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Sistematic Literature Review: The Effect of Tax Planning and Tax Management on Financial Performance

Rizki Agung Santoso[1], Tulus Harefa[2], Mukhtaruddin Mukhtaruddin[3]
[1] Faculty of Economics, Sriwijaya University, Palembang, Indonesia, email. 01042682428002@student.unsri.ac.id
[2] Faculty of Economics, Sriwijaya University, Palembang, Indonesia, email. 01042682428010@student.unsri.ac.id
[3] Faculty of Economics, Sriwijaya University, Palembang, Indonesia, email. mukhtaruddin67@unsri.ac.id

Corresponding Author: 01042682428002@student.unsri.ac.id[1]

Abstract: Tax planning and tax management are strategies used by companies to optimize tax obligations to improve financial efficiency and minimize tax risks. This study aims to identify research gaps and understand the relationship between tax planning, tax management, and tax strategies on financial performance. The method used in this research is Sistematic Literature Review (SLR) by analyzing 25 academic literatures from scientific databases such as Garuda, Sinta, ResearchGate, MDPI, and Springer in the 2020-2025 publication period. This study highlights tax regulations, corporate governance, financial transparency, and industry characteristics that influence tax strategies. The results reveal that there are inconsistencies in the results of previous studies, especially regarding the effect of tax planning and earnings management on tax strategies. Some studies find that tax planning can improve financial performance, while other studies show that aggressive tax strategies risk reducing financial transparency and stability. In addition, it was found that external factors such as tax policy, corporate governance, and international regulations have a significant role in shaping corporate tax strategies. This finding confirms that the effectiveness of tax strategies does not only depend on internal corporate factors, but is also influenced by regulatory dynamics and macroeconomic factors. This study has limitations in the scope of the literature analyzed, so future studies are expected to expand references and deepen the analysis of tax strategies in various industrial sectors and different jurisdictions.

Keyword: Tax Strategy, Tax Planning, & Tax Management.

INTRODUCTION

Taxes are the main source of state revenue that plays a role in supporting development and public welfare. Every individual and business entity has an obligation to pay taxes in accordance with applicable regulations. Taxes not only function as a fiscal instrument in collecting state revenue, but also as an economic policy tool to create stability and equitable distribution of welfare (Raspati et al., 2024). However, in practice, taxpayers often attempt to reduce their tax obligations through various strategies known as tax planning and tax management. Arnold (2012) notes that an effective tax system will encourage taxpayer compliance and increase state revenue.

For business entities, taxes are often seen as a burden that can reduce company profitability. Therefore, companies tend to look for legitimate ways to minimize their tax burden through effective tax planning (Rosandi, 2022). Faradiza (2019) states that a company's business strategy can affect its tax behavior, where companies that implement innovative strategies are more likely to engage in tax avoidance compared to companies oriented towards operational efficiency (Sulistyawati et al., 2020).

According to Kristanto (2025) Tax planning is a legal strategy used by companies to optimize their tax obligations in accordance with applicable regulations. However, in some cases, this practice can develop into more aggressive actions, such as tax avoidance, even approaching tax evasion, which violates the law. Dyreng, Hanlon, & Maydew (2010) stated that companies often use tax avoidance strategies as part of their financial management to reduce the tax burden.

According to research conducted by Arnold (2012), Indonesia still faces major challenges in expanding the tax base and improving taxpayer compliance. Factors such as weak supervision, complex regulations, and low tax awareness among taxpayers are the main obstacles in tax reform efforts. Therefore, a more systematic strategy is needed to encourage tax compliance without hampering economic growth.

In addition, tax avoidance practices are often associated with earnings management carried out by companies. Faradiza (2019) explains that companies with prospective strategies tend to be more aggressive in planning their taxes than companies that are defensive. This shows that the company's business strategy plays an important role in determining the taxation approach used.

Research conducted by Faradiza (2019) shows that effective tax planning can provide benefits for companies, including increased cash flow and financial efficiency. However, tax strategies that are too aggressive can also increase legal risks and sanctions from tax authorities. Therefore, companies need to balance between tax optimization and compliance with applicable tax regulations.

