master Validity Tool" AMOS Plugin by Gaskin & Lim (2016a)

6.1 Structural Equation Model: Hypothesis testing

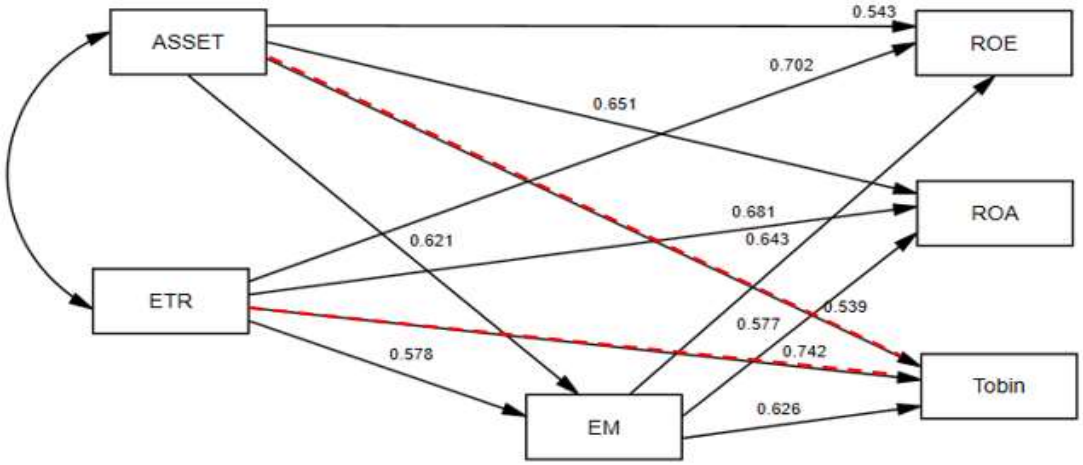
6.1.1 Structural Equation Model the SEM analysis was conducted to investigate the influence of the factors of the Tax Planning Earning Management of Firm Performance. The final result shows that the model is consistent with the empirical data: Chi-square = 43.345, CMIN/DF = 2.580, CFI= 0.906, GFI = 0.971, SRMR= 0.079, RMSEA=0.003

It can be concluded that the structural equation model of the Tax Planning and Earnings Management of Firm Performance is consistent with the empirical data.

6.1.2 The Results of the Hypothesis Tests: The results of the Structural Equation Model reveal the effects of coefficient estimation, shown in Figure 2, while the summary of hypothesis testing is presented in Table 7

Table 4. The result of the Model Fit of the Structural Equation Model

Measure	Threshold	Initial Model		Final Model	
		Estimate	Interpretation	Estimate	Interpretation
CMIN	--	56.517	--	43.345	--
CMIN/DF	Between 1 and 3	2.134	Excellent	2.580	Excellent
CFI	>0.95	0.931	Need More DF	0.963	Acceptable
GFI	>0.95	0.966	Excellent	0.971	Excellent
SRMR	>0.08	0.062	Excellent	0.062	Excellent
RMSES	>0.05	0.053	Excellent	0.042	Excellent



CMIN = 43.345 CMIN/DF = 2.580 CFI = 0.963 GFI = 0.971 SRMR = 0.062 RMSES = 0.042 ---------▶

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Figure 2. Summary of the hypothesis tests on the Tax Planning and Earning Management of Firm Performance. - Standardization estimated.

Note. The correlation was statistically significant.

The correlation was not statistically significant.

Table 5. Summary of Hypothesis Testing

Hypothesis	Empirical Support
H1a**:** Tax-asset (TAX/ASSET) to total assets (ASSET) ratio influences the Return on Equity of listed companies on the Stock Exchange of Thailand.	✓
H1b**:** Tax-asset (TAX/ASSET) to total assets (ASSET) ratio influences the Return on Assets of listed companies on the Stock Exchange of Thailand.	✓
H1c**:** Tax-asset ratio (TAX/ASSET) to total assets (ASSET) ratio influences Tobin's Q of listed companies in the Stock Exchange of Thailand.	✖
H1d**:** Tax-asset ratio (TAX/ASSET) to total assets (ASSET) ratio influences the Earnings Management of listed companies in the Stock Exchange of Thailand.	✓
H2a: Tax Planning and Effective Tax Rate influence the Return on Equity of listed companies in the Stock Exchange of Thailand.	✓
H2b: Tax Planning and Effective Tax Rate influence the Return on Assets of listed companies in the Stock Exchange of Thailand.	✓

Table 5. Summary of Hypothesis Testing (Next)

Hypothesis	Empirical Support

H2c: Tax Planning and Effective Tax Rate influence Tobin's Q of listed companies in the Stock Exchange of Thailand.	✖
H2d: Tax planning and Effective Tax Rate influence the Earrings Management of listed companies on the Stock Exchange of Thailand.	✓
H3a: Earnings Management influences the Return on Equity of listed companies on the Stock Exchange of Thailand.	✓
H3b: Earnings Management influences the Return on Assets of listed companies on the Stock Exchange of Thailand.	✓
H3c: Earnings Management influences Tobin's Q of listed companies on the Stock Exchange of Thailand.	✓

