Effective Tax Rates: Firm Size, Leverage and Return on Assets

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A R T I C L E I N F O

A B S T R A C T

The Effective Tax Rate (ETR) assesses a company's proficiency in managing its tax burden by comparing tax expenses to total net income. A lower ETR percentage indicates better tax effectiveness. Companies utilize the ETR as a benchmark for shaping their tax policies. It serves as a tool for gauging how well a company handles its tax system. This study seeks empirical evidence on the impact of firm size, leverage, and return on assets on effective tax rates. The independent variables include firm size, debt level, and return on assets, while the dependent variable is the effective tax rate. The research focuses on food and beverages sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The sample comprises 34 companies selected through purposive sampling. The analysis employs multiple linear regression, revealing that firm size and return on assets do not influence effective tax rates, whereas leverage significantly affects the effective tax rate

INTRODUCTION

Indonesia is a developing country that continues to carry out development in order to realize the welfare and prosperity of the people. Through tax revenue and non-tax revenue, the source of funds is obtained. The reason is, taxes have a large contribution in the formation of the stage budget every year. Tax revenue is said to be the largest from the components in the state budget. Apart from tax revenue, state revenues are also obtained through non-taxes and other state revenues. These revenues include revenue from the Public Service Agency (BLU), revenue from natural resources (SDA), revenue from state assets and grent revenue. As happened in 2020, state revenue from taxe revenue amounted to IDR 1,285,136.32 trillion and non-tax state revenue amounted to IDR 343,814.21 trillion. This can be seen in table 1.1 regarding the comparison of the realization of the amount of state revenue from taxes and non-tax state revenue in the last five years.

Table 1. Comparison of Realization of Total State Revenue

Year	Tax Revenue	Non-tax Revenue
2017	1,343,529.80	311,216.30
2018	1,518,789.80	409,320.20
2019	1,546,141.90	408,994.30
2020	1,285,136.32	343,814.21
2021	1,375,832.70	357,210.10

Source: Data from (Bps.Go.Id,)

The source of funding and implementation of development mostly comes from from tax. Taxes represent obligatory payments, typically in monetary form, that residents are required to make as compulsory contributions to the state or government. These payments are associated with various aspects such as income, ownership, purchasing goods, and other relevant factors.

According to Sujarwo & Sjahputra (2022), tax is a mandatory contribution to the state owed by individuals or entities that are compelling based on law by not getting direct reciprocity and are used for state purposes for the greatest prosperity of the people. Tax payment is implementation of state obligation and the participation of taxpayers directly and jointly in fulfilling tax obligations for state financing and national development. According to philosophy of tax lor, paying taxes is not just an obligation, but the right of every citizen to participate in financing government and national development.

The company is the one of income tax subject, which must pay corporate tax. Income tax collected from companies is an important source of tax revenue for the state. Taxes that are compelling based on the law, require companies to pay taxes. Because if the company does not pay taxes, then there are sanctions that can harm the company. For companies, taxes are a burden that reduces the amopunt of net profit, soa as much as possible the company pays the lowest possible tax burden (Afifah & Hasymi, 2020).

Based on Law No. 36 of 2008, taxable income for domestic taxpayers and permanent establishments are subject to a 25% rate starting January 1, 2010. For public companies, the rate is reduced bu 5%. In law no. 36 of 2008 article 17 paragraph (2b) and Government Regulation No. 81 of 2007 chapter 2 explain that domestic taxpayes in the form of Public Company (PT) if the amount of public

share ownership is 40% or more of all paid-up shares. So the tax rate for Public Companies is 20% of taxable income. The company is said to be effective in paying taxes if the company's tax rate is below 20% and if it is above 20%, it means that the company is less effective in making tax payments. This is ussually due to the company not utilizing facilities, regulations and cost that can save tax revenue (Saragih & Halawa, 2022).

The Directorate General of Taxes (DJP) has prepared various measures to secure the tax revenue targer, one of which is more intensive supervision of the business sector or entities that make a significant contribution to tax revenue. From the company side, it seeks to minimize taxes payable, by encouraging its management to be more tax compliant. Tax management is the holistic endeavor undertaken by taxpayers to ensure the effective, efficient, and economical handling of matters related to taxation. Basically, the purpose of tax management is not to avoid paying taxes, but to streamline payments taxes by minimizing company profits in a legal way. Corporate tax management effort needs to be carried out effectively so that policies to reduce the tax burden can be optimized. The indicator often used by companies in measuring the effectiveness of corporate tax management is effective tax rate (ETR).

