DETERMINAN EFFECTIVE TAX RATE PADA WAJIB PAJAK BADAN

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Abstrak

Penelitian ini bertujuan untuk menguji pengaruh antara leverage, likuiditas, profitabilitas, komisaris independen, komite audit, dan kualitas audit terhadap l effective tax rate. Pendekatan penelitian yang digunakan yaitu pendekatan kuantitatif. Populasi penelitian meliputi perusahaan manufaktur semua sektor yang terdaftar di Bursa Efek Indonesia (BEI) periode 2018-2022. Pengambilan sampel dilakukan dengan menggunakan metode purposive sampling dan telah diperoleh jumlah sampel sebanyak 50 perusahaan dengan 155 unit analisis setelah dikurangi dengan 95 outlier. Data penelitian merupakan data sekunder yan g diambil dari website IDX dan website masing-masing perusahaan. Teknik analisis yang digunakan adalah teknik analisis regresi linier berganda dengan menggunakan alat analisis software IBM SPSS 22. Hasil dalam penelitian menunjukkan bahwa leverage dan kualitas audit berpengaruh positif signifikan terhadap effective tax rate. Sedangkan likuiditas, profitabilitas, komisaris independent, komite audit tidak berpengaruh terhadap effective tax rate. Secara simultan, leverage, likuiditas, profitabilitas, komisaris independen, komite audit, dan kualitas audit berpengaruh secara bersama - sama terhadap effective tax rate.

Kata Kunci: *Effective Tax Rate, Leverage, Likuiditas, Profitabilitas, Komisaris Independen, Komite Audit, Kualitas Audit.*

Abstract

This research aims to examine the influence of leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality on the effective tax rate. The research approach used is a quantitative approach. The research population includes manufacturing companies from all sectors listed on the Indonesia Stock Exchange (IDX) during the period 2018-2022. Sampling was done using purposive sampling method, resulting in a sample size of 50 companies with 155 analysis units after excluding 95 outliers. Research data are secondary data taken from the IDX website and the websites of respective companies. The analysis technique used is multiple linear regression analysis technique using IBM SPSS 22 analysis software. The results of the research show that leverage and audit quality have a significant positive effect on the effective tax rate. Meanwhile, liquidity, profitability, independent commissioners, and audit committees do not affect the effective tax rate. Simultaneously, leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality collectively influence the effective tax rate.

Keywords: *Effective Tax Rate, Leverage, Liquidity, Profitability, Independent Commissioners, Audit Committees, Audit Quality.*

INTRODUCTION

The high population and the number of companies operating in Indonesia are advantageous to the government, especially in the taxation sector. This is because every individual and every company that meets the criteria becomes a tax subject and is legally obliged to pay taxes (Amelia 2015). According to Law Number 28 of 2007 concerning general provisions and tax procedures, "tax is a mandatory contribution to the state owed by individuals or entities that is coercive based on the law, without receiving direct compensation, and used for the needs of the state for the greatest prosperity of the people". Companies are corporate taxpayers that contribute significantly to tax revenues in Indonesia.

ETR is a measure of a company's effectiveness in managing the tax burden required to be paid by the company. In dealing with the amount of tax determined by regulations, companies can minimize the percentage of the effective tax rate (ETR) through tax planning, tax avoidance, and tax evasion (Amelia 2015). The better the performance of a company in managing its tax effectiveness, the lower the percentage of ETR it will generate (Ambarukmi and Diana 2017). In 2016, PT Astra International Tbk reduced its ETR percentage by selling a thousand Toyota cars produced in Indonesia to its subsidiary in Singapore to reduce its tax burden by 2.8 trillion. PT Indofood Sukses Makmur Tbk in 2015 reduced its ETR percentage by establishing a new issuer to expand its business and transfer assets, liabilities, and capital to its new issuer, PT Indofood CBP Sukses Makmur Tbk. PT. Adaro Energy Tbk in 2019 was noted for tax avoidance through transfer pricing to its subsidiary in Singapore, which is a tax-free zone.