Remark: ✖ = hypothesis not supported; ✓= hypothesis supported

The hypothesis testing results revealed that Additionally, the results of the hypothesis testing indicate that H1a, Hib, H1d and H2s, H2b, and H2d were supported by empirical evidence. The study found that tax to total assets (TAX/ASSET) and effective tax rate (ETR) were not correlated with Tobin's Q and did not have a direct (H1d-H2d) effect on performance and earnings management that influences the Performance of listed companies on the Stock Exchange of Thailand.

There are two forms of tax planning: effective tax rate (ETR) and tax to total assets ratio (TAX ASSET). The analysis revealed that tax planning using the effective tax rate (ETR) and tax to total assets ratio (TAX ASSET) indeed exerts an influence on the Return on Equity and the Return on Assets. This finding is consistent with the research conducted by Bordin Mahawong (2019) who studied "The Relationship between firm performance and corporate tax avoidance of listed companies." This study evaluated performance through the Return on Equity (ROE), a pivotal financial ratio for companies. ROE signifies profitable growth and contributes to shareholder wealth. The research also gauged tax avoidance using effective tax rates (ETR). The outcomes disclosed a negative correlation between effective tax rates (ETR) and the return on equity (ROE). In other words, tax planning leads to a reduction in effective tax rates, resulting in improved performance as measured by the Return on Equity ratio. Efficient tax planning not only enhances shareholder wealth but also engenders a heightened company performance across various aspects, including a more favorable return on assets (ROA). This observation resonates with overseas research by Ebubechukwu and Obada (2021), which underscores that tax planning alleviates the burden of tax expenses, thereby bolstering the company's liquidity

Tax planning using the effective tax rates (ETR) and the tax to total assets ratio (TAX ASSET) revealed results indicating no correlation with the firm value, as measured by Tobin Q. This suggests that companies possess the capacity to leverage their assets for generating income, and the level of tax expenses is likely to be unrelated. It is assumed that companies with identical total assets should exhibit similar earnings levels, resulting in comparable tax expenses. This finding is consistent with the research conducted by Jenjira Sriprapai (2021) in their study "The

Relationship between Tax Planning and Firm Performance of Companies Listed on the Stock Exchange of Thailand." The study demonstrated that tax planning, as gauged by the effective tax rate (ETR), is correlated with firm performance measured using the return on equity ratio (ROE). However, no statistically significant relationship was established when evaluating performance through the concept of Tobin's Q. It shows that companies with tax planning will have an increase in their performance. This is also consistent with the study conducted by Kulsiriwanit (2021) on the "Relationship between tax planning and firm value of companies listed on the market for alternative investment (MAI)." The finding found a positive relationship between corporate income tax planning, measured by the tax-to-total assets ratio, and firm value. Yet, an inverse relationship was found with the return on equity. No correlation was observed between tax planning measured by the tax-to-cash flow ratio and firm value. Similarly, no connection was found between tax planning measured by the effective tax rate and firm value. This is consistent with the research of Kulsriwanit and Sripatum (2021), who studied the effects of corporate income tax planning on the firm value of companies listed on the market for alternative investment (MAI) to the firm value measured by Tobin's Q and common share price. The finding found that the effective tax rate (ETR) is not correlated with firm value (Tobin's Q). This implies that tax planning may not significantly impact a company's core performance, indicating that the capital market might not place considerable emphasis on tax expense information.

However, tax planning requires high resources, and risks from mistakes can happen that sometimes the benefits are not worth the tax savings. Abdul-Wahab (2010) studied the relationship between tax planning and corporate governance: effect on shareholders' valuation" in the United States and England. It measures tax planning based on the effective tax rates (ETR) and measures the firm value using Tobin's Q as it is a good indicator of future growth opportunities and long-term financial performance, calculated as the ratio of the company's market capitalization divided by the accounting value of assets. The results of the study did not find that tax planning had a relationship with firm value.

Taking advantage of the research findings found that entities with tax planning using methods that reduce both taxable profits and accounting profits, as measured by the tax to total assets (TAX/ASSET) ratio, are correlated with their performance. This performance assessment is quantified through Tobin's Q, a metric calculated as the sum of the market value of securities and the accounting value of all liabilities, divided by the accounting value of total assets. This index provides a reflection of an entity's policy decisions and management efficacy in orchestrating its capital structure, as well as prudently overseeing diverse assets. For instance, directing investments towards tangible assets that generate earnings is identified as a strategy with a positive influence on firm value. This perspective aligns with the research of Thanjungpong and Dechsir (2018), whose study underscores the significance of skillfully managing capital structure and making informed asset-related decisions to enhance overall firm value.