In Indonesia, tax regulations continue to evolve to address legal loopholes that can be utilized in tax planning. Faradiza (2019) emphasizes that factors such as company life cycle and good corporate governance practices contribute to the tax management pattern applied by a business entity. Therefore, an appropriate tax policy must consider the characteristics of the company as well as the dynamic business environment. This research has three main objectives:

1. Identify research gaps on tax planning and tax strategies in Indonesia.
2. Analyze tax planning in relation to tax strategies implemented by business entities.
3. Identify factors that can be considered in conducting tax planning of business entities in Indonesia.

METHOD

This study adopts the *Sistematic Literature Review* (SLR) method, which is a systematic approach to reviewing the literature related to tax strategies, tax planning, and tax management in Indonesia. This study aims to identify current research trends and provide greater insight into the tax strategies implemented by companies in dealing with tax obligations in Indonesia (Husin *et al*., 2020).

Literature collection was conducted through various scientific databases, such as Garuda, Neliti, Sinta, and university journal portals in Indonesia. The articles used in this study are Indonesian language articles that can be accessed in full-text access. To ensure the relevance of the research to the latest developments, the literature used has a publication year between 2020 and 2025.

In the reference search process, the keywords used were "*Tax Strategy*", "*Tax Planning*", and "*Tax Management*". As tax strategy is closely related to tax compliance and tax burden optimization in Indonesia, articles related to national tax policy, corporate tax compliance, and tax reform in Indonesia were also considered.

This research focuses on the relationship between tax planning and tax strategy in the context of tax regulation in Indonesia. In addition, this study considers internal factors such as corporate tax compliance, the effectiveness of tax policies, and the influence of tax regulations on corporate tax management strategies. From the search results, 25 articles were obtained that fit the criteria of this study (Wibowo & Razikin, 2022).The research method contains the type of research, sample and population or research subjects, time and place of research, instruments, procedures, and research techniques, as well as other matters relating to the method of research. This section can be divided into several sub-chapters, but no numbering is necessary.

RESULTS AND DISCUSSION

This section contains a discussion of the results of the classification of articles and displays article gaps, the effect of tax planning on financial performance, and other supporting factors. This section classifies articles into several categories, namely the source of journals and articles, research countries, company sectors studied, theories used, measurement and influence of research variables, and other supporting factors related to tax planning.

Results

Journal and Article Sources

Table 1 is the result of identification which shows that the literature used comes from various journals with the following proportions:

Table 1. Source of Journals and Articles

No.	Journal Name	Index	Source	Total
1	Journal of Accounting and Financial Management	ICV	ResearchGate	7
2	Baltic Journal of Legal and Social Sciences	ICV		
3	Educational Administration: Theory and Practice	Q4		
4	Business Strategy and the Environment	ICV		
5	Involvement International Journal of Business	Not Identified		
6	Journal of Risk and Financial Management	Q1		
7	INTERNATIONAL BUSINESS RESEARCH	IVC		
8	Soetomo Accounting Review	Sinta 5	Garuda	8
9	Business Sketch	Sinta 4		
10	KITA EMT Journal	Sinta 5		
11	JATI: Journal of Indonesian Applied Accounting	Sinta 2		
12	ULTIMA	Sinta 4		
13	Scientific Journal of Accounting and Management (JIAM)	Sinta 4		
14	Journal of Reform: Social Sciences and Humanities	Sinta 2		
15	Journal of Tax and State Finance	Sinta 4		
16	Journal of Accounting and Finance Management (JAFM)	DOAJ	Google Scholar	7
17	Mulia Pratama Journal of Economics & Business	DOAJ		

No.	Journal Name	Index	Source	Total
18	ACCURACY: Journal of Accounting and Finance Research	DOAJ		
19	Journal of Vocational Tax (JUPASI)	Not Identified		
20	Akpem Journal: Financial and Governmental Accounting	Not Identified		
21	Journal of Accounting and Finance	DOAJ		
22	EKOMABIS: Journal of Business Management Economics	Sinta 3		
23	Social Science Research Network	Not Identified	SSRN	1
24	Review of Accounting Studies	ICV	Springer	1
25	Frontiers in Psychology	DOAJ	MDPI	1

Source: Research data

Based on Table 1, it can be seen that the articles come from various journals. The most articles were found in the ResearchGate database with 7 articles, followed by *Garuda* with 6 articles, *Google Scholar* with 3 articles, *MDPI* with 1 article, *Springer* with 1 article, and *SSRN* with 1 article. Of the 25 articles, 9 articles were indexed in SINTA, with details of 1 article in SINTA 2, 1 article in SINTA 3, 4 articles in SINTA 4, and 3 articles in SINTA 5. 6 other articles were indexed in DOAJ, 5 articles were indexed in ICV, 1 article was indexed in Q1, 1 article was indexed in Q4, while 3 articles did not have a specific index or were not identified.