Table 1. Realization Target and Achievement of Corporate Income Tax Article 25/29 Taxpayers (In Trillion Indonesian Rupiah)

	2018	2019	2020	2021
Target	284.909	304.617	215.956	188.735
Realization	252.132	252.162	155.088	250.369
Achievement	88,50	82,78	71,81	132,66

Source : Annual Report of the Directorate General of Taxes

It can be noted that there has been fluctuation in the percentage achievement of corporate income tax Article 25/29 from 2018 to 2021. The failure to achieve the target Article 25/29 revenue from 2018 to 2020 necessitates evaluation by the government. Besides the impact of COVID-19, there are several factors suspected to influence the decrease in Effective Tax Rate (ETR) such as financial factors, corporate governance, and external factors. Taxes require significant attention as they are the largest contributor to state revenue.

In terms of financial factors, there are factors like leverage, liquidity, and profitability suspected to influence the efforts to reduce ETR. Companies with low leverage tend to increase their assets with capital. Research by (Setiawan and Al-Ahsan 2016) found that leverage has a negative effect on ETR. Leverage has a positive effect on ETR (Utami and Mahpudin 2021). Liquidity is to determine the company's ability to meet its short-term obligations. Liquidity does not affect ETR (Danardhito, Widjanarko, and Kristanto 2023). However, research (Purwanti, Ruliani, and Novita 2022) stated that liquidity affects ETR. Profitability is a ratio to determine the company's ability to earn profits and assess the effectiveness of company management. Profitability has a negative effect on ETR (Setiawan and Al-Ahsan 2016). Whereas research by (Simanjuntak and Helda 2023) shows that profitability does not affect ETR.

In terms of corporate governance, there are factors such as independent commissioners and audit committees suspected to play a role in reducing ETR. Independent commissioners have the task of supervising together with the board of commissioners and advising the management team to comply with the principles and governance of the company. There is research suggesting that independent commissioners have a positive but not significant effect on ETR (Setiawan and Al-Ahsan 2016). Independent commissioners do not affect ETR (Simanjuntak and Helda 2023). The audit committee has the task of strengthening the function of the board of commissioners such as examining and supervising financial reports and conducting audits. The audit committee has a positive effect on ETR (Setiawan and Al-Ahsan 2016) These results are contrary to research conducted by (Faradilla and Lastiati 2022) explaining that the audit committee has a negative effect on ETR.

Externally, the use of external audit services is suspected to play a role in reducing ETR. Audit quality is the performance of external auditors appointed by the company to audit the financial statements of the company, measured based on the expertise and quality of the audit with reference to the use of Big Four audit firms. Research (Yanti, Hendra, and Chomsatu 2020) explains that audit quality has a positive effect on ETR. These results contradict the research by (Yohanes and Sherly 2022) explaining that tax avoidance practices through ETR proxies can occur regardless of whether the auditor is affiliated with a Big Four audit firm or not.

The results shown in previous research indicate inconsistencies, leading to confusion among stakeholders. Therefore, researchers are interested in re-examining several factors suspected to influence ETR. In the identified research gap, many discussions focus on variables such as leverage, profitability, independent commissioners, and audit committees, while liquidity and audit quality are seldom discussed. This study aims to introduce novelty by exploring several factors suspected to affect ETR in companies from the population. The purpose of this research is to determine the influence of leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality on ETR. The research study focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2022. The researcher chose manufacturing companies as a case study because they have diverse sectors and large scale, making them more generalizable compared to other companies.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Agency Theory

"Agency theory, as a contract between an agent (business management) and a principal (business owner)" (Jensen, M.C. 1976), involves one or more principals hiring an agent through a leasing contract for various services, including delegating decision-making authority to the agent. The principal, referring to the owner of the company, delegates authority to the agent as a manager, granting them the right to make decisions regarding the company and to make various efforts to achieve the company's goals, including reducing the ETR percentage as a means of reducing the tax burden that must be paid by the company. Management is responsible to shareholders for making the right decisions to achieve the company's goals (Amelia 2015).

Effective Tax Rate

The Effective Tax Rate (ETR) is the percentage of the tax amount that must be paid or borne by a company or corporate taxpayer by comparing the percentage of the total tax burden to the pre-tax profit of the company over a certain period. The smaller the percentage of the ETR, the more it indicates that the company has successfully managed and engaged in tax planning efforts (Rahmawati and Mildawati 2020). The percentage of the ETR in a company is inseparable from the responsibilities held by managers (Yusuf and Maryam 2022).