Tax Planning, Effective Tax Rates (ETR), and Tax to Total Asset (ASSET) influence Earrings Management of Listed Companies in the Stock Exchange of Thailand found that tax planning (TAX/ASSET) had a statistically significant positively correlated impact on earnings

management. This indicates that companies employing more robust tax planning strategies tend to engage in heightened levels of earnings management. This is consistent with the agency theory and research by Wang & Chen (2012). In Thailand, the interconnectedness of accounting and tax principles offers a backdrop where executives might be incentivized to manipulate profits through the strategic selection of accounting profit and tax profit policies. An example of this could involve establishing a policy of investing in tangible assets that elicit tax benefits from depreciation deductions. However, tax planning (measured by EER) does not affect earnings management. This is consistent with the research of Gaertner (2014). This divergence in impact could stem from the data collection methods employed. While tax planning measured by ETR was based on income statements and cash flow statements, TAX/ASSET utilized data from the statement of financial position. The disparity in measurement could potentially result in the distinct effect observed. Furthermore, the consistent nature of performance data in ETR measurements, spanning annual periods, might contribute to its lack of impact on earnings management, unlike the more variable TAX/ASSET measurements.

Earnings management significantly influences performance, as observed when executives intentionally increase accounting profits to portray favorable performance, attract higher returns, and align profits with investor expectations. This strategic manipulation can attract increased capital from investors, subsequently boosting the value of securities and contributing to enhanced overall performance (Mahmud, Ibrahim, and Pok, 2009). Previous research found a correlation in the opposite direction because if the executive's accounting profit continues to increase in the long term, it will result in a gradual decrease in performance and lead to the bankruptcy of the company. Since accounting profit is related to other factors, the management activities of executives are controlled by the corporate governance process. Thus, executives are unable to focus on earnings management according to their needs. Therefore, the accounting profit may not affect the firm performance. This is consistent with the research of Aunchalee Muangjaroen (2018), who studied "The Factors Affecting the Profitability of the Energy Industry and Public Utility Listed Companies in the Stock Exchange of Thailand, Energy, and Utility Industry." The study revealed that the level of financial risk and crude oil prices are substantial independent variables that influence the earnings of companies listed on the Stock Exchange of Thailand in the energy and utility sector. These variables impact factors such as return on assets and return on equity (ROE), which subsequently affect earnings, sales growth rate, financial liquidity, and performance efficiency."

6.2 The Mediating Effect of the Tax Planning Earning Management of Firm Performance

Table 6. The results on the Mediating Effect of Tax Planning Earning Management of Firm Performance

Construct	Effects			
	Direct	Indirect	Total	Result
Tax Planning				

Tax-asset ratio	0.056**	0.000**	0.056**	Direct effect
----> Return on Equity	-0.045**	0.020	0.025	
----> Return on Assets	0.209	-0.014	0.195	
---->Tobin's Q	0.031	0.033	0.064	Not significance
---->Earning Management	0.219	0.000	0.219	
Effective Tax Rate	0.237	0.000	0.237	Direct effect
----> Return on Equity	-0.402	0.435**	0.033**	
----> Return on Assets	0.346**	-0.299	0.047**	
---->Tobin's Q	0.064	0.708	0.644	Not significance
---->Earning Management	0.814**	0.000**	0.814*	
Earning Management	0.059**	0.037*	0.096*	Direct effect
----> Return on Equity	0.534**	0.000	0.534**	
----> Return on Assets	-0.367*	0.000	-0.367*	
---->Tobin's Q	0.870**	0.000	0.870**	

Remark: * = < 0.05, ** = < 0.01, *** = < 0.001

7. CONCLUSION AND RECOMMENDATIONS

Tax planning and earnings management influence the performance of listed companies on the Stock Exchange of Thailand. These tax planning strategies are comprised of the effective tax rates (ETR) method and the tax to total asset ratio (TAX/Asset) method. In addition, performance is measured by the firm value (Tobin's Q) and measured by accounting performance, specifically the return on assets (ROA) and the return on equity (ROE) during the year 2020 – 2021. This study encompassed a total of 786 companies, categorized into six distinct industrial groups. However, the financial business group and real estate and construction groups were not included in the analysis. The finding found that tax planning influences the firm performance and tax planning has no influence (Tobin's Q). Moreover, tax planning influences the firm earnings management and earnings management influences the firm performance.

Due to the firm's tax planning, it is necessary to operate under tax laws. Executives choose accounting policies and tax strategies to benefit all stakeholders and instill more confidence in investors and shareholders. Furthermore, relevant government agencies can utilize research results to efficiently formulate measures and policies suitable for the country's development. This will also encourage investors, government agencies, and the interested public to recognize the significance of tax planning and executive earnings management. In the next research phase, it is recommended to focus on financial industry groups whose information in financial statements deviates from other industry groups. This study aims to determine whether these companies employ different tax planning or earnings management strategies. Additionally, trends should be investigated for future analysis.

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