The effective tax rate is a comparison seen between the tax burden that must be paid by the company an pre-tax income. So that tax effective the very useful in make it as base in measure the actual tax burden. The effective tax rate can help find out the part of the income that is taxed that will actially be paid in taxes compared to marginal tax rate (Febriani & Suardikha, 2019).

The existence of the effective tax rate sign is one form calculating the ideal tax rate calculated in a company which has then become a special concern in various studeis because it can summarize the cumulative effect of various tax incentives and changes in corporate tas rates. The effective tax rate is often incorrectly used as a reference by decision makers for make internal company policies and make conclusion about the tax system in the company. One of the method to measure whether a company is good or bad at managing taxes is to see how much the effective rate is (Syamsuddin & Suryarini, 2019). There is evidence to suggest that ETR companies vary across companies over time, so ETR is used as a tool to identify neutrality levels A system taxation And characteristics from A company with burden higher and lower taxes.

Rates tax effective used to reflect difference between calculation profit book with profit fiscal. In understanding other, tariff tax effective calculated or assessed based on on information finance Which generated by company so that tariff tax effective is form calculation tariff tax on company. With say other, in a way definitive tariff affective tax means a burden on income tax, so the potential is in in reduce payment tax very possible, moreover No There is rule administrative ones violated.

There are several ways that a company is thought to do this to achieve this minimize burden the tax, that is with see factor - factor Which influence tariff tax effective among them is size company, debt levels and return on assets. According to (Susilowati & Widyawati, 2018) company size is a measure that is grouped based on the size of the company, and can describe operational activities company and the income earned by the company. A company big in in do planning tax Which more Good, tend own room Which more wide. Wrong one

method Which can done company that is with adopt practice accountancy Which effective For lower tax effective rate (Afifah & Hasymi, 2020).

The bigger a company is, the bigger it will be small debt For financing operational company. Leverage or level debt is ratio For test so far where company using borrowed debt, in other words how much debt Which owned company in do financing And can used to measure the amount of assets financed with debt. According to (Rahmi et al., 2021) companies with high leverage have dependence on external loans to finance its assets temporarily Companies with low levels of leverage finance more of their assets with owner's equity.

Trade-off capital structure theory, it is argued that the company will try reduce tax with method increase ratio the debt. Matter This because exists burden flower Which arise from debt Which can deducted from taxable income. Article 6 paragraph 1 letter a Law Number 36 2008 states that interest is part of business costs can be deducted as a cost (tax deductible) in the calculation process Tax Corporate income (PPh).

High level of company leverage can suppress profitability depicted by returns on assets For maximizing effectiveness company tax payments. Return on Assets (ROA) serves as an indicator reflecting a company's financial performance. A higher ROA value indicates the company's ability to achieve commendable financial results. ROA is determined by assessing the company's net profit and taxable income (PPh) for tax purposes. For tax entities, the measurement of performance through ROA highlights the effectiveness of invested capital across the entire asset base in generating profits. ROA is a ratio that gauges the net taxable profit, essentially serving as a metric to evaluate the extent of return on the company's owned assets. If ROA is negative, it signifies that the company is operating at a loss, indicating that the invested capital, encompassing the entire asset portfolio, has not yet yielded a profit (Gloria & Apriwenni, 2020).

Based on previous studies, there are different results regarding the relationship between company size and effective tax rates. Company size is proven to have a significant effect on the effective tax rate. The negative direction of the coefficient indicates that there is a tendency to increase big size company will lower tariff tax effective, on the contrary The smaller the size of a company, the greater the effective tax rate. According to Maulamin & Wulandari (2022) find that size The company influences the effective tax rate of a company. Usually company scale big capable maximizing asset Which owned, so that the profits generated are greater. But, with profit large ones make big companies even more aggressive in doing so management tax order rates taxes paid to be low.

