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The Effect of Profitability, Leverage and Capital Intensity on The Effective Tax Rate On Lq45 Companies on The Indonesia Stock Exchange (IDX) For The Period 2016 – 2019

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Abstract: This study was conducted in order to find out the impact of profitability, leverage and capital intensity on the effective tax rate in LQ45 companies on the Indonesia Stock Exchange (IDX). This study uses data derived from the economic report of the LQ45 company listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. This study uses quantitative methods, then the data obtained will then be in the form of numbers. The results of this study are the discovery of negative and substantial profitability impacts on the effective tax rate, found negative and substantial impacts of leverage on the effective tax rate and no impact of capital intensity on the effective tax rate on LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 - 2019.

Keyword: Profitability, Leverage, Capital Intensity and Effective Tax Rate

INTRODUCTION

The level of economic development is basically capable of being called a growth mechanism, which from time to time is closely related to life and its purpose is to get better conditions than before. Development occurs through a series of investments that can only be pursued with large incentives. The source of funding can come from inside or outside the country. Taxes are one of the most important sources of income for a country like Indonesia.

For the country income tax can be interpreted as an important source of revenue. Taxes are forced by law to force businesses to pay taxes. For companies that do not pay taxes, they can be subject to sanctions that harm the company.

For corporations, taxes are costs that later reduce the total net profit obtained by the company, therefore they try to pay off the tax burden as small as possible, the difference in profits between the collector, namely the government, and the taxable side, namely the community, which is where the government seeks to collect a number of taxes from each company, whereas, The company strives to pay as little tax as possible in order to get the maximum profit.

Profitability can be interpreted as a comparison of the potential of a company to make a profit. This comparison also confirms the scale of effectiveness of managing a business. This is represented by the profits obtained from sales as well as income from investors. The fact that the use of this comparison shows the efficiency of the company (Kasmir, 2016: 196). The higher the break-even amount, the better the business performance of the business. Regarding taxes, this is the basis for applying taxes to companies. The higher the profit, the higher the Taxable Income (PKP) and the tax rate that applies to the company.

Managers are able to use *leverage* to ease the company's tax burden by using interest expense on debt. interest expense is used to reduce tax costs, the opportunity for debt to be the manager's choice to finance in order to get a profit in the form of interest on the debt.

Leverage describes the potential for a company to choose fixed assets or costs to streamline the business owner's *earnings*. In addition, *leverage* is used to test a company's skills in paying off all its obligations, both in the short and long term if the company is dissolved. (Cashmere, 2016:151).

Capital intensity, namely the company's investment activity in the form of fixed assets. Fixed assets belonging to a company are depreciated for a special period in line with the useful life of that fixed asset. Depreciation and amortization can be interpreted as expenses that can interfere with business results. As profits decline, the tax burden on the company also decreases, lowering the effective tax rate

Capital is considered to be the cost used in order to fund company assets (Riyanto, 2015: 127). Capital intensity chooses a large amount of money that the company spends on investing in fixed assets. Fixed assets used by the company are depreciated during the useful life of that asset, depreciation of it can be interpreted as depreciation.

This research uses the LQ 45 company because it can be interpreted as an interesting company to study. LQ 45 can be interpreted as a company that holds highly liquid shares selected on the basis of a number of selection conditions. The LQ 45 parameter can be interpreted as one of the many stock parameters on the IDX that can be standardized into a document in order to evaluate the performance of stock transactions. The company's shares are an attraction for investors.

In the research, leverage influences the effective tax rate with different results, therefore it is an inconsistency in this study, especially on the basis of Rahmi, *et al* (2019) and Tobing (2018) who confirmed the results of their research that *leverage* has a positive influence on the *effective tax rate*. In contrast to the research of Gloria and Apriwenni (2020) who confirmed the results of their research that leverage does not have an influence on the effective tax rate s, the research of Sjahril, *et al* (2020) which confirmed the results of their research that *leverage* has a negative influence on the *effective tax rate*.

In the research, capital intensity influenced the effective tax rate with different results, therefore it became an inconsistency in this study, especially on the basis of Kurniawan (2019) and Putri (2016) and Kumalasari and Wahyudin (2020) who confirmed the results of their research that capital intensity had a positive and substantial influence on the *effective tax rate*. In contrast to the

research of Syamsuddin and Suryarini (2019) who emphasized the results of their research that capital intensity does not have an influence on the *effective tax rate*.