As such, the majority of articles came from journals that already had a specific index, although there were still some articles that did not have a clear index.

Research Sector

The following is a list of sectors or companies that have been the object of previous studies. It can be seen that the majority of studies were conducted on public companies, especially those listed on the *Indonesia Stock Exchange* (IDX), including the LQ45 index and other sectors, with a total of 4 studies. In addition, the manufacturing sector as well as corporate accounting and finance and corporate finance and management are also the focus of considerable research, with 3 and 5 studies, respectively.

Some other sectors that are the object of research are finance (banks & insurance) with 3 studies, as well as general companies, mining, energy and utilities, law and taxation, and MSMEs (*Micro, Small and Medium Enterprises*) which each have 1 study. This shows that many previous studies focused on sectors that have a large economic influence, both in terms of large industries and small and medium enterprises.

This section contains data (*in brief form*), data analysis, and interpretation of the results. Results can be presented in tables or graphs to clarify the results verbally because sometimes the display of an illustration is more complete and informative than the display in narrative form.

Table 2. Research Sectors

No.	Sector	Total
1.	Public Companies (IDX, LQ45, All Sectors)	4
2.	Manufacturing	3
3.	Finance (Bank & Insurance)	3
4.	Company	1
5.	Mining	1
6.	Energy and Utilities	1
7.	MSMEs (Micro, Small, and Medium Enterprises)	1
8.	Corporate Accounting and Finance	5
9.	Law and Taxation	1
10.	Corporate Finance and Management	5

Source: Research data

Research Theory

In conducting research, some researchers use theory as a basis for developing research. The theories used in research related to the topic of discussion can be seen in Table 3. The classification results in the table show that *Agency Theory* (Jensen & Meckling, 1976) is the most widely used theory in related research. This shows that the relationship between tax planning, risk management, and financial performance is based on agency theory, which explains the conflict of interest between owners and managers in decision making.

In addition, *Signaling Theory* (Spence, 1973) and *Tax Planning Theory* (Suandy, 2011) are also widely used in related research. Signaling Theory plays a role in explaining how financial information provided by companies can influence the decision making of investors and other stakeholders. Meanwhile, Tax Planning Theory focuses more on how corporate tax strategies can be used to optimize the tax burden and increase firm value.

In addition, other theories such as *Positive Accounting Theory* (Watts & Zimmerman, 1986, 1978, 1990), *Legitimacy Theory* (Suchman, 1995), *Tax Avoidance Theory* (Hanlon & Heitzman, 2010), and *Risk Management Theory* (Mangoting *et al*., 2019) are also used in some studies to provide a broader perspective in understanding various aspects of financial planning, financial reporting, and risk management applied by companies.

Table 3. Theory used

No.	Theory	Research
1.	Agency Theory (Jensen & Meckling, 1976)	Dewi & Aulia (2023), Ratu & Yuniarwati (2025), Nariswari *et al*. (2024), Saputra & Rulandari (2020), Effendi *et al*. (2021), Haruna Maama *et al*. (2023), Elamer *et al*. (2024), Beuselinck & Pierk (2024), Gomez *et al*. (2024)
2.	Signaling Theory (Spence, 1973)	Safitri & Oktaviani (2024), Lestari & Agustiningsih (2023), Baok *et al*. (2020)
3.	Tax Planning Theory (Suandy, 2011)	Tambunan *et al*. (2022), Ulfa & Aribowo (2021), Yuliza & Fitri (2020)
4.	Positive Accounting Theory (Watts & Zimmerman, 1986)	Faqih & Sulistyowati (2021), Romantis *et al*. (2020)
5.	Stakeholder Theory (Freeman, 1984)	Gulo & Mappadang (2022), Setyawan *et al*. (2021)
6.	Legitimacy Theory (Suchman, 1995)	Tarab A. Kumar (2024), Rahman *et al*. (2024), Tushar Ranjan Barik & Priyanka Ranawat (2024)
7.	Tax Avoidance Theory (Hanlon & Heitzman, 2010)	Constantinos Challoumis & Alexios Constantinou (2024)
8.	Positive Accounting Theory (Watts & Zimmerman, 1978, 1990)	Dibie Ikechukwu & Okenwa Cyprian Ogbodo (2024)
9.	Risk Management Theory (Mangoting *et al*., 2019)	Xiaochen Zhang *et al*. (2022)

Source: Research data

Research Country

From a geographical perspective, research has been conducted in various countries. The search results show that most of the literature comes from Indonesia with 15 articles, making it the country with the most contributions in this study. Furthermore, the United States and Switzerland contributed 2 articles each, while Kenya, Nigeria, Greece, France, Canada and India had 1 article each.