Leverage

Leverage is the extent of a company's ability to meet long-term obligations using total assets. Companies typically use debt as a tool to finance operations and investments to increase profits, thereby increasing the tax burden borne by the company. In addressing this situation, companies will still aim to reduce the percentage of the ETR (Husni and Wahyudi 2022). If the leverage value increases, the company also has a high dependency on its creditors (Sanjaya 2021). In agency theory, management (the agent) is trusted to choose financing from outside the company to finance its investments and operations. There is a possibility that the principal may not agree to additional funding, but the manager still requires additional funds to cover funding shortfalls by borrowing. Research on Italian companies stated that leverage has a statistically significant positive effect (Simone 2019). The study explains that when ETR is measured in this research, debt can affect ETR and generate significant income components, increasing the amount of tax to be paid and potentially increasing the ETR value. Research on Spanish SOEs provides evidence that the leverage variable affects ETR, as companies will utilize tax avoidance by reducing the ETR value due to high leverage levels (Rodríguez, Fernández, and Arias 2019)

H1 : Leverage has a positive effect on Effective Tax Rate..

Liquidity

Liquidity is an indicator used to assess an entity's ability to meet short-term liabilities (Danardhito et al. 2023). The higher the liquidity figure, the higher the company's ability to meet its short-term obligations (Purwanti et al. 2022). A decrease in liquidity in a company will result in financial difficulties. Therefore, companies are more inclined to engage in tax avoidance or tax evasion by reducing the ETR value. In agency theory, managers play a crucial role in determining policies to secure short-term funding to minimize the ETR value (Purwanti et al. 2022). High-performing companies tend to have low conflict of interest between principals and agents as each party can achieve their goals and meet their expectations (Amelia 2015). A strong relationship between a company and its creditors will prompt the company to maintain current profits for creditor trust. Research (Purwanti et al. 2022) explains that liquidity partially affects ETR. High liquidity figures in companies reflect that the company is capable of meeting short-term debts, and the company will tend to prioritize paying off its current debts before paying taxes. Converting assets into cash will result in a high cash balance, prompting the company to be cautious in managing its taxes and paying taxes without altering the obtained ETR value (Danardhito et al. 2023).

H2 : Liquidity has a positive effect on Effective Tax Rate.

Profitability

Profitability is a financial performance measurement used by entities to calculate the company's ability to generate profits by management (Simanjuntak and Helda 2023). The higher the profit figure of an entity, the more it indicates that the entity is capable of generating high profits (Tavarel and Anggraeni 2021). If profits increase, the taxes to be paid will also increase (Amelia 2015). In achieving the main goal of the company, which is to generate high profits, companies often engage in tax avoidance or tax evasion by reducing the percentage of the ETR (Ardianti 2019). In agency theory, higher Return on Asset (ROA) values of the company indicate higher profits generated by the company. This prompts agents to increase profits from the company. If the profits obtained by the company increase, the amount of tax generated will increase and encourage the company to reduce the ETR percentage (Cahyanti 2023). Research by (Yinka and Uchenna 2018) on non-financial companies listed on the Nigeria Stock Exchange (NSE) explains that profitability positively affects the ETR value, meaning that large companies pay higher effective taxes, benefiting from higher taxes. Research on manufacturing companies shows that profitability does not affect the ETR value, as most of the company's profits come from investment sales (Simanjuntak and Helda 2023)

H3 : Profitability has a positive effect on Effective Tax Rate.

Independent Commissioners

Independent commissioners are not members of management, major shareholders, or public officials, and do not have direct or indirect contact with the major shareholders of a company (Setiawan and Al-Ahsan 2016). In carrying out their supervisory and advisory functions, independent commissioners have experience and information from outside the company, so the more independent commissioners there are, the stricter their supervision will be, resulting in an effective and efficient ETR percentage (Simon and Sandra 2018). The more there are, the more compliant management will be with regulations, and the more cautious they will be in decision-making, resulting in management recording the actual tax burden (Syamsuddin and Suryarini 2020). Based on agency theory, independent commissioners mediate by minimizing the differences in interests between the two parties, namely principals and agents. Issues from both parties can create information gaps. This is supported by (Yanti et al. 2020), which explains that independent commissioners affect the ETR value. This means that any increase or decrease in the proportion of independent commissioners affects the ETR value, as independent commissioners are responsible for controlling and monitoring corporate executives in decision-making..
H4 : Independent Commissioners has a positive effect on Effective Tax Rate.