In that study, there was an inconsistency in the results of research from previous research, therefore researchers were interested in carrying out re-research on the Effect of Profitability, *Leverage* and Capital Intensity on Effective Tax Rates

METHOD

This study uses a quantitative approach with an associative type. The quantitative study method can be considered as a study method based on the philosophy of positivism, used to research on special populations or samples, data collection using study instruments, data analysis with statistic characteristics, with the aim of testing hypotheses that have been decided (Sugiyono, 2014: 8). The opeperbandingannal definition of variable study includes three free variables (independent) and one bound variable (dependent) which will be explained below:

Table 1. Definition of Opeperbandingannal Variable

Variables	Variable Definition	Testing	Scale
Profitability (X1)	Profitability is the potential of the company by benefiting from its relationship with sales, total assets, and own capital.	$ROA = \frac{\text{Laba Setelah Pajak}}{\text{Total Aktiva}} \times 100\%$	Comparison
Leverage (X2)	Leverage can be interpreted as a comparison used to test the extent to which a company's activities are financed with debt.	$DER = \frac{\text{Total Hutang}}{\text{Total Modal Sendiri}} \times 100\%$	
Capital Intensity (X3)	Capital intensity is the company's investment activities related to investment in property, factories and equipment and supplies.	$\text{Capital Intensity} = \frac{\text{Total Aset Tetap Bersih}}{\text{Total Aset}}$	
Effective Tax Rate (Y)	Effective Tax Rate is the amount of the real rate repaid by the company.	$ETR = \frac{\text{Beban Pajak Kini}}{\text{Laba Sebelum Pajak}}$	

The population in this study is all LQ45 companies on the Indonesia Stock Exchange (IDX) amounting to 45 companies (company data attached) The sample used from the total population of 45 companies so that the sample specified in this study was 28 companies in LQ 45 companies for the 2016-2019 period which reported on the economy *listing* on the IDX

RESULTS AND DISCUSSION

Descriptive Study Data

Descriptive Effective Tax Rates

Table 2. Recapitulation of Effective Tax Rate Data

In LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019

In Decimal Units

No	Company Name	Year			
		2016	2017	2018	2019
1	PT Adaro Energy Tbk	0,38	0,42	0,42	0,34
2	PT Aneka Tambang Tbk	0,73	0,70	0,31	0,36
3	PT Astra International Tbk	0,18	0,21	0,22	0,22
4	PT Bank Central Asia Tbk	0,20	0,20	0,21	0,20

No	Company Name	Year			
		2016	2017	2018	2019
5	PT Bank Negara Indonesia (Persero) Tbk	0,20	0,20	0,24	0,20
6	PT Bank Rakyat Indonesia (Persero) Tbk	0,23	0,22	0,22	0,19
7	PT Bank Tabungan Negara (Persero) Tbk	0,21	0,22	0,22	0,23
8	PT Bank Mandiri (Persero) Tbk	0,21	0,21	0,24	0,21
9	PT Barito Pacific Tbk.	0,26	0,27	0,47	0,51
10	PT Charoen Pokphand Indonesia Tbk	0,44	0,23	0,23	0,20
11	PT Erajaya Swasembada Tbk.	0,32	0,28	0,26	0,32
12	PT Gudang Garam Tbk.	0,25	0,26	0,26	0,25
13	PT H.M. Sampoerna Tbk.	0,25	0,25	0,25	0,24
14	PT Indofood CBP Sukses Makmur Tbk	0,27	0,32	0,28	0,29
15	PT Indofood Sukses Makmur Tbk	0,29	0,33	0,33	0,31
16	PT Indocement Tungal Prakarsa Tbk.	0,07	0,19	0,18	0,20
17	PT Indo Tambangraya Megah Tbk	0,32	0,30	0,30	0,32
18	PT Japfa Comfeed Indonesia Tbk.	0,22	0,36	0,27	0,25
19	PT Kalbe Farma Tbk.	0,24	0,24	0,24	0,24
20	PT Matahari Department Store Tbk	0,20	0,20	0,30	0,21
21	PT Media Nusantara Citra Tbk	0,31	0,35	0,24	0,21
22	PT Perusahaan Gas Negara Tbk	0,20	0,46	0,38	0,35
23	PT Bukit Asam Tbk	0,25	0,25	0,25	0,27
24	PT Surya Citra Media Tbk	0,25	0,26	0,25	0,24
25	PT Telekomunikasi Indonesia (Persero) Tbk.	0,24	0,23	0,26	0,26
26	PT Aspeked Tractors Tbk	0,24	0,27	0,27	0,27
27	PT Unilever Indonesia Tbk	0,25	0,25	0,25	0,25
28	PT Waskita Karya (Persero) Tbk	0,16	0,09	0,17	0,04

