ABSTRACT

This study aimed to test whether manufacturing companies in Indonesia to earnings management, with a decrease in the corporate tax rate by tax incentives or non-tax incentives. The sample was 342 manufacturing companies listed on the Indonesia Stock Exchange, which has published its financial statements from the years 2007-2010.

The method of analysis in this study using different test of one sample t-test and multiple linear regression analysis. That different test was used to determine whether manufacturing companies perform earnings management in the year before and after the reduction in the corporate tax rate. The results can be seen from the discretionary accrual. While the test used multiple linear regression to determine whether earnings management by the company manufactures influenced by tax incentives and / or non-tax incentives in response to changes in income tax rates.

The results showed that: 1) the company's conduct at the time of earnings management before and after the reduction in the corporate tax rate, 2) manufacturing firms perform earnings management that is influenced by tax incentives (tax planning and net deferred tax liabilities) and non-tax incentives (firm size).

Keywords: reduction in the corporate tax rate, earnings management, tax incentives, non-tax incentives.