This distribution suggests that there is more research on the topic in Indonesia than in other countries. Meanwhile, countries such as Kenya, Nigeria and Greece have relatively fewer studies, which may reflect a research gap in certain geographical contexts. Therefore, further studies in countries with a lower number of studies could help enrich the understanding of the topics c overed in this research.

Table 4. Research Countries

No.	Country	Total
1	Indonesia	15
2	Kenya	1
3	Nigeria	1
4	Greece	1
5	United States of America	2
6	France	1
7	Canada	1
8	India	1
9	Switzerland	2

Source: Research data

Measurement and Influence of Variables

This section categorizes research results based on variables that have been studied by researchers. Each variable is tested with different measurement methods, so that it can be seen what indicators can be used to measure each variable. Table 5 shows the various measurement methods used in the research for the independent variables, namely tax planning and earnings management, as well as the dependent variable, namely financial performance. From the table, it can be seen that tax planning has several main measurement methods, such as *Effective Tax Rate* (ETR*)*, *Book-Tax Difference* (BTD), *Tobin's Q*, *General Anti-Avoidance Rules* (GAARs), as well as several other indicators such as *Tax Saving and Deferred Tax Expense* (DTE). These various methods were used in research by several researchers, including Dewi & Aulia (2023), Nariswari *et al*. (2024), Effendi *et al*. (2021), and others

Meanwhile, earnings management is measured using indicators such as *Discretionary Accruals* (DA) Modified Jones Model, Accrual Earnings Management, Real Earnings Management, and Abnormal Production Costs. This method is used by various studies to identify earnings management practices in companies.

In addition, financial performance variables are measured using several methods including *Return on Assets* (ROA), *Return on Equity* (ROE), *Return on Net Assets* (RONA), and Altman Z Score. These indicators are used in research by various researchers to assess the financial health of companies and the effectiveness of tax management and corporate profits. Furthermore, Table 6 will show how the dependent variable affects the independent variable, so as to provide an overview of the relationship between financial performance and tax planning in various studies.

Table 5. Variable Measurement

Independent Variable	Measurement	Research
Tax Planning	Effective Tax Rate (ETR)	Dewi & Aulia (2023), Nariswari *et al*. (2024), Effendi *et al*. (2021), Haruna Maama *et al*. (2023), Tarab A. Kumar (2024), Beuselinck & Pierk (2024), Elamer, Boulhaga, & Ibrahim (2024), Dibie Ikechukwu & Okenwa Cyprian Ogbodo (2024)
	BTD	Elamer, Boulhaga, & Ibrahim (2024), Rahman, Smith, & Wong (2024)
	Tobin's Q	Elamer, Boulhaga, & Ibrahim (2024)
	GAARs	Constantinos Challoumis & Alexios Constantinou (2024)

Independent Variable	Measurement	Research
	CSR	Rahman, Smith, & Wong (2024), Rahman, Smith, & Wong (2024)
	BTR	Rahman, Smith, & Wong (2024)
	Tax Saving	Safitri & Oktaviani (2024), Tambunan *et al*. (2022), Lestari & Agustiningsih (2023)
	Deferred Tax Expense (DTE)	Saputra & Rulandari (2020), Baok *et al*. (2020)
	Tax Retention Rate (TRR)	Effendi *et al*. (2021), Yuliza & Fitri (2020)
	Tax Avoidance	Romantis *et al*. (2020), Faqih & Sulistyowati (2021)
	Capital Intensity	Journal 14 Oma Romantis *et al*. (2020)
	Leverage	Journal 15 Setyawan *et al*. (2021)
	Inventory Intensity	Nariswari *et al*. (2024), Saputra & Rulandari (2020)
	R&D Intensity	Lestari & Agustiningsih (2023), Baok *et al*. (2020)
	Tax to Total Assets	Ratu & Yuniarwati (2025), Yuliza & Fitri (2020)
Earnings Management	Discretionary Accruals (DA) - Modified Jones Model	Dewi & Aulia (2023), Nariswari *et al*. (2024), Faqih & Sulistyowati (2021), Gomez, Richardson, & Silva (2024).
	Accrual Earnings Management	Safitri & Oktaviani (2024), Nariswari *et al*. (2024)
	Real Earnings Management	Tambunan *et al*. (2022), Effendi *et al*. (2021)
	Abnormal Production Costs	Lestari & Agustiningsih (2023), Baok *et al*. (2020)
Financial Performance	ROA	Ratu & Yuniarwati (2025), Romantis *et al*. (2020)
	ROE	Yuliza & Fitri (2020), Setyawan *et al*. (2021)
	RONA	Dewi & Aulia (2023), Faqih & Sulistyowati (2021)
	Altman Z Score	Oma Romantis *et al*. (2020)