Source : Economic Report processed in 2021

Based on table 4.1, the effective tax rate for LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019 has fluctuated. The highest effective tax rate was obtained by 0.73 (73%) at PT Aneka Tambang Tbk in 2016, while the lowest effective tax rate was obtained at 0.04 (4%) at PT Waskita Karya (Persero) Tbk in 2019.

A company is called effective in paying taxes if the company's tax rate is 20% smaller and if it is greater than 20% it means that the company is less effective in carrying out tax repayment. Wulandari (2015) revealed that the effective tax rate above 20% is usually caused by companies not optimizing facilities, regulations and expenses that can save income tax.

The results of calculating descriptive statistics of bag variable effective tax rates are displayed in the table to be:

Table 3. Descriptive Statistics Variable Effective Tax Rate (Y)

Statistics		
Y		
N	Valid	112
	Missing	0
Mean		,2664
Median		,2500
Mode		,25
Std. Deviation		,09445
Variance		,009
Range		,69
Minimum		,04
Maximum		,73

Source : SPSS 21 Data Processing in 2022

On the table, empirically, variable data on effective tax rates were found to obtain an average (mean) of 0.2664 median amounting to 0.2500 modes (modes) amounting to 0.25 standard deviations amounting to 0.09445 variance amounting to 0.009 minimum magnitude 0.04 and a maximum of 0.73 with a range of 0.73.

Descriptive Profitability

The following is profitability data on LQ 45 companies on the Indonesia Stock Exchange (IDX) for the 2016 – 2019 period, namely:

**Table 4. Profitability Data Recapitulation
In LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019
In Percentage units (%)**

No	Company Name	Year			
		2016	2017	2018	2019
1	PT Adaro Energy Tbk	5,22	7,87	6,76	4,49
2	PT Aneka Tambang Tbk	0,22	0,45	2,63	0,51
3	PT Astra International Tbk	6,99	7,84	7,94	3,51
4	PT Bank Central Asia Tbk	3,05	3,11	3,13	1,48
5	PT Bank Negara Indonesia (Persero) Tbk	1,89	2,75	2,78	2,42
6	PT Bank Rakyat Indonesia (Persero) Tbk	2,61	2,58	2,50	1,25
7	PT Bank Tabungan Negara (Persero) Tbk	1,22	1,16	0,92	0,42
8	PT Bank Mandiri (Persero) Tbk	1,41	1,91	2,15	1,13
9	PT Barito Pacific Tbk.	10,88	7,68	3,44	0,53
10	PT Charoen Pokphand Indonesia Tbk	9,19	10,18	16,46	6,04
11	PT Erajaya Swasembada Tbk.	3,53	3,91	7,01	1,12
12	PT Gudang Garam Tbk.	10,60	11,62	11,28	6,42

