

## **ABSTRACT**

*Earnings management is a process of modifying the contents of financial reports while still adhering to applicable accounting standards to cover deficiencies in the performance and condition of the company. Earnings management is considered a form of fraud when managers take the opportunity to intervene in the numbers in a company's financial statements in order to achieve personal or group goals so that it can harm other parties. However, other parties stated that earnings management is considered as a form of manager's freedom to choose a particular accounting method that will be used in measuring and preparing the financial statements of a company.*

*This study aims to determine the effect of tax incentives, tax avoidance, and financial distress on earnings management. Tax incentives in this study are measured using deferred tax expense indicators and tax planning. The population of this study is basic material sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2016 – 2021 with a sample selection technique using purposive sampling. The resulting samples were 13 companies and 78 observational data.*

*The analysis technique used is panel data regression using Eviews 12 software. The results show that deferred tax expense, tax planning, tax avoidance, and financial distress simultaneously have an effect on earnings management. Deferred tax expense and tax planning partially have a negative effect on earnings management. Meanwhile, tax avoidance and financial distress partially have a positive effect on earnings management.*

***Keywords: Earnings management, tax incentives, deferred tax expense, tax planning, tax avoidance, financial distress***