Source: Research data

Table 6. Previous Research Results

Variables	Positive Influence	Negative Influence	No Effect
Effective Tax Rate (ETR)	Dewi & Aulia (2023), Ratu & Yuniarwati (2025), Nariswari *et al*. (2024), Tushar Ranjan Barik & Priyanka Ranawat (2024).	Safitri & Oktaviani (2024), Lestari & Agustiningsih (2023)	Saputra & Rulandari (2020), Effendi *et al*. (2021)
Deferred Tax Expense (DTE)	Saputra & Rulandari (2020), Baok *et al*. (2020)	Ratu & Yuniarwati (2025), Ulfa & Aribowo (2021)	Dewi & Aulia (2023), Tambunan *et al*. (2022)
Tax Retention Rate (TRR)	Safitri & Oktaviani (2024), Tambunan *et al*. (2022)	Nariswari *et al*. (2024), Saputra & Rulandari (2020)	Ulfa & Aribowo (2021), Yuliza & Fitri (2020)

Variables	Positive Influence	Negative Influence	No Effect
Tax Avoidance	Lestari & Agustiningsih (2023), Ulfa & Aribowo (2021)	Baok *et al.* (2020), Yuliza & Fitri (2020)	Ratu & Yuniarwati (2025), Nariswari *et al.* (2024)
Capital Intensity	Ratu & Yuniarwati (2025), Effendi *et al.* (2021)	Romantis *et al.* (2020), Faqih & Sulistyowati (2021)	Nariswari *et al.* (2024), Baok *et al.* (2020)
Leverage	Yuliza & Fitri (2020), Oma Romantis *et al.* (2020)	Effendi *et al.* (2021)	Faqih & Sulistyowati (2021), Setyawan *et al.* (2021)
Inventory Intensity	Nariswari *et al.* (2024), Saputra & Rulandari (2020)	Ratu & Yuniarwati (2025), Lestari & Agustiningsih (2023)	Tambunan *et al.* (2022), Baok *et al.* (2020)
R&D Intensity	Baok *et al.* (2020), Setyawan *et al.* (2021)	Ulfa & Aribowo (2021), Yuliza & Fitri (2020)	Lestari & Agustiningsih (2023), Setyawan *et al.* (2021)
Tax to Total Assets	Faqih & Sulistyowati (2021), Setyawan *et al.* (2021)	Dewi & Aulia (2023), Yuliza & Fitri (2020)	Oma Romantis *et al.* (2020), Setyawan *et al.* (2021)
Return on Assets (ROA)	Tambunan *et al.* (2022), Ulfa & Aribowo (2021)	Ratu & Yuniarwati (2025), Nariswari *et al.* (2024)	Safitri & Oktaviani (2024), Effendi *et al.* (2021)
Return on Equity (ROE)	Lestari & Agustiningsih (2023), Yuliza & Fitri (2020)	Baok *et al.* (2020), Faqih & Sulistyowati (2021)	Effendi *et al.* (2021), Oma Romantis *et al.* (2020)
RONA	Saputra & Rulandari (2020), Baok *et al.* (2020)	Lestari & Agustiningsih (2023), Setyawan *et al.* (2021)	Tambunan *et al.* (2022), Effendi *et al.* (2021)
Altman Z Score	Effendi *et al.* (2021), Setyawan *et al.* (2021)	Ratu & Yuniarwati (2025), Faqih & Sulistyowati (2021)	Safitri & Oktaviani (2024), Yuliza & Fitri (2020)
Firm Value	-	Haruna Maama *et al.* (2023), Elamer, Boulhaga, & Ibrahim (2024)	-
Tax Planning	Tushar Ranjan Barik & Priyanka Ranawat (2024).	Dibie Ikechukwu & Okenwa Cyprian Ogbodo (2024), Rahman, Smith, & Wong (2024), Gomez, Richardson, & Silva (2024)	Beuselinck & Pierk (2024)
Tax Strategy	-	Constantinos Challoumis & Alexios Constantinou (2024)	-
Corporate Social Responsibility (CSR)	-	Tarab A. Kumar (2024)	-
Risk Management	Xiaochen Zhang *et al.* (2022)	-	-

Source: Research data

Based on the table above, it can be seen that Effective Tax Rate (ETR) is one of the tax planning measurements that has a positive influence in various studies, as found by Dewi & Aulia (2023), Ratu & Yuniarwati (2025), and Nariswari *et al.* (2024). This shows that tax planning as measured using ETR can have a positive impact on the company's financial performance. The more effective the company is in managing its taxes, the better the financial performance that can be achieved. However, there are also studies that show that ETR can have a negative influence, as found by Safitri & Oktaviani (2024) and Lestari & Agustiningsih (2023). In addition, several studies, including Saputra & Rulandari (2020) and Effendi *et al.*

(2021), show that ETR has no significant effect on the variables tested. This indicates that the impact of ETR may vary depending on other factors, such as the company's life cycle or the governance mechanism implemented.

In addition, several other variables such as Tax Avoidance, Capital Intensity, and Leverage also show mixed results in various studies. For example, Tax Avoidance was found to have a positive influence in research by Lestari & Agustiningsih (2023) and Ulfa & Aribowo (2021), but other studies by Baok *et al*. (2020) and Yuliza & Fitri (2020) show a negative influence. Meanwhile, Capital Intensity related to fixed asset investment also has different research results, with some studies showing a positive effect (Ratu & Yuniarwati, 2025; Effendi *et al*., 2021), while other studies found a negative impact (Romantis *et al*., 2020; Faqih & Sulistyowati, 2021).

Furthermore, Firm Value as one of the dependent variables was found to have a negative effect in studies by Haruna Maama *et al*. (2023) and Elamer, Boulhaga, & Ibrahim (2024). This means that certain tax planning strategies implemented by companies can have an adverse impact on firm value if not balanced with good supervision and governance mechanisms.

Meanwhile, other variables such as Management Risk measured using certain approaches were found to have a positive influence in a study by Xiaochen Zhang *et al*. (2022), which indicates that certain tax strategies can help companies manage financial risk more effectively.

In conclusion, the impact of tax planning and financial management strategies on dependent variables is highly dependent on the context of the study, environmental factors, as well as the governance mechanisms implemented in the company. Therefore, further research needs to be conducted to understand how these factors influence each other and how companies can optimize their tax strategies without compromising long-term financial stability

Supporting Factors

Table 7. Supporting Factors

No.	Supporting Factors
1.	Tax Regulations and Policies
2.	Ownership Structure and Corporate Governance
3.	Transparency and Quality of Financial Reporting
4.	Industry Characteristics and Business Cycle
5.	Enterprise Innovation and Investment

Source: Research data

The supporting factors above are obtained from various articles that are still related to the topic of discussion, although some of them do not directly examine the relationship between tax planning and financial performance.

Table 7 shows that in conducting tax planning, there are various other factors that can affect the research results. These factors include tax regulations and policies, ownership structure and corporate governance, transparency and quality of financial reporting, industry characteristics and business cycles, and corporate innovation and investment.

In addition, these factors also reflect how tax planning is not only influenced by internal company decisions but also by external aspects such as government policies, the level of transparency in financial reporting, and the business cycle in a particular industry

Discussion

Research Gaps

Based on the literature review that has been conducted, there are several research gaps in the study of the effect of tax planning and tax management on tax strategies in various countries. One of the main gaps is the lack of research that directly links tax planning and tax management with tax strategy in the context of tax regulations in various jurisdictions. Most studies only discuss tax planning as a tax efficiency strategy without considering how external factors such as fiscal policy dynamics and international tax regulations affect corporate tax strategies (Maama *et al*., 2023). In addition, previous research focuses more on public companies or certain sectors such as manufacturing and finance, while other business sectors such as MSMEs and digital-based companies still receive less attention in tax strategy analysis. In fact, with the increasing complexity of cross-border transactions and the digitalization of the economy, tax strategies are increasingly varied and require a broader approach in research (Ikechukwu & Ogbodo, 2024).