No	Company Name	Year			
		2016	2017	2018	2019
13	PT H.M. Sampoerna Tbk.	30,02	29,37	29,05	15,70
14	PT Indofood CBP Sukses Makmur Tbk	12,56	11,21	13,56	7,30
15	PT Indofood Sukses Makmur Tbk	6,41	5,85	5,14	3,02
16	PT Indocement Tunggul Prakarsa Tbk.	12,84	6,44	4,12	2,48
17	PT Indo Tambangraya Megah Tbk	10,80	18,60	17,94	5,21
18	PT Japfa Comfeed Indonesia Tbk.	11,28	5,25	9,78	3,69
19	PT Kalbe Farma Tbk.	15,44	14,76	13,76	6,80
20	PT Matahari Department Store Tbk	41,57	35,14	21,79	22,26
21	PT Media Nusantara Citra Tbk	10,41	10,41	9,83	7,11
22	PT Perusahaan Gas Negara Tbk	4,52	2,35	4,59	1,14
23	PT Bukit Asam Tbk	10,90	20,68	21,19	8,65
24	PT Surya Citra Media Tbk	31,35	24,47	24,03	11,00
25	PT Telekomunikasi Indonesia (Persero) Tbk.	16,24	16,48	13,08	7,19
26	PT Aspeked Tractors Tbk	7,98	9,33	9,89	4,75
27	PT Unilever Indonesia Tbk	38,16	37,05	46,66	16,94
28	PT Waskita Karya (Persero) Tbk	2,95	4,29	3,71	0,76

Source : Economic Report processed in 2021

On the basis of table 4.2, profitability of LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 - 2019 has fluctuated. The largest profit (profitability) was obtained by 46.66% at UNVR in 2016, the smallest profit (profitability) was obtained by 0.22% at PT Aneka Tambang Tbk in 2016.

Return On Assets (ROA) is one of the many profitability comparisons that are able to test the company's potential in realizing profits from assets used, Return On Assets (ROA) increases every year showing that the total assets used by the company are able to provide profits for the company continuously, on the other hand if the *Return On Assets (ROA)* that decreases or reaches negatively shows that from the total assets used by the company, it is a loss, which means that the company does not make a profit. So a company with a high *Return On Assets (ROA)* then the company is likely to streamline growth. An increase in the amount of *Return On Assets (ROA)* in a company indicates that the company has worked effectively, namely by optimizing the assets or assets owned to get greater profits. Vice versa, a company is called ineffective performance when the *Return On Assets (ROA)* decreases, due to the company being considered unable to optimize assets to get greater profits.

Descriptive statistical calculation results for variable profitability:

Table 5. Descriptive Statistics Variable Profitability (X1)

Statistics	
X1	
N	Valid 112
	Missing 0
Mean	9,8341
Median	7,0000
Mode	10.41a
Std. Deviation	9,64693
Variance	93,063
Range	46,44
Minimum	,22
Maximum	46,66

a. Multiple modes exist. The smallest value is shown

Source: SPSS 21 Data Processing in 2022

On the basis of table 4.3, empirically, variable profitability data were found to obtain an average (mean) of 9.8341 median amounting to 7.0000 modes (modes) amounting to 10.41 standard deviations amounting to 9.64693 variances amounting to 93.063 minimum magnitude 0.22 and a maximum of 46.66 with a range of 46.44.

1. Descriptive *Leverage*

The following *is leverage* data with a comparison of *Debt Equity Ratio* (DER) in Automotive Sub-Sector Manufacturing companies and aspects for the 2016-2019 period, namely:

Table 6. Leverage Data Recapitulation In LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019

In Percentage units (%)

No	Company Name	Year			
		2016	2017	2018	2019
1	PT Adaro Energy Tbk	0,72	0,67	0,64	0,61
2	PT Aneka Tambang Tbk	0,63	0,62	0,69	0,69
3	PT Astra International Tbk	0,87	0,89	0,98	0,98
4	PT Bank Central Asia Tbk	4,97	4,68	4,40	4,42
5	PT Bank Negara Indonesia (Persero) Tbk	5,52	5,79	6,08	6,00
6	PT Bank Rakyat Indonesia (Persero) Tbk	5,84	5,73	5,92	5,75
7	PT Bank Tabungan Negara (Persero) Tbk	10,20	10,34	11,06	10,87
8	PT Bank Mandiri (Persero) Tbk	5,38	5,22	5,09	5,13
9	PT Barito Pacific Tbk.	0,77	0,81	1,61	1,51
10	PT Charoen Pokphand Indonesia Tbk	0,71	0,56	0,43	0,49
11	PT Erajaya Swasembada Tbk.	1,18	1,39	1,63	1,32
12	PT Gudang Garam Tbk.	0,59	0,58	0,53	0,50
13	PT H.M. Sampoerna Tbk.	0,24	0,26	0,32	0,51
14	PT Indofood CBP Sukses Makmur Tbk	0,56	0,56	0,51	0,56
15	PT Indofood Sukses Makmur Tbk	0,87	0,88	0,93	0,90
16	PT Indocement Tunggul Prakarsa Tbk.	0,15	0,18	0,16	0,18

