TAX01

INFLUENCE OF BOOK TAX GAP TOWARDS EARNINGS PERSISTENCE AND FIRM VALUE FOR THE PERIOD OF 1999 – 2007

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Field of Research : Taxation
The purpose of this research is to prove whether Book Tax Gap (BTG) performed by companies listed in Indonesian Stock Exchange (excluding finance companies) during the period of 1999-2007 has influence towards earnings persistence and firm value. The analysis of BTG influence towards earnings persistence uses three models and the analysis of BTG influence towards firm value uses also three proxies of firm value.

The first model of earnings persistence is confirmed that only companies with large negative BTG has lower earnings persistence compared to companies with small BTG. However, for companies with large positive BTG, the influence of BTG is not proven. The result of the second and the third analysis of earnings persistence show that BTG do not have influence towards pre tax book income and net profit changes.

In analyzing BTG influence towards firm value, this research provides evidence that BTG has influence towards future performance which was measured by future cash flow. Nevertheless, this research still cannot find the evidence that BTG is related with stock return.

Keywords: