

Effect of Leverage and Profitability Against Effective Tax Rates on Trading Companies Listed on The Indonesian Stock Exchange

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ABSTRACT

This research was conducted with the aim of testing and analyzing leverage, profitability, and effective tax rates in trading companies listed on the Indonesia Stock Exchange. The population in this study were all trading companies listed on the Indonesia Stock Exchange, while the sample that met the sampling criteria for observations was carried out for five years and there were six food and beverage companies listed on the Indonesia Stock Exchange. This research approach uses associative research. The data collection technique in this research uses documentation techniques. And the analysis techniques used are multiple linear regression analysis, hypothesis testing and coefficient of determination. The research results show that partially leverage and profitability have no effect on the effective tax rate, while simultaneously they have an effect on the effective tax rate

Keywords: Leverage, Profitability, Effective Tax Rates

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INTRODUCTION

Companies and the government are two parties that have opposing interests but are related to each other in terms of taxation. Companies as taxpayers will try to minimize the tax burden for the profits they will get and to improve their quality, while the government will try to optimize the taxes that can be collected from taxpayers. Maximizing profits obtained by taxpayers can help to achieve company goals both in the short and long term (Shobayar, 2018).

Tax is a source of regional revenue used to carry out regional development which is collected from regional communities and can be enforced for collection (Nainggolan, 2018). According to (Lubis, 2019) tax is one of the sources of state income which provides the largest income for the Republic of Indonesia. Tax is an important source of revenue which will be used to finance both routine and development expenses. In accordance with Law Number 36 of 2008 Article 1 which explains that income tax is imposed on tax subjects for income received or earned in the tax year. (Hanum, 2018).

In calculating its taxes, companies use the basic taxable income and applicable rates in accordance with Law no. 36 of 2008. Law no. 36 of 2008 article 6 paragraph (1) explains that taxable income is determined based on gross income minus the costs of obtaining, collecting and maintaining income. In general, tax rates are expressed in percentage form. The corporate tax rates applicable in Indonesia are regulated in Law no. 36 of 2008 article 17 paragraph (1) letter b, paragraph (2), paragraph (2) letter a, letter b, and article (31E)

Efforts to minimize the tax burden by violating tax regulations are certainly not desirable for companies because companies can receive sanctions, both administrative sanctions and even criminal sanctions as regulated in Law Number 16 of 2009 concerning General Provisions and Tax Procedures. Efforts to legally minimize taxes without violating tax regulations can be done through tax management (Suandy, 2011).

Tax management can be carried out by companies to keep their tax obligations as low as possible. Tax management is a comprehensive effort carried out by the tax manager in a company or organization so that matters related to taxation in the company or organization can be managed well, efficiently and economically, thereby providing maximum contribution to the company. So as not to lead to violations of tax norms or tax avoidance (Pohan, 2013).

Management is a means to fulfill tax obligations correctly but the amount of tax paid can be kept as low as possible to obtain the expected profit and liquidity management (Sitompul, 2019). Tax management must be carried out well so as not to lead to violations of tax norms or tax avoidance. Companies must also be able to take advantage of existing loopholes in tax regulations, this action is often also called aggressive action in taxation. Actions designed or manipulated to reduce fiscal profits through appropriate tax planning, which may or may not be classified as tax evasion. The result of tax management is the real amount of tax paid by the company which is listed in the company's profit and loss report (Fatharani, 2012).

One way to measure how well a company manages its taxes is to look at its effective tax rate. The existence of an effective tax rate value is one form of calculating the ideal tax rate value calculated in a company (Karayan, 2007). The effective tax rate is the company's effective tax rate which can be calculated from the income tax burden (current tax burden) which is then divided by profit before tax. The lower the value of the effective tax rate, the better the value of the effective tax rate in a company and the better the value of the effective tax rate indicates that the company has successfully carried out tax planning (Wulandari &

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Dovi, 2014). Several factors can be utilized by companies to carry out tax management so that the effective tax rate is lower. Among them are company size, leverage, profitability and fixed asset incentives (Hati, 2019).

The leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt. This means how much debt the company bears compared to its assets. In a broad sense, it is said that the solvency ratio is used to measure a company's ability to pay all its obligations, both short and long term, if the company is dissolved (liquidated) (Kasmir, 2012).

The measurement commonly used to determine the composition of the capital structure is the Debt to Equity Ratio (DER) (Harmono, 2011). Debt to Equity Ratio (DER) is a ratio used to assess debt versus equity. This ratio is found by comparing all debts. Including current debt with all equity. This ratio is useful for knowing the amount of funds provided by the borrower (creditor) and the company owner. In other words, this ratio functions to find out every rupiah of own capital used as collateral for debt" (Kasmir, 2012).

Profitability is often used to measure the efficiency of capital use in a company by comparing the capital achieved with operating profit. For companies, the issue of profitability is very important to maintain the company's survival in the long term, because profitability shows whether the company has good prospects in the future. In this way, every company will always try to increase its profitability, because the higher the level of profitability of a company, the more guaranteed the company's survival will be and vice versa. For company leaders, profitability is used as a benchmark for the success or failure of the company they lead, while for company employees, the higher the profitability obtained by the company, the more opportunities there are to increase employee salaries. Profit can be measured by knowing how big the company's profitability ratio is. The benefit is that the company can monitor company developments at any time (Basri & Dahrani, 2017).

The importance of profitability can be seen by considering the impact that comes from the company's inability to obtain maximum profits to support its operational activities. There are various ways to calculate profitability and depend on the profit and assets or capital that will be compared with each other. One way to calculate profitability is Return On Equity (Alpi, 2018)

Return on Equity shows the ability of the equity (generally ordinary shares) owned by the company to generate profits (Hani, 2015). Return On Equity is the ratio between profit after tax to total own capital (Equity) which comes from the owner's capital contribution. The higher the Return On Equity, the more efficient the company is in managing its own capital to generate profits/net profits. This ratio is used to measure the company's rate of return or the company's effectiveness in generating profits by utilizing the equity owned by the company. (Jufrizen & Sari, 2019).

Fixed assets are used by the company to support the company's operational activities. Fixed assets consist of two types, namely tangible fixed assets and intangible fixed assets. Tangible fixed assets have a physical form and their use has a relatively long time span. Intangible fixed assets do not have a physical form like tangible fixed assets but have value that will help management in generating company profits (Heart, 2019). Fixed assets are tangible fixed assets owned for use in the production or provision of goods or services, expected to be used for more than one period (Martani, 2012).

The following is data on Effective Tax Rates, leverage and profitability for trading companies listed on the Indonesia Stock Exchange for the 2017-2021 period.

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Table 1. Data on Effective Tax Rates , Debt to Equity Ratio and Return on Equity in Trading Companies Listed on the Indonesian Stock Exchange for the 2017-2021 Period

Company Code	Year	Effective Tax Rate	Debt to Equity Ratio	Return On Equity
ACES	2017	0.20	0.26	22.24
	2018	0.21	0.26	23.05
	2019	0.74	0.25	21.58
	2020	0.80	0.39	14.00
	2021	0.78	0.30	13.04
AMRT	2017	0.75	3.17	4.91
	2018	0.54	2.68	10.78
	2019	0.36	2.49	16.54
	2020	0.35	2.40	14.25
	2021	0.29	2.06	22.12
CSAP	2017	0.93	2.22	5.48
	2018	0.94	1.98	4.62
	2019	0.96	2.34	3.47
	2020	0.97	2.71	2.96
	2021	0.90	2.77	9.99
ERAA	2017	0.42	1.39	9.37
	2018	0.42	1.63	18.43
	2019	0.31	0.96	6.54
	2020	0.27	0.97	11.80
	2021	0.33	0.76	17.30
MIDI	2017	0.69	4.29	11.14
	2018	0.62	3.59	14.73
	2019	0.56	3.09	16.63
	2020	0.56	3.24	14.32
	2021	0.39	2.92	17.03
RANC	2017	0.20	0.75	8.18
	2018	0.17	0.79	9.91
	2019	0.13	0.74	10.12
	2020	0.19	1.42	13.96
	2021	0.07	1.98	1.94

Source: Indonesian Stock Exchange (2022).

Based on table 1 above it can be seen that the effective tax rate for trading companies listed on the Indonesia Stock Exchange has decreased. According to (Bernard. 2011) tax management is an activity to realize management functions so that effectiveness and efficiency in the implementation of tax rights and obligations can be achieved. Tax management will have great benefits or use value if the company can carry it out in accordance with the initial objectives that have been set. Meanwhile, according to (Maesarah. 2013) if a company has an effective tax rate percentage that is higher than the set rate of 20%, then the company is not optimal in maximizing existing tax incentives. because companies taking advantage of existing tax incentives can reduce the percentage of tax payments from commercial profits.

Based on table 1 Above you can see that the Debt to Equity Ratio in trading companies listed on the Indonesia Stock Exchange has increased, this shows that larger companies are financed by debt and this is followed by a decline in tax management. According to (Darmadi. 2013) the greater the company's debt level, the better the company's tax management. An indicator of improving a company's tax management is a decrease in

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the company's effective tax rate. Debt to Equity Ratio (DER) is a debt source of external funding which is an important part of a company. The company's financial condition can be assessed. One of them is by paying attention to the company's debt. Debt is also a consideration for an investor when determining preferred shares. The comparison of debt and capital in company funding shows the ability of the company's own capital to fulfill all its obligations. and the higher the Debt to Equity Ratio , the greater the total debt to total equity. A company's debt loan can be a reference for investors to invest their capital in the company (Sari & Jufrizen. 2019).

Based on table 1 Above, it can be seen that Return On Equity in trading companies listed on the Indonesian Stock Exchange has decreased. This shows that the profits obtained by the company have decreased and this has been followed by a decrease in tax management. According to (Darmadi. 2013) the greater the level of company profitability, the worse the company's tax management will be. An indicator of worsening tax management in a company is the increase in the company's effective tax rate. Return on equity is a measurement of the income available to company owners (both ordinary shareholders and preferred shareholders) for the capital they invest in the company (Saragih, 2013).

METHOD

Research type describes the type or form of research that underlies the research. This research uses associative and quantitative approaches. The associative approach is an approach to find out that there is a relationship of influence or influence between the two variables, namely the independent variable and the dependent variable. Then the data is collected in quantitative form.

According to (Sugiyono. 2018) the associative approach is an approach taken to determine the relationship or influence between two or more variables

According to (Sugiyono. 2018) quantitative methods can also be interpreted as research methods based on positive philosophy. Used to research a particular population or sample. Data collection through research instruments. Data analysis is quantitative/statistical in nature with the aim of testing predetermined hypotheses.

In this study, researchers want to know the relationship or influence of Debt to Equity Ratio and Return On Equity on effective tax rates.

The data collection technique used in this research is documentation techniques. The data used in this research was collected by documenting the financial reports of trading companies listed on the Indonesia Stock Exchange for the 2017-2021 period.

The data analysis technique used in this research is quantitative data analysis. According to (Juliandi. 2015) quantitative data analysis is data analysis of data that contains certain numbers or numbers."

RESULT AND DISCUSSION**Classic assumption test****Normality test**

The normality test is carried out to determine whether the variables in a regression model, namely the dependent variable and independent variables, are normally distributed or not.

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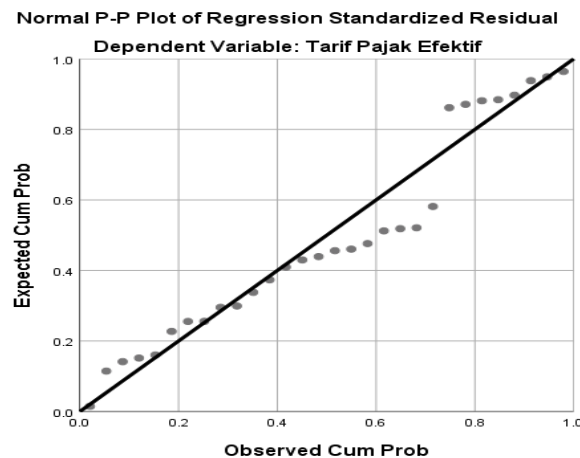


Figure 1, Normal Plot Graph

Source: Data processed by SPSS version 24.00

In the normal p-plot graph, it can be seen in the picture above that the normal graphic pattern is visible from the points spread around the diagonal line and the distribution follows the direction of the diagonal line, so it can be concluded that the regression model has met the normality assumption.

One statistical test that can be used to test residual normality is the Kolmogorov Smirnov (KS) statistical test. This test is used to determine whether the independent variable and dependent variable or both are normally or not normally distributed. test Kolmogorov Smirnov namely Excat, Sig. smaller than 0.05 (Asymp, Sig. < 0.05 is not normal).

Table 2. Kolmogorov-smirnov Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Predicted Value
N		30
Normal Parameters ^{a, b}	Mean	.5016667
	Std. Deviation	.12849091
Most Extreme Differences	Absolute	.111
	Positive	.066
	Negative	-.111
Statistical Tests		.111
Asymp. Sig. (2-tailed)		.200 ^{c, d}
a. Test distribution is Normal.		
b. Calculated from data.		
c . Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: SPSS Version 24.00

Based on table 2 above, it can be seen that the KS values of the leverage, profitability and effective tax rate variables are normally distributed because each variable has an asymp sig probability of more than 0.05, namely $0.200 > 0.05$

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The value of each variable that meets the predetermined standards can be seen in the asymp sig line. (2 - tailed) of that row asymp sig value. (2 - tailed) of 0.200. This shows the variables are normally distributed.

Multicollinearity Test

The multicollinearity test aims to test whether in the regression model a strong correlation is found between the independent (free) variables. A good regression model should be free of multicollinearity or no correlation between independent (free) variables. The multicollinearity test can be seen from the Variance Inflation Factor (VIF) value which does not exceed 0, 10 or 5.

The following are the test results using the Multicollinearity Test on the following processed data:

Table 3. Multicollinearity Test Results

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Leverage	,931	1,074
	Profitability	,931	1,074

a. Dependent Variable: Effective Tax Rate

Source: Data processed by SPSS version 24.00

From table 3 it can be seen that the leverage variable has a tolerance value of 0.931 > 0.10 and a VIF value of 1.074 < 10. The profitability variable has a tolerance value of 0.931 > 0.10 and a VIF value of 1.074 < 10. Each variable has a tolerance value > 0.1 and a VIF value < 5, thus it can be concluded that there are no symptoms of multicollinearity in this study.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model, there is an inequality of variance from the residuals of one observation to another. If the variance from the residual from one observation to another is constant, it is called homoscedasticity and if it is different it is called heteroscedasticity. There are several ways to test whether or not there is a heteroscedasticity situation in the variance error terms for a regression model. In this research, the chart method (Scatterplot Diagram) will be used.

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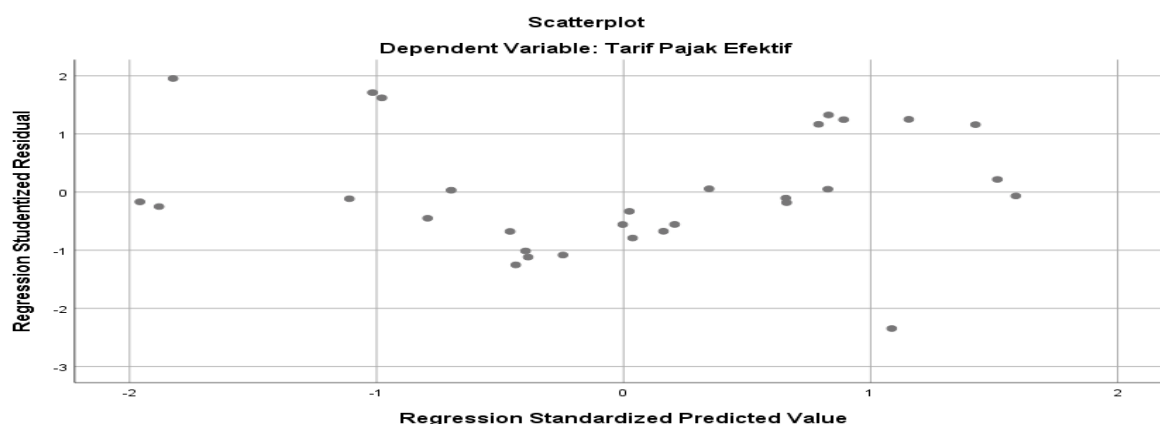


Figure 2. Heteroscedasticity Test Results

Source: Data processed by SPSS version 24.00

Based on Figure 2 above, it can be seen that the data (points) are spread evenly above and below the zero line, do not gather in one place, and do not form a particular pattern, so it can be concluded that in this regression test there is no heteroscedasticity.

Multiple Linear Regression

Data analysis in this research uses multiple linear regression analysis. This research aims to see the influence of the relationship between independent variables on the dependent variable using multiple linear regression analysis. This research has three independent variables, and one dependent variable.

Table 4. Multiple Linear Regression Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,513	,155		3,309	,003
	Leverage	,077	,044	,308	1,733	,095
	Profitability	-.012	,008	-.260	-1,461	,156

a. Dependent Variable: Effective Tax Rate

Source: Data processed by SPSS version 24.00

From table 4 above, the following values are known:

1. Constant = 0.513
2. Leverage = 0.077
3. Profitability = - 0.012

These results are entered into the multiple linear regression equation so that the following equation is known:

$$Y = 0.513 + 0.077 X_1 - 0.012 X_2$$

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So the above equation is meaningful if:

1. The multiple regression equation above is known to have a constant of 26,264 with a positive sign indicating that if the independent leverage (X1), profitability (X2) is constant or does not change (equal to zero), then the effective tax rate (Y) is equal to 0.513
2. Leverage has a regression coefficient of 0.077 stating that if Leverage increased (assuming that the coefficient values of other variables remain or do not change) then the value of the effective tax rate will increase by 0.077.
3. Profitability has a regression coefficient of -0.012, stating that if profitability is increased (assuming that the coefficient values of other variables are fixed or do not change) then the value of the effective tax rate will decrease by 0.012

Hypothesis test

t Test (Partial Test)

The t test used in this research is used to determine the ability of each independent variable. Another reason the t test is carried out is to test whether the independent variable (X) partially or individually has a significant relationship or not with the dependent variable (Y).

Table 5. t Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,513	,155		3,309	,003
	Leverage	,077	,044	,308	1,733	,095
	Profitability	-.012	,008	-.260	-1,461	,156

a. Dependent Variable: Effective Tax Rate

Source: Data processed by SPSS version 24.0

The t statistical test results in the table above can be explained as follows:

1. The Effect of Leverage on Effective Tax Rates

The t test is used to determine whether individual (partial) leverage has a significant relationship or not with the effective tax rate. For the t test criteria, it is carried out at the 0.05 level α with the t value for $n = 30 - 2 = 47$ being 2,048 $t_{count} = 1,733$ and $t_{tabel} = 2,048$

H_0 accepted if $-2.048 \leq t_{count} \leq 2.048$ at $\alpha = 5\%$

H_0 rejected if: $t_{count} > 2.048$, or $-t_{count} < -2.048$

The value t_{count} for the leverage variable is 1.733 and t_{table} with $\alpha = 5\%$ it is known that it is 2.048, thus it t_{count} is smaller than and t_{table} the significant value of leverage is $0.095 > 0.05$, meaning that from these results it can be concluded that H_0 is accepted (H_a rejected) indicating that leverage has no effect and is not significant on the effective tax rate on trading companies listed on the Indonesia Stock Exchange

2. The Influence of Profitability on Effective Tax Rates

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The t test is used to determine whether individual (partial) profitability has a significant relationship or not with the effective tax rate. For the t test criteria, it is carried out at the 0.05 level α = with the t value for $n = 30 - 2 = 27$ being 2,048 $t_{count} = -1,461$ and $t_{table} = 2,048$

H_0 accepted if $-2.048 \leq t_{count} \leq 2.048$ at $\alpha = 5\%$

H_0 rejected if: $t_{count} > 2.048$, or $-t_{count} < -2.048$

The value t_{count} for the profitability variable is -1.461 and t_{table} with $\alpha = 5\%$ it is known that it is 2.048, thus t_{count} it is smaller than and t_{table} the significant value of profitability is $0.156 > 0.05$, meaning that from these results the conclusion is that H_0 is accepted (H_a dit rejected) indicates that profitability t has no effect and is not significant on the effective tax rate on trading companies listed on the Indonesia Stock Exchange

4.2.3.1 F Test (Simultaneous Significant Test)

The F statistical test is carried out to test whether the independent variable (X) simultaneously has a significant relationship or not with the dependent variable (Y).

Based on the results of data processing with the SPSS version 24.00 program, the following results were obtained:

Table 6. F Test Results

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,479	2	,239	3,475	.045 ^b
	Residual	1,860	27	,069		
	Total	2,339	29			

a. Dependent Variable: Effective Tax Rate

b. Predictors: (Constant), Profitability, Leverage

Source: SPSS version 24.00

$$f_{table} = 28 - 2 - 1 = 27$$

$$f_{count} = 3.475 \text{ and } f_{table} = 3.35$$

Making criteria:

H_0 accepted if: $- 3.35 \leq f_{count} \leq 3.35$, for $\alpha = 5\%$

H_0 rejected if: $f_{count} > 3.35$ or $- f_{count} < - 3.35$ for $\alpha = 5\%$

From the results above it can be seen that the value f_{count} is 3.475 with a significance level of 0.045. Meanwhile, the f_{table} known value is 3.35. Based on these results it can be seen that $f_{count} > f_{table}$ ($3.475 > 3.35$) means H_0 rejected. So it can be concluded that the leverage and profitability variables have a significant and influential effect on the effective tax rates of trading companies listed on the Indonesian Stock Exchange

Coefficient of Determination Test

R-square value of the coefficient of determination is used to see how variations in the value of the dependent variable are influenced by the value of the independent variable. The coefficient of determination value is between 0 and 1. If the R-square value is closer to

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one, the greater the influence of the independent variable on the dependent variable. Following are the results of statistical testing:

Table 7. Coefficient of Determination Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,452 ^a	,205	,146	.26245	,507
a. Predictors: (Constant), Profitability, Leverage					
b. Dependent Variable: Effective Tax Rate					

Source: SPSS version 24.00

$$D = R^2 \times 100\%$$

$$D = 0.452 \times 100\%$$

$$= 45.2 \%$$

Based on the table above, it can be seen that the value of R square is 0.452 which means 45.2 % and this states that the leverage and profitability variables are 45.2 % to influence the effective tax rate variable. Furthermore, the difference is $100\% - 45.2\% = 54.8\%$. This shows that 54.8% is another variable that does not contribute to effective tax rate research

DISCUSSION

The findings in this research are regarding the findings of this research regarding the suitability of theories, opinions and previous research that have been put forward by the results of previous research as well as behavioral patterns that must be carried out to overcome these things. Following are three main parts that will be discussed in the analysis of the findings of this research, namely as follows:

The Influence of Debt to Equity Ratio on Effective Tax Rates

The results of the hypothesis test obtained a value t_{count} for the leverage variable of 1.733 and t_{table} with $\alpha = 5\%$ it was found to be 2.048, thus smaller t_{count} than and the t_{table} significant value of leverage was $0.095 > 0.05$, meaning that from these results it was concluded that H_0 was accepted (H_a rejected) shows that leverage has no effect and is not significant on the effective tax rate of trading companies listed on the Indonesia Stock Exchange

Debt to Equity Ratio (DER) is a ratio that shows the amount of debt versus equity. The higher this ratio, the higher the risk of company bankruptcy.

The greater the level of leverage in the company, the more debt interest costs will arise which will result in a tax reduction because it is deducted from income. The level of leverage in a company can be seen from the leverage ratio, namely by comparing the level of company debt with the total equity owned by the company. This ratio indicates the amount provided by creditors to company owners. Then companies can also emphasize the level of profitability described by return on assets to maximize the effectiveness of corporate tax payments.