Other factors of the effective tax rate are based on previous research is leverage . According to (Susilowati & Widyawati, 2018) stated that there is no influence between leverage and the effective tax rate (ETR) , because leverage Which tall will increase cost flower accompanied with reduced tax costs. So in this case the creditor will think twice to invest in the company, because the company is worried are unable to pay off their obligations on time. Whereas based study Kurniasari et al (2019) the more Lots use debt in financing company activities, the better the tax rate The effectiveness produced by the company is characterized by lower tariffs The company's effective tax is due to interest costs which are a deduction in tax.

In Steven's (2018) research, ROA has a significant and negative effect on the effective tax rate of manufacturing companies. Companies with levels High profitability can pay higher taxes from the company Which own profitability low. The cause is Because tax income company will worn based on big income Which accepted by company. However study from (Afifah & Hasymi, 2020) find that profitability (ROA) influential positive to tariff effective tax. This shows that the greater the level of profitability a company, so will the more bad management tax A company. Where increasingly poor tax management is indicated by indicator increasing tax rate effective.

This research is related to previous research conducted by (Erawati & Jega, 2019). Where refers on factor - factor Which influences on effective tax rates include company size, level debt and return on assets which shows differences between researchers one with another and have varying results, namely on one researchers stating a significantly effects the effective tax rate, but in another study stating no significant effect, In the addition, the selection of manufacturing companies as research targets listed on the Indonesia Stock Exchange as researcg objects because manufactiring companies are large-scale companies when compares to ther companies. Therefore, reserchers want to know whether food and baverage subsector manufacturing companies do tax planning or not, it is possible that the profits generated are also high and the tax burden paid is also hight. The purpose of this study was to determine the firm size, leverage and profitability on effective tax rates.

Effective Taxes Rate

The effective tax rate is determined by the ratio of tax expense to taxable income. Utilizing the effective tax rate allows us to ascertain the percentage of the company's taxable income that is paid as actual taxes. This metric enables the company to evaluate whether it pays taxes in line with the predetermined rate based on its taxable income. The effective tax rate serves as a crucial measure for the company, indicating whether it pays more or less in taxes than the rate established according to its taxable income. Policymakers often consider the company's effective tax rate as a significant indicator of the tax burden, especially in certain business sectors, and it plays a role in providing incentives to taxpayers (Susilawaty, 2020).

Effective tax rates can be used to measurement category for effective tax planning. Effective tax rate is a means to fulfill obligations correctly but the amount of tax to be paid can be reduced as low as possible to obtain the expected profit and liquidity in an effective manner (Saragih & Halawa, 2022). Companies use the effective tax rate percentage that is higher tha the set rate, the company is less than optimal in maximizing existing tax incentives so that it can reduce the percentage of tas payments from commercial profits.

The tax burden is determined by multiplying the tax base with the applicable tax rate, which is not stipulated by the government in tax regulations. Essentially, the effective tax rate represents the company's actual tax burden, showcasing the proportion of taxes paid on the company's profits. Utilizing effective tax rates can serve as an indicator of the effectiveness of tax planning strategies (Supriadi, 2019).

Several fundamental reaseon related to the determination of the company's ETR (Rohmansyah & Fitriana, 2020). The first reason is that it exists

political influence that occurs in the taxation process. The influence of the political change can sometimes lead to intervention depending on which party is inpower and has an interest. The lack of tranparency in the process of determining the tax rate carried out by the government raises the possibility of intervention from other parties who have an interest. The second reason is the information content of corporate tax reports generated by investors. Rith the tax report, investors can see the extent to which the company complies with the regulations set by the government.

Based on the above definition, the purpose of an effective tas rate can describe the effectiveness and efficiency of tax management in a company by minimizing the tax burden patable, maximizing profit after tax and fulfilling tas obligatiopns correctly, effctively and efficiently. Management can be said to be successful in maximizing resource in the company obtains a greater amount of revenue than the costs incurred to generate that income. Effective tax ratesare also used because tax avoidance does not only come from income tax, but other tax expense that are classified as chargeable of the company. The company is able to get the best results by reducting the cost of tax expenditures such as using accounting methods that can reduce the tax burden in an effective way (Irawan & Pinastika, 2021).

Firm Size

The concept of firm size typically refers to the magnitude of a company, which can be assessed based on factors such as equity value, sales value, or asset value. Firm size serves as an indicator that encapsulates the financial characteristics of a company. Firm size affect the effective tax rate because the larger the company size, the higher the tax rate effectiveness, and vice versa (Wibowo & Yahya, 2022). The size of the company can affect revenue, because with high revenue can increase profit, its also affects the company's assets and the level of corporate debt so that it affects tax payments (Supriadi, 2019).

Size company divided in three category, namely large companies, medium companies, and small companies. What describes the size of a company can be seen from the total assets, total sales, and average sales. Companies with large sizes have a tendency to do lower tax avoidance compared to small companies. This is due to the following teo things. First, large companies have a tendency to be highlighted by stakeholders or the government, so large companies tend to refrain from doing tax avoidance compared to small companies. Second, large companies have sufficient human and informastion resources to carry out tax management more neatly than small companies (Husni & Joko Wahyudi, 2022)

Firm size is stated as a determinant of financial structure (Arisandy et al., 2021):

1. The size of a firm plays a crucial role in its ability to secure funds from the capital market. Smaller companies often face challenges in accessing organized capital markets for both bonds and shares. Even if they manage to access these markets, the costs associated with selling small amounts of securities can be prohibitively high.
2. Firm size significantly impacts the bargaining power when negotiating financing contracts. Larger firms typically have the flexibility to choose from a range of debt financing options, often securing more favorable terms compared to their smaller counterparts. In larger financial transactions, there

is a greater likelihood of tailoring the contract to suit the needs of both parties, as opposed to relying on a standardized debt contract.

3. The potential influence of scale in cost and returns allows larger firms to generate higher profits. Ultimately, firm size is intertwined with other characteristics that influence the overall financial structure of the company.

Based on this explanation, the relationship between firm size and effective tax rates has a competing relationship, namely high attractiveness, which causes the company to be in the spotlighy of the government and become a victim of government regulatory policies. In addition, the relationship between large companies with their sources of power can manipulate the political process by doing tax planning.

Leverage

Leverage according to Kasmir (2018) in (Erawati & Jega, 2019; Yahya & Hidayat, 2020) is a way to measure the extent to which the assets owned by the companies are financed using debt. If the company has a large enough debt, the obligation to pay taxes will also be smaller. This means that the company's liabilities will increase influences the amount of profit generated. However, with debt, it will incur interest costs that will reduce income for the company, so that the tax changed will also reduced. Losses on these assets will clearly reduce the tax burden because the total profit of the companies that is subject to tax decreases. With the tax burden, it will reduce the company's profits (Dayanti et al., 2022).

The leverage ratio serves as a metric to assess a company's capacity to fulfill its long-term commitments, essentially indicating the extent of debt employed in the company's financing. It provides insight into the proportion of assets financed through debt (Gloria & Apriwenni, 2020). The debt ratio examined in this study is the Debt to Asset Ratio (DAR), which is employed to gauge the extent to which a company's assets are funded by debt and the impact of debt on asset management. DAR is a ratio that illustrates the coverage of debt by assets, with higher values indicating greater solvency. It involves comparing the amount of company debt to the total assets owned by the company (Sanjaya & Sipahutar, 2019).

Return on Assets

Return on Assets (ROA) is a ratio employed to assess the efficacy of capital invested in the entire asset base in generating net profit. This ratio serves as a metric to evaluate the extent to which the invested capital yields anticipated benefits, reflecting the company's ability to generate profits with its assets. ROA stands as a crucial indicator for investors to evaluate the company's future prospects, particularly by examining the growth of the company's profits (Susanti et al., 2021).

Return on assets reflects how much return is generated from each currency of money invested in assets. Return on assets is also ability of company management to utilize its assets. The greater this ratio, the better because it shows that the use of assets in generating profit has been efficient (Sanjaya & Sipahutar, 2019). Return on assets is one of the profitability ratios that is often used by company leaders to measure the effectiveness of the company's operations in generating profits (Triyanti & Susila, 2021).

