

## ABSTRACT

This research aimed to examine the effect of related party transactions (RPT) on tax avoidance using real earnings management as a mediating role. This research used Book Tax Differences (BTD) to measure the tax avoidance conducted by the company while real earnings management is measured with real activities manipulation proxie.

Population of this research was all Indonesian Listed Companies in Indonesian Stock Exchange (IDX) in the year of 2012-2014. The samples of this research were listed manufacturing company which have at least three transactions between related party and reports their financial statements in Indonesian Currency (Rupiah). The sample selection based on of manufacturing company because real earnings management can only be identified through real activity conducted by the company. Partial Least Square (PLS) Analysis on SmartPLS 3.0 is used to examine the data.

This research proved that related party transactions have not a direct effect on tax avoidance, however real earnings management mediates the relationship between related party transactions and tax avoidance. It can be conclude that related party transactions significantly have a positive effect on tax avoidance through real earnings management as a mediating role.

*Keywords : related party transactions, real earnings management, tax avoidance, real activities manipulation.*