The greater the company's debt level, the better the company's tax management. An indicator of improving a company's tax management is a decrease in the company's effective

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tax rate. Where companies with more debt have a lower effective tax rate. This is because interest costs can reduce a company's income before tax.

The Effect of Return on Equity on Effective Tax Rates

The results of the hypothesis test show that the value t_{count} for the profitability variable is -1.461 and t_{table} with $\alpha = 5\%$ it is known that it is 2.048, thus t_{count} it is smaller than t_{table} and the significant value of profitability is $0.156 > 0.05$, meaning that from these results it is concluded that H_0 is accepted (H_a is rejected) indicating that profitability t has no effect and is not significant on the effective tax rate on trading companies listed on the Indonesia Stock Exchange

Return On Equity is a measurement of the income available to company owners or the capital they invest in the company.

Companies that have a high level of profitability can reduce the company's tax burden. The reason is because companies with a high level of efficiency and those with high income tend to face a low tax burden. The low corporate tax burden is because companies with high income have managed to take advantage of the benefits of tax incentives and other tax deductions which can cause the company's effective tax rate to be lower than it should be.

The greater the company's profit level, the worse the company's tax management will be. An indicator of worsening tax management in a company is the increase in the company's effective tax rate

The Influence of Leverage and Profitability on Effective Tax Rates

The results of the hypothesis test obtained a value f_{count} of 3,475 with a significance level of 0.045. Meanwhile, the f_{table} known value is 3.35. Based on these results it can be seen that ($f_{count} > f_{table}$ 3.475 > 3.35) means H_0 rejected. So it can be concluded that the leverage and profitability variables have a significant and influential effect on the effective tax rates of trading companies listed on the Indonesian Stock Exchange

Tax management is a means of fulfilling tax obligations correctly but the amount of tax paid can be kept as low as possible to obtain the profit and liquidity that management expects (Sitompul, 2019). Tax management must be carried out well so as not to lead to violations of tax norms or tax avoidance. Companies must also be able to take advantage of existing loopholes in tax regulations, this action is often also called aggressive action in taxation. Actions designed or manipulated to reduce fiscal profits through appropriate tax planning, which may or may not be classified as tax evasion. The result of tax management is the real amount of tax paid by the company which is listed in the company's profit and loss report (Fatharani, 2012).

Debt to Equity Ratio (DER) is a ratio that shows the amount of debt versus equity. The higher this ratio, the higher the risk of company bankruptcy. The greater the level of leverage in the company, the more debt interest costs will arise which will result in a tax reduction because it is deducted from income. The level of leverage in a company can be seen from the leverage ratio, namely by comparing the level of company debt with the total equity owned by the company. This ratio indicates the amount provided by creditors to company owners. Then companies can also emphasize the level of profitability described by return on assets to maximize the effectiveness of corporate tax payments

Return On Equity is a measurement of the income available to company owners or the capital they invest in the company. Companies that have a high level of profitability can reduce the company's tax burden. The reason is because companies with a high level of

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efficiency and those with high income tend to face a low tax burden. The low corporate tax burden is because companies with high income have managed to take advantage of the benefits of tax incentives and other tax deductions which can cause the company's effective tax rate to be lower than it should be.

CONCLUSION

The data obtained as well as the data analysis that has been carried out as well as the discussion that has been carried out in the previous chapter, conclusions can be drawn regarding the Effect of Leverage, Profitability, regarding effective tax rates for trading companies listed on the Indonesian Stock Exchange. Leverage has no effect on the Effective Tax Rate for Trading Companies listed on the Indonesian Stock Exchange. Profitability has no effect on the Effective Tax Rate for Trading companies listed on the Indonesian Stock Exchange. Leverage and profitability influence the Effective Tax Rates on Trading Companies listed on the Indonesian Stock Exchange

SUGGESTION

Based on the conclusions above, suggestions that can be given in this research include:

1. The company wants to be better able to increase its profits by increasing sales in order to get large profits so that it has an impact on the effective tax rate
2. Management is expected to control leverage every year, because the greater the leverage issued, the lower the effective tax rate will be
3. For future researchers, research can be carried out by expanding the scope of the research object by examining other variables that influence the effective tax rate and increasing the research time period so that maximum results can be obtained.

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