Hypothesis

1. **Firm Size on Effective Tax Rate**

Firm size can be classified as large or small by variouus methods including being seen from the value of equity, sales value or asset value. The value of assets is used as a basis for determining the size of a company because the assets assessed have a better level of stability compared to others. Firm size can affect the value of earnings, because obtaining profits will affect the level of corporate debt so that it affect tax payments (Aghnitama et al., 2021). Large company have a lot of resources that can be used as a source of data that will be used by managers to improve company performance. One way to do this is reduce corporate tax costs to that company performance can be optimized. The method used is to encourage corporate tax costs to maximize company performance. If the company is large in scale, they can reduce the tax burden by hiring a professional workforce capable of managing taxes in compliance with applicable laws and regulations (Bela & Kurnia, 2023). In (Rahmi et al., 2021) research, it is stated that company size is proven to have a significant negative effect on tariff tax effective. The direction of negative coefficient indicates a tendency for the larger the size of the company to reduce the effective tax rate.

H1: firm size negativelly affacts the effective tax rate

2. **Leverage to Effective Tax Rate**

Leverage is a ratio to test the extent where company uses borrowed debt to fulfill its assets. Companies that use debt as a source of funding will become more prosperous because they will get incentives in the form of tax deductions on loan interest so that companies that have a high tax burden can make tax saings by increasing corporate debt (Rahmi et al., 2021). Companies that choose to go into debt will motivate management to worl more diligently and creatively because they are burdened to pay their obligations, namely installment payments and other costs such as administrative costs, fees and commisions. The cost incurred if the company chooses a loan will be a deduction from income which will then reduce the company's profit. Companies will prefer the use of debt because of the interest expense that can be used as a tax deduction (Natalia, 2020). The ratio used to measure leverage in this study is debt to total assets (DAR) (Azzahra & Wibowo, 2019). The greater DAR indicates a high level of debt financing because the company will bear a high interest bueden. The higher DAR can reduce effective tax rate.

H2: leverage negativelly affects the effective tax rate

3. **Return on Assets to Effective Tax Rate**

Return on Assets (ROA) measures a company's capacity to generate profits over a specific period relative to its level of sales, assets, and share capital. The assessment of a company's ROA can take various forms, depending on the specific calculation involving profits and capital assets, which are then compared with each other. Companies that have the ability to earn high profits must prepare taxes to be paid at a certain predetermined percentage of the profit erned. An increase in ROA will result in an increase in effective tax rate (Saragih & Halawa, 2022; Susliyanti, 2019). Companies that have high profitability will pay higher taxes than companies that have lowers of profitability

H3: Return on assets has a positive effect on the effective tax rate

LITERATURE REVIEW

The effective tax rate is used to measure impact of changee in tax policy on company's tax burden. The company is said to be effective in paying taxes if the company's tax rate is below 20%, it means that the company is less effective in make tax payments. The tax rate is effective above 20% is usually due to companies underutilizing facilities, regulations, and cost that can save tas revenue (Sjahril et al., 2020). So this tax rate is very important to use to measure the impact of differences between tax policy and policy accounting policy on the company's tax burden.

METHODOLOGY

The type of research used in this research is quantitave research whose research result are then processed and analyzed to obtain a conclusion. In other words, this research focuses on analyzing data in the form numbers. Quantitative research is a type of research that produces finding that can be obtained using statistical procedures or other ways of measuring. In a quantitative approach, the relationship between variables is analyzed using objective theory (Sahir, 2021). This research also emphasizes empirical testing by measuring research variables and analyzing data using statistical methods to test ad provide an overview of how the effect of firm size, leverage and return on assets to effective tax rate.

A research variable is an attribute or trait of people, object, concepts or activities that have more than one category set by researcher to study and then draw conclusions (Sugiyono, 2017).

Operational Definition of Variable

This variable is often called a stimulus variable, predictor, antecedent. The independent variable in this research are firm size, leverage and return on assets. The dependent variable is also called the output variable, criterion, consequent variable which is influenced by the independent variable, the dependent variable is a consequence of the independent variable. The dependent variable is effective tax rate.

Firm Size

Firm size is the level of size of a company, firm size is shown through log total assets (Yahya et al., 2022). Using log assets can be better because the level of stability is good. Company size can be seen from total assets which show the company's ability to maintain its survival. Companies with substantial total assets are deemed to have reached the maturity stage. This stage is characterized by positive cash flow, indicating good long-term prospects. Larger companies are perceived to possess enhanced capabilities in both managing the company and generating high-quality financial reports. Therefore, the formula used to calculate company size are as follows:

$$Size = Ln\ Total\ Asset$$

Leverage

Leverage is a comparative measure that highlights the extent to which a company utilizes debt for funding its operational activities. It is calculated as the ratio of term debt to total assets, or alternatively, as the ratio of total debt to total assets. The leverage ratio serves as an indicator of the company's capability to fulfill its long-term financial obligations (Rahmawati & Mildawati, 2020). In this study, leverage will be measured using the Debt to Asset Ratio (DAR). According

to (Dayanti et al., 2022) The Debt to Assets Ratio is a metric used to gauge the relationship between total debt and total assets within a company. This ratio essentially measures the extent to which the company's assets are funded by debt and assesses the influence of the company's debt on its overall asset management.

$$DAR=(Total\ Liabilities)/(Total\ Assets)$$

Return on Assets

Return On Assets (ROA) is a ratio that shows the extent which the investment invested is able to provide return as expected (Susanti et al., 2021). In this study the author used the Return on Assets (ROA) ratio because this ratio is able to describe the overall level of effectiveness of the company's management in managing its assets (Yahya & Cahyana, 2020). The higher the ROA ratio, it can be said that the company's assets management is getting better and more efficient. Conversely, it can be said that a company has a low ROA value, so the company's asset management is getting worse. Summing up return on assets using the formula divides net profit after tax by total assets.

$$ROA=(Earning\ After\ Tax)/(Total\ Assets)\ x\ 100\%$$

Effective Tax Rate

The effective tax rate is the effective rate that can be paid by the company according to the amount of income it receives. Using the effective tax rate can be categorized as an effective tax planning measurement. Many policy efforts can be made by companies to get optimal results, namely minimizing the cost of tax expenditures, including by using accounting method selection steps to effectively reduce the amount of tax. This measurement can be done by using the effective tax rate. Effective tax rates are often used as a reference by decision makers to make policies in the company and draw conclusions about the tax system in the company. One way to measure whether a company is good or bad at managing taxes is to see how much the effective rate is applied (Syamsuddin & Suryarini, 2019).

In this research, the dependent variable is the effective tax rate, which is assessed by comparing the company's tax expense to its profit before tax. The measurement does not differentiate between current tax expense and deferred tax expense. The effective tax rate in this context aims to evaluate the comparison between the company's anticipated tax rate and its commercial profit. This analysis helps the company determine whether the executed effective tax rate aligns with the planned expectations (Asiah et al., 2022; Rahmawati & Mildawati, 2020; Yahya et al., 2022).

$$ROA=(Tax\ Expense)/(Earning\ Before\ Interest\ Tax)\ x\ 100\%$$

The sample is part of the number of characteristics possessed by the population used for research. Thus the sample taken from a population must be valid and can measure something as it should. Sampling conducted in this study using purposive sampling method. Purposive sampling is a sampling technique with certain considerations or criteria (Sujarweni, 2017).

RESULT
Descriptive Statistical Analysis

Testing with descriptive statistics will provide an overview or description of the data seen through minimum, maximum, average (mean) and standard deviation values. In this study, descriptive statistical measurement were carried out on research variable consisting of effective tax rates (Y), company size (X1), debt levels (X2) and returns on assets (X3).

Table 2. Descriptive Statistics Test Results

	Minimum	Maximum	Mean	Std. Deviation
Firm Size	26,2983	32.8264	29.235359	1.5710627
Debt to Assets Ratio	0.0003	0.7114	0.386328	0.1873109
Return on Assets	0.0000	0.4930	0.030220	0.0618878
Effective Tax Rate	0.0014	0.8632	0.244937	0.1129327

Source: Data is Processed with SPSS Version 25, 2023

The table above is the descriptive statistical test data before transformation and outliers with LN (natural Logarithm). The data explains the number of samples used in the study, the minimum value which is the smallest value in a study, the maximum values is the largest value of a study, the average value (mean) is the average value of study, and the standard deviation ehich is the root of the sum of the squares of the difference between the data value and the average divided by the amount of data. Based on this table, information about the variables in this study can be obtained through descriptive statistics, which are as follows:

Table 3. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-2,230	0,987		-2,259	0,027
Firm Size	0,255	0,290	0,101	0,879	0,382
Debt to Assets Ratio	0,082	0,030	0,315	2,753	0,007
Return on Assets	0,010	0,007	0,151	1,369	0,175

Source: Data Processed with SPSS Version 25, 2023

Based on the test table above, it can be concluded partially from each independent variable to dependent variable as follows:
1. The variable for firm size exhibits a t-value of 0.879, which is less than the critical t-value of 1.99346 at a significance level of 0.05. With a p-value of 0.382, it is evident that the company size does not have a significant impact on the effective corporate tax rate. Consequently, the rejection of the first hypothesis (H1) is rejected. Which posits that company size has no effect on the company's effective tax rate.
2. The variable for Debt to Assets Ratio has a t-value of 2.753, exceeding the critical t-value of 1.99346 at a significance level of 0.05. With a p-value of 0.007, which is below the significance level, it is evident that the level of debt has a positive and significant impact on the company's effective tax rate.

Consequently, the second hypothesis (H2), asserting that the level of debt has a negative effect on the company's effective tax rate, is accepted.

3. The variable for Return on Assets has a t-value of 1.369, which is less than the critical t-value of 1.99346 at a significance level of 0.05. With a p-value of 0.175, above the significance level, it is evident that Return on Assets has no significant effect on the company's effective tax rate. Consequently, the rejection of the third hypothesis (H3), which posits that Return on Assets has a positive effect on the company's effective tax rate.

Table 4. Simultaneous f Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	0.197	3	0.066	3,932	,012 [b]
Residual	1,203	72	0.017		
Total	1,401	75			

Source: Data Processed with SPSS Version 25, 2023

In Table 4, the results of the simultaneous F test indicate a calculated F value of 3.932, surpassing the critical F table value of 2.73 at a significance level of 0.012, which is lower than the predetermined significance level of 0.05. This suggests that, collectively, firm size, debt to assets ratio, and return on assets significantly influence the Company's Effective Tax Rate.

The coefficient of determination is employed to elucidate the extent to which independent variables can predict the dependent variable. It ranges between zero and one ($0 < R < 1$). A higher coefficient of determination signifies a greater likelihood that the independent variables furnish the necessary information for predicting the variability of the dependent variable. This outcome indicates that the dependent variable can be elucidated by the independent variables, while the remaining variance is explained by other variables outside the model. The ensuing table presents the output of the coefficient of determination test.

Table 5. Coefficient Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,375 [a]	0.141	0.105	0.12929

Source: Data Processed with SPSS Version 25, 2023

Based on the table above, the Adjusted R Square value is 0.105 or 10.5%. Matter This showing that 10.5% from tariff tax effective The company can be explained by the independent variables in the research These are, firm size, debt to assets ratio and return on assets. Whereas 89.5% other explained by other variables outside study This.

The Effect of Firm Size on Tax Rates Effective

Based on the t test statistics that have been carried out, the Firm Size variable has a t value of 0.879 < t table 1.99346 and Sig value. 0.382 > 0.05. This explains that the company size variable is not significant and has no effect on the effective tax rate. Thus the first hypothesis of this study is accepted.

The results of this study are in line with previous research conducted by (Nugroho, 2019; Rahmawati & Mildawati, 2020) which stated that company size has a negative direction on the effective tax rate. The results of this study identify that small-scale companies cannot be optimal in carrying out tax management

due to the lack of experts in the field of taxation. When the company's tax management activities are not optimal, it will cause the company to lose the opportunity to obtain tax incentives that can reduce the tax charged to company (Steven et al., 2018)..

Company tends to need larger funds compared to smaller companies, this makes large companies tend to want large revenues (Husni & Joko Wahyudi, 2022). Large-scale companies will have large resources so that they can be used for certain purposes that can be used to make good tax planning and operate their activities in such a way as to optimize tax savings. So it can be concluded that the larger the size of the company, the lower the effective tax rate because companies have large enough resources to enable them to carry out tax planning with the aim of minimizing or reducing their tax burden, and achieving optimal tax savings. (Hanim & Adi, 2022).

Companies operating with integrity are likely to witness ongoing development and growth, evident in the continuous expansion of their assets. The total asset value of a company not only signifies its wealth but also serves as an indicator of its overall size. This company size indicator reflects the available resources, suggesting the company's capability to operate efficiently and work towards the goal of minimizing tax obligations. However, the outcomes of this study contradict the findings of previous research (Hanim & Adi, 2022; Lumbuk & Fitriasuri, 2022) which state that company size has a positive effect on effective tax rates.

The Effect of Debt to Assets Ratio on Effective Tax Rate

Based on the t test statistics that have been carried out, the debt level has a t value of 2.753 > t table 1.99346 with sig value. 0.007 < 0.05. This explains that the debt level variable has an influence and effects the effective tax rate. Thus the second of this study is rejected.

This research is in accordance with research conducted by (Rahmi et al., 2021; Saragih & Halawa, 2022). This indicates that an escalation in debt utilization can adversely affect the company. Excessive reliance on debt poses a risk to the company, leading to extreme leverage where the company becomes entangled in a high level of debt, making it challenging to alleviate the debt burden. Consequently, companies need to strike a balance in determining the appropriate amount of debt to undertake and identify suitable sources for repaying the debt (Susliyanti, 2019).

The debt ratio represents the capacity of a company's equity to fulfill all its obligations, serving as a gauge to measure the financial health and structure of the company's capital. External entities like banks and potential investors often use this metric as a barometer for assessing the company's viability. While it is a crucial factor in determining the feasibility of obtaining bank credit, the debt ratio also plays a significant role in tax calculations. From a taxation perspective, this ratio becomes essential in influencing tax planning efforts, potentially offering opportunities for investors to engage in tax avoidance strategies (Saragih & Halawa, 2022). However, this research rejects research conducted by (Dayanti et al., 2022; Sjahril et al., 2020) which states that the level of debt has a negative effect on the effective tax rate.

The Effect of Return on Assets on Effective Tax Rate

According to the t-statistical test conducted on the Return on Assets variable, the obtained t-value of 1.369 is less than the critical t-table value of 1.99346. Additionally, the Sig value of 0.175 is greater than the significance level of 0.05. These results indicate that the Return on Assets variable does not have a significant partial effect on the effective tax rate. Thus the third hypothesis of this study is rejected.

This research is in accordance with previous research conducted by (Erawati & Jega, 2019). Which explains that the variable return on assets is influenced by companies that carry out tax burdens by reducing taxes in order to obtain high profits or taxable income. The greater the ROA value, the greater the net profit generated. This large amount of net profit will be managed by the company to get high revenue. An elevated Return on Assets (ROA) is indicative of strong financial performance. Beyond generating net income, companies seek substantial net profits to attract investor confidence and encourage customer investment. In this context, a higher ROA value is associated with a lower effective corporate tax rate, implying a positive correlation between strong financial performance and a more favorable tax situation.

Return On Assets (ROA) is one of the ratios that is an indicator to evaluate potential changes in economic resources in the future, with good prospects in the future it will attract investors to invest their capital. The Return On Assets (ROA) ratio shows management performance in managing company assets to generate profits, not only that, this ratio has benefits as an internal control tool and decision-making planning (Susanti et al., 2021).

The size of the profit obtained by the company in its operating activities concerns how much management effectiveness in using the company's total assets. When the company makes a profit, the management has done its job well in maximising the resources owned by the company. The simplest form of this ratio analysis is to relate reported net income to total assets on the balance sheet. This analysis is often used to obtain gross profit and methods of managing investment funds (Rahmawati & Mildawati, 2020). This research is not in line with research conducted by (Saragih & Halawa, 2022) (Kusufiyah & Anggraini, 2019) which explains that it has a significant positive effect on effective tax rates.

CONCLUSION AND RECOMMENDATION

Research on the effect of company size, debt level, and return on assets on effective tax rates in Food and Beverage Sector manufacturing companies in Indonesia in 2020-2022 did not find a significant effect of company size on effective tax rates. The level of debt has a positive effect on the effective tax rate, while return on assets has no effect. This research is limited to three years, namely 2020 until 2022, it is hoped that future researchers can increase the research period to collect more data. Future research should examine other companies listed on the IDX to compare the effective tax rates of companies in various sectors. Companies should focus on asset management, asset selection, maintenance, and depreciation to reduce income and taxes, and use debt levels to maximise profits. The Tax Authority can use this research as a reference for tax reform and the impact of incentive taxes.

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