No	Company Name	Year			
		2016	2017	2018	2019
17	PT Indo Tambangraya Megah Tbk	0,33	0,42	0,49	0,50
18	PT Japfa Comfeed Indonesia Tbk.	1,05	1,15	1,26	1,42
19	PT Kalbe Farma Tbk.	0,22	0,20	0,19	0,23
20	PT Matahari Department Store Tbk	2,52	1,62	1,33	1,77
21	PT Media Nusantara Citra Tbk	0,50	0,54	0,54	0,50
22	PT Perusahaan Gas Negara Tbk	1,16	0,97	1,48	1,28
23	PT Bukit Asam Tbk	0,76	0,59	0,49	0,44
24	PT Surya Citra Media Tbk	0,30	0,22	0,20	0,23
25	PT Telekomunikasi Indonesia (Persero) Tbk.	0,70	0,77	0,76	0,99
26	PT Aspeked Tractors Tbk	0,50	0,73	1,04	1,04
27	PT Unilever Indonesia Tbk	2,56	2,65	1,58	3,30
28	PT Waskita Karya (Persero) Tbk	2,66	3,30	3,31	3,59

Source : Economic Report processed in 2021

On the basis of table 4.4, *leverage* on LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 - 2019 has fluctuated. *The highest leverage* was obtained by 11.06% at PT Bank Tabungan Negara (Persero) Tbk in 2016, while the lowest leverage was obtained at 0.15% at PT Indocement Tungal Prakarsa Tbk.

A company's economic funding decisions greatly impact its potential to carry out production activities, but it is also able to have an impact on the company itself. Debt can be interpreted as a very crucial alternative for economic actors, because companies with a lot of debt streamline their part of the economy therefore they are able to cover all their debts and obligations. The purpose of the funding decision is to choose the optimal amount structure used to minimize the amount of debt that can empower the company's potential to empower its own amount. The configuration of funding options is called the capital structure. The capital structure is impacted by a number of factors. Capital structure decisions directly impact the level of risk that shareholders must carry and the coveted returns.

The higher the Debt to Equity Ratio (DER), the greater the percentage of foreign capital used in the company's external affairs, or the greater the *Debt to Equity Ratio* (DER) is a sign that the business capital structure optimizes more debt tends to be on equity. The higher *Debt to Equity Ratio* (DER) shows that some of the amount of debt owed to equity, therefore it illustrates that the company's risks tend to be high and the risks that investors must carry will also be higher. In the end, investors will stay away from shares of companies that have a high *Debt to Equity Ratio* (DER).

The results of descriptive statistical calculations for variable *leverage* are shown in the table to be:

Table 7. Variable *Leverage* Descriptive Statistics (X2)

Statistics		
Leverage (X2)		
N	Valid	112

Missing	0
Mean	1,9120
Median	,8700
Mode	,50
Std. Deviation	2,40158
Variance	5,768
Range	10,91
Minimum	,15
Maximum	11,06

Source : SPSS 21 Data Processing in 2022

From the taibel above, empirically, variable *leverage* data were found to obtain an average magnitude (mean) of 1.9120 median amounting to 0.8700 modes (modes) amounting to 0.50 standard deviations amounting to 2.40158 variances amounting to 5.768 minimum magnitude 0.15 and a maximum of 11.06 with a range of 10.91.

2. Descriptive Capital Intensity

The following is data on capital intensity in Automotive Sub-Sector Manufacturing companies and aspects for the 2016-2019 period, namely:

Table 8. *Leverage Data Recapitulation In LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019*
In Decimal Units