Another gap is the lack of studies that discuss the influence of external factors such as fiscal policy reform, global pressure on tax avoidance, and international accounting standards in determining the effectiveness of corporate tax strategies. Previous studies have focused more on internal aspects of the company, such as ownership structure and earnings management, without looking at how the dynamics of tax policies between countries can create challenges or opportunities for companies in optimizing their strategies (Rahman, Smith, & Wong, 2024).

In addition, there are inconsistencies in research results related to the impact of tax planning on tax strategy. Some studies show that tax planning can improve a firm's financial efficiency, while other studies find that aggressive tax strategies can actually have a negative impact on firm value due to regulatory and reputational risks. However, there are still few studies that try to explain these differences in results by considering industry characteristics, country taxation systems, or global economic cycles (Elamer *et al*., 2024).

Finally, the research methods used in previous studies still tend to focus on quantitative approaches, with regression analysis as the main method. Research with a qualitative or mixed-methods approach is still rare, making it difficult to understand the non-financial factors that may influence the relationship between tax planning, tax management, and tax strategy in an international context. Therefore, more in-depth studies considering various methodological approaches and broader country coverage are needed to understand how corporate tax strategies evolve amidst changes in global tax regulations (Beuselinck & Pierk, 2024).

The Effect of Tax Planning on Financial Performance

Tax planning is a strategy often used by companies to optimize the tax burden without violating applicable regulations. Based on the results of the analysis in this study, Effective Tax Rate (ETR) is the measurement method most often used to assess the effect of tax planning on financial performance. Several studies have shown that ETR has a positive influence on financial performance, which means that the more effective the tax planning strategy implemented by the company, the better the impact on profitability and financial stability (Dewi & Aulia, 2023; Ratu & Yuniarwati, 2025; Nariswari *et al*., 2024).

However, tax planning does not always have a universally positive impact. Some studies show that the impact may vary depending on external as well as internal factors of the firm. In the context of different regulations, ownership structures, and company business cycles, tax planning can have a negative impact on firm value. Studies conducted by Safitri & Oktaviani (2024) and Lestari & Agustiningsih (2023) show that certain tax planning strategies can reduce the company's financial transparency, which in turn has a negative impact on investor confidence and the company's financial stability.

In addition, tax planning strategies that are too aggressive can also increase tax risks and lead to legal consequences, especially if the strategies implemented are close to tax avoidance or even tax evasion practices (Baok *et al*., 2020; Yuliza & Fitri, 2020). This is supported by research conducted by Saputra & Rulandari (2020) and Effendi *et al*. (2021), which found that in some cases, ETR has no significant effect on financial performance, which indicates that tax planning carried out does not always result in direct benefits for the company.

Furthermore, research by Rahman, Smith, & Wong (2024) highlights that the presence of strong corporate governance can moderate the relationship between tax planning and financial performance. Companies with independent boards of directors and good ownership structures tend to be able to utilize tax strategies more effectively without incurring excessive compliance risks. Therefore, companies need to balance between tax optimization and compliance with tax regulations to maintain long-term financial stability.

Thus, although tax planning can be an effective tool in improving the financial efficiency of companies, its implementation must still pay attention to the regulatory context, business cycle, and corporate governance so as not to cause negative impacts that can be detrimental in the long run (Elamer, Boulhaga, & Ibrahim, 2024; Beuselinck & Pierk, 2024).

The Effect of Earnings Management on Financial Performance

Earnings management is a practice carried out by companies to adjust financial statements to achieve certain goals, such as increasing investor attractiveness, maintaining profit stability, or minimizing tax liabilities. Based on the results of the analysis in this study, earnings management has a complex relationship with financial performance, where the impact can be positive, negative, or no effect, depending on the method used and external factors that moderate the relationship (Dewi & Aulia, 2023; Nariswari *et al*., 2024).

One of the commonly used earnings management measurement methods in this study is the Discretionary Accruals (DA) - Modified Jones Model, which shows the extent to which companies can manage accrual numbers in financial statements. The results of the analysis show that earnings management carried out in a controlled manner can have a positive impact on financial performance, especially in the short term, because it allows companies to show better earnings stability to investors and creditors (Gomez, Richardson, & Silva, 2024). However, this strategy can also cause distortions in financial statements, potentially leading to inaccurate information for stakeholders in making business decisions (Safitri & Oktaviani, 2024).

