

ABSTRACT

This research refers to research by (Vrzina 2022) that examines the materiality level of deferred tax in financial statements, the effect of deferred tax on profitability, and the effective tax rate of insurance companies listed on the Serbian Stock Exchange in 2017-2020. This research aims to examine the materiality level of deferred tax on the balance sheet and the income statement. Besides that, this research also examines the effect of deferred tax on the company's profitability and effective tax rate. The variables used in the research are deferred tax expense as an independent variable, as well as deferred tax materiality on the balance sheet, deferred tax materiality on the income statement, profitability, and effective tax rate as the dependent variables.

Secondary data is used in this research and multi-case study sampling is used as the sampling technique. The difference between this research and the previous one is that the sample used in this research is insurance companies listed on Indonesian Stock Exchange in 2015-2019 with the total samples being 60 samples. The analytics of materiality is used by Microsoft Excel 2019 and Partial Least Squares (PLS) methods are used to identify the effect of deferred tax on profitability and effective tax rate. This also differs from reference research using the Wilcoxon Mann-Whitney method in its hypothesis analysis.

The research results show that deferred tax is a material item on the balance sheets, but not a material item on the income statement. This research also proves that deferred tax does not significantly affect on company's profitability and effective tax rate.

Keywords: deferred tax, materiality, profitability, the effective tax rate