No	Company Name	Year			
		2016	2017	2018	2019
1	PT Adaro Energy Tbk	0,24	0,22	0,23	0,24
2	PT Aneka Tambang Tbk	0,43	0,47	0,60	0,60
3	PT Astra International Tbk	0,17	0,16	0,17	0,04
4	PT Bank Central Asia Tbk	0,03	0,02	0,02	0,02
5	PT Bank Negara Indonesia (Persero) Tbk	0,04	0,03	0,03	0,03
6	PT Bank Rakyat Indonesia (Persero) Tbk	0,02	0,02	0,02	0,02
7	PT Bank Tabungan Negara (Persero) Tbk	0,02	0,02	0,02	0,02
8	PT Bank Mandiri (Persero) Tbk	0,03	0,03	0,03	1,00
9	PT Barito Pacific Tbk.	0,28	0,47	0,33	0,34
10	PT Charoen Pokphand Indonesia Tbk	0,46	0,45	0,42	0,44
11	PT Erajaya Swasembada Tbk.	0,06	0,05	0,04	0,05
12	PT Gudang Garam Tbk.	0,33	0,32	0,33	0,34
13	PT H.M. Sampoerna Tbk.	0,16	0,16	0,16	0,17
14	PT Indofood CBP Sukses Makmur Tbk	0,25	0,26	0,31	0,30
15	PT Indofood Sukses Makmur Tbk	0,31	0,34	0,44	0,44
16	PT Indocement Tungal Prakarsa Tbk.	0,49	0,52	0,53	0,55
17	PT Indo Tambangraya Megah Tbk	0,18	0,16	0,16	0,17
18	PT Japfa Comfeed Indonesia Tbk.	0,39	0,40	0,34	0,36
19	PT Kalbe Farma Tbk.	0,30	0,32	0,34	0,37
20	PT Matahari Department Store Tbk	0,20	0,18	0,25	0,26
21	PT Media Nusantara Citra Tbk	0,34	0,35	0,34	0,33
22	PT Perusahaan Gas Negara Tbk	0,27	0,27	0,36	0,39
23	PT Bukit Asam Tbk	0,33	0,29	0,27	0,29
24	PT Surya Citra Media Tbk	0,20	0,19	0,17	0,15
25	PT Telekomunikasi Indonesia (Persero) Tbk.	0,64	0,66	0,69	0,68
26	PT Aspeked Tractors Tbk	0,19	0,20	0,21	0,23

No	Company Name	Year			
		2016	2017	2018	2019
27	PT Unilever Indonesia Tbk	0,57	0,55	0,54	0,49
28	PT Waskita Karya (Persero) Tbk	0,05	0,05	0,06	0,06

Source : Economic Report processed in 2022

Based on table 4.5, the capital intensity of LQ 45 companies on the Indonesia Stock Exchange (IDX) for the 2016-2019 period has fluctuated. The highest capital intensity was obtained by 1.00 at PT Bank Mandiri (Persero) Tbk in 2019, while the lowest capital intensity was obtained at 0.02.

Because more assets are needed to realize every aspect of sales, the comparison of high capital intensities becomes unattractive for newcomers who will try on the industry (Purwanti, 2010).

New companies that will enter the oligopoly market must be of high efficiency, otherwise they will not be able to enter the new market. Companies that have a high level of efficiency will be easier to make a profit. This comparison illustrates the potential for companies to use their assets to realize sales. The higher this comparison the more efficient the use of the asset. But companies should also look at the comparison of industry capital intensity. If the intensity comparison is too high, it does not mean that this comparison is not good but the asset size is too low, therefore replacement must be carried out. Maximum use of assets will streamline the company's profits (Winarno, 2015).

The results of descriptive statistical calculations for capital intensity variables are shown in the table to be:

Table 9. Descriptive Statistics Variable Capital Intensity (X3)

Statistics	
Capital Intensity (X3)	
N	Valid 112
	Missing 0
Mean	,2672
Median	,2600
Mode	,02
Std. Deviation	,19272
Variance	,037
Range	,98
Minimum	,02
Maximum	1,00

Source: SPSS 21 Data Processing in 2022

On the basis of table 4.7, empirically, variable capital intensity data were found to obtain an average magnitude (mean) of 0.2672 median of 0.2600 mode (mode) of 0.02 standard deviation of 0.19272 variance of 0.037 minimum magnitude of 0.02 and a maximum of 1.00 with a range of 0.98.

Discussion of Study Results

Impact of Profitabilias on Effective Tax Rates

The assessment of hypothesis 1 obtained the test results found a negative and substantial profitability impact on the effective tax rate on LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 - 2019.

On the basis of No or *et.al*, (2010) found that the amount of profitability of a company can reduce the burden of a company's pajak. The problem is that companies with high levels of efficiency and those with high incomes tend to face a low tax burden. The low corporate tax burden is caused by companies with high incomes that have succeeded in optimizing profits from tax incentives and other tax reductions that can cause the company's effective tax rate to be lower than it should be.

A factor that can affect the Effective Tax Rate (ETR) in a company is leverage. Leverage is a ratio to test the extent to which companies use borrowed debt (Susilowati *et al.*, 2018). According to Rosdiana (2018), Leverage is a ratio that shows the magnitude of the debt composition of a company that can function in managing its operating activities. Companies can use leverage levels to minimize profits so that the tax burden will be small (Brigham & Houston, 2018). A company that has a high leverage value illustrates that the company uses debt in its financing. According to Law Number 36 of 2008 Article 6 Paragraph 1, interest costs that are part of the cost of business activities can be deducted (*tax deductible*) on company taxable income (Nugroho, 2019)

Profit becomes a parameter of management performance in managing the company's wealth which is shown by the net profit realized. Profit shows the potential of the capital invested in all assets in order to realize profits or profits. Profit can be interpreted as a factor that needs to be thought about in choosing a company's capital structure, this is because a company that has a high profit will pay off a high tax burden and vice versa. Therefore, the company's potential to make a profit can have an impact on the level of Effective Tax.

On the basis of Rodriguez and Arias (2012) profitability can have an impact on the tax burden due to low-scale companies that even lose will pay less tax or even not pay taxes at all, on the contrary, if a high-profit company will pay large taxes.

Haslil this study is consistent with the studies of Afifah and Hasymi (2020) and Barbera, et al (2020) which confirm the results of their studies that profitability has a negative impact on the effective tax rate.

Impact of *Leverage* on Effective Tax rates

Testing on hypothesis 2 obtained test results found a negative impact and substantial *leverage* on the effective tax rate on LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 - 2019.

The lower the amount of DER, the smaller the proportion of debt to the company's equity. The smaller the amount of company debt, the smaller the interest expense carried by the company. A small interest expense will have an impact on commercial profits before the income tax burden becomes large.

If the company chooses a loan, it will encourage management to work more actively and creatively due to being burdened to pay off the burden of its obligations, namely repayment of installments (principal + interest costs) as well as other costs such as administrative costs, provision fees, and commissions (Kasmir, 2017). The costs incurred if the company chooses a loan will be a deduction from income which will further reduce the company's profits, therefore the income tax burden paid by the company becomes smaller and the Effective Tax Rate becomes small.

The company's management is able to streamline the tax burden by implementing tax

planning strategies with alternative asset financing from leasing debt with option rights. Accounting, for leasing debt transactions with option rights that can be reduced, namely interest expenses while the amount of principal installments will be a reduction in the amount of leasing debt. Meanwhile, in terms of taxes, for leasing debt transactions with option rights that can be reduced, namely interest expenses and principal installments. It showed that the burden on the basis of taxes > on expenses on the basis of accounting therefore the company must carry out a negative fiscal correction. Through a negative fiscal correction, the fiscal profit before the income tax burden becomes smaller. Therefore, the tax burden is shrinking. When the income tax burden is small compared to commercial profits before the large income tax burden, the effective tax rate becomes low. Therefore, it can be stated that the lower the amount of DER, the lower the amount of ETR.

The results of the in.ii study are in line with the study of Sjahril, *et al.* (2020) which confirms the negative impact of leverage on the effective tax rate

Impact of Capital Intensity on Effective Tax Rates

The results of hypothesis test 3 did not find the impact of capital intensity on the effective tax rate in LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019. Haisil pienelitian as explained by Syamsuddin and Suryarini (2019) who realized that their study did not find the impact of capital intensity on the effective tax rate.

CONCLUSION

Based on the results of the study carried out by the author, the author concludes, namely:

1. Found a negative and substantial impact of profitability on the effective tax rate in LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019
2. It found a negative and substantial *impact of leverage* on the effective tax rate in LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019.
3. No impact of capital intensity on the effective tax rate in LQ 45 companies on the Indonesia Stock Exchange (IDX) for the period 2016 – 2019

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