In addition, earnings management through accruals and operational manipulation can have different impacts on a company's financial performance. Accrual Earnings Management is often associated with more aggressive practices, such as recognizing revenue before it is received or delaying the recognition of expenses, which can artificially increase earnings. Based on research results, this practice tends to have a negative impact on financial performance in the long term, as it can reduce investor confidence and increase the risk of detection by tax regulators (Tambunan *et al*., 2022; Effendi *et al*., 2021).

On the other hand, Real Earnings Management (REM) is carried out through operational decisions, such as lowering production costs or increasing sales volume before the reporting period, which can also affect financial performance. Analysis conducted by Lestari & Agustiningsih (2023) and Baok *et al*. (2020) show that this strategy has a more varied impact, depending on the level of aggressiveness in its implementation. If the REM strategy is carried out moderately, the results can help companies improve financial performance. However, if this strategy is applied excessively, it will reduce earnings quality and increase financial risk in the long run.

Furthermore, research by Ratu & Yuniarwati (2025) and Setyawan *et al*. (2021) emphasize that the impact of earnings management on financial performance is strongly influenced by corporate governance. Companies with strong governance structures, such as independent boards of directors and strict internal controls, tend to have a more manageable impact of earnings management on financial performance. Conversely, firms with weak governance are more prone to excessive earnings manipulation, which in turn can be detrimental to financial stability and reduce the credibility of financial statements.

Thus, earnings management can be a useful strategy in the short term to stabilize earnings and attract investors, but its application must be done carefully so as not to cause information distortions that can harm the company in the long run. Therefore, oversight of earnings management practices is crucial, especially in ensuring that companies do not overuse this strategy to mask their true financial performance. The role of regulators and stakeholders in strengthening accounting policies and corporate governance is a key factor in ensuring that earnings management remains in accordance with the principles of transparency and accountability (Oma Romantis *et al*., 2020; Faqih & Sulistyowati, 2021).

Tax Planning Supporting Factors

Effectiveness of the tax strategy implemented by the company. Based on the results of the analysis, there are five main factors that support tax planning:

1. Tax Regulations and Policies
   Complex and evolving tax regulations are one of the main factors influencing tax planning strategies. Fiscal policies implemented by the government can create opportunities as well as risks for companies in optimizing their tax burden (Hakim & Rizal, 2023).
2. Ownership Structure and Corporate Governance
   Ownership structure, such as ownership by institutions or families, can influence how companies manage their tax planning. Good corporate governance also plays a role in determining the extent to which companies can optimally utilize tax planning strategies without violating regulations (Tackie *et al*., 2022).
3. Transparency and Quality of Financial Reporting
   Companies that have a high level of financial reporting transparency tend to be more careful in conducting tax planning to avoid compliance risks and tax audits from relevant authorities (Dyreng *et al*., 2010).
4. Industry Characteristics and Business Cycle
   Companies in industries with high levels of competition or volatile business cycles tend to be more active in tax planning than those in more stable industries (Gabrielli & Greco, 2023).
5. Enterprise Innovation and Investment
   Companies that have a high level of innovation and are active in long-term investment tend to be more strategic in their tax planning to take advantage of available tax incentives (Faradiza, 2019).

CONCLUSION

This research adopts a *Sistematic Literature Review* (SLR) approach to explore corporate tax planning strategies in improving the financial performance of business entities. By analyzing various academic literatures, this study provides insight into the research gaps and relationships between variables on the topic. With the SLR, future researchers can take useful information to find research gaps so that they can develop the topic of discussion. In this case, research gaps exist in various aspects such as countries, sectors, and even variable measurements.

In addition to finding gaps in the topic of discussion, the results show that optimal tax planning can improve financial efficiency without violating applicable regulations. Various aspects also need to be considered in conducting tax planning such as the form of business entity, company life cycle, governance, organizational culture, and tax policy. By considering these aspects, tax planning can be optimized and ultimately better financial performance. This research undeniably still has some limitations. The lack of reference articles may not cover all aspects that need to be considered when talking about tax planning and financial performance. So, future researchers are expected to expand the literature base or research year so that it can provide more comprehensive results.

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