ABSTRACT

This study aims to prove the relationship between real earnings management (REM) which is proxied by abnormal cash flow operation, abnormal production cost, and abnormal discretionary expenses on book-tax differences (BTD) as a form of tax avoidance. This is because the previous researches have provided inconsistent results on the relationship between REM and tax avoidance. Tax avoidance tends to be proxied by ETR and tax shelter which are considered to be less relevant when associated with real earnings management. In addition, knowing coupling or decoupling is also the goal of this study. Rational Choice Theory is the theory used in this research. The sample used in this research is mining companies that meet the sample criteria and are registered on the IDX during 2018 – 2021 with a total of 43 companies. The analytical method used is panel data regression with the help of the EViews (Econometric Views) version 12. The results of the study prove that there is an effect of abnormal cash flow and abnormal discretionary expenses on book-tax differences, while abnormal production cost has no effect. Furthermore, the same results were also obtained when testing the opposite, namely BTD on REM. The reverse test gives the result that BTD affect abnormal cash flow operation and abnormal discretionary expenses, but does not affect abnormal production cost. Alignment of the reciprocal relationship between abnormal cash flow operation and abnormal discretionary expenses on BTD means that there is an coupling (sine qua non) beetwen REM and BTD. In addition, the results of this study also support the use of Rational Choice Theory in the selection of mining companies' management decisions, namely REM and BTD.

Keywords: *real earnings management, book-tax differences, coupling, mining companies*