

ABSTRACT

This study aims to obtain empirical evidence about the influence of book tax differences to earnings growth. The variables tested in this study were permanent differences and temporary differences which are proxy of book tax differences. Growth in earnings that is used is calculated by subtracting the current period profit with profit the previous period and then divided by the earnings in the previous period.

The population in this study were manufacturing companies listed in Indonesia Stock Exchange in 2007-2009. The research data obtained from the manufacturing company's financial statement year period 2007-2009. Based on purposive sampling method, the sample obtained a total of 39 companies. The hypothesis in this study were tested using multiple regression analysis.

The results showed that the book tax differences that proxy with permanent differences and temporary differences do not significantly affect earnings growth. That was caused by a number of permanent differences and temporary differences are not significant in influencing the amount of taxable income which is the basis for current income tax calculation. Insignificant amount in the end will have no effect on the growth of income.

Keywords: permanent differences, temporary differences, book tax differences, earnings growth.