Audit Committee

The audit committee is tasked with assisting the board of commissioners in overseeing financial performance and controls to reduce fraud in corporate management (Setiawan and Al-Ahsan 2016). According to (Rianti and Sari 2014), the higher the number of audit committees, the higher the quality of reports, which is an advantage in terms of quantity. The agency theory on audit committees addresses agency problems between management and auditors, which is an implementation of good corporate governance (Tandean and Winnie 2016). Conflicts between agents and principals arise from management's desire to minimize tax payments by reducing the ETR percentage. This is supported by research conducted by (Faradilla and Lastiati 2022), which states that the audit committee influences the ETR. This is because the larger the size of the audit committee, the better its ability to monitor the operational performance of the company, which then affects the ETR value and makes it more effective.
H5 : Audit Committee has a positive effect on Effective Tax Rate.

Audit Quality

Audit quality can be measured by the quality of using the services of Public Accounting Firms (KAP). These big four audit firms include Deloitte, PwC, EY, and KPMG. Highly qualified auditors are not interested in tax avoidance activities because engaging in tax avoidance activities can damage their reputation and expose them to legal claims (Kusumatuti and Anas 2022). The big four audit firms prioritize and focus on maintaining their reputation and are reluctant to compromise with clients (Faradilla and Lastiati 2022). According to agency theory, auditors are third parties who can act as intermediaries in resolving conflicts of interest between the tax authorities and company management. In the study by (Sudaryo, Purnamasari, and Kartikawati 2018), it is stated that audit quality affects tax avoidance with ETR proxies. This research finding is supported by (Yanti et al. 2020), which explains that audit quality affects the ETR value. This is because the higher the audit quality, the higher the percentage of ETR obtained by the company.
H6 : Audit Quality has a positive effect on Effective Tax Rate.

Leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality simultaneously influence the Effective Tax Rate (ETR).

Companies use debt as a tool to finance operations and investments to increase profits, resulting in an increase in the tax burden borne by the company. In addressing this situation, companies will still strive to reduce the percentage of ETR (Husni and Wahyudi 2022). If liquidity in a company decreases, it will lead to financial difficulties. Therefore, companies are more inclined to engage in tax avoidance or evasion by reducing the ETR. The higher the company's profitability, the higher its ability to generate profits. When a company's profits increase, the amount of tax paid also increases (Amelia 2015). Independent commissioners are responsible for overseeing and advising the company's management team to implement corporate principles and governance (Amelia 2015). The number of audit committees influences managers to be more cautious in taking risks and not to engage in tax efficiencies due to the effectiveness of internal controls. The presence of quality and effectiveness in information in determining the policy regarding the ETR percentage in the company indicates the extent of supervision carried out by the audit committee (Faradilla and Lastiati 2022). Highly qualified auditors are not interested in tax avoidance activities because engaging in tax avoidance activities can damage their reputation and expose them to legal claims (Kusumatuti and Anas 2022).

H7 : Leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality simultaneously influence the Effective Tax Rate (ETR).

RESEARCH METHOD

Multiple linear regression analysis is used in the research model to test the influence between two or more independent variables on a dependent variable. This research adopts a quantitative approach. The research data falls under secondary data as it is sourced from audited financial reports published by manufacturing companies on the Indonesia Stock Exchange (IDX) website or on the respective company websites. The population of the study consists of 223 companies, while the sample size is 50 companies with a total data count of 155 and 95 outliers. The sampling technique used in this research is purposive sampling with specific criteria, including:

1. Manufacturing companies listed on the Indonesia Stock Exchange continuously from 2018 to 2022.
2. Financial reports are fully published and accessible through the Indonesia Stock Exchange (idx.co.id) website or on the respective company websites for five consecutive years from 2018 to 2022.
3. Financial reports must record profit or not incur losses from 2018 to 2022.

The collected research data is then analyzed through several testing stages, including descriptive statistics, classical assumption tests (normality test, multicollinearity test, autocorrelation test, and heteroskedasticity test), multiple linear regression analysis, hypothesis testing (F-test and t-test), and coefficient of determination.

Tabel 2. Operational Definition of Variables

Variable	Measurement
Effective Tax Rate (ETR)	ETR = $\frac{\text{Tax Burden}}{Profit\ Before\ Tax}$
Leverage	DAR = $\frac{\text{Total Debt}}{\text{Total Assets}}$
Liquidity	Current Ratio = $\frac{Current\ Assets}{\text{Current Liabilities}}$
Profitability	ROA = $\frac{\text{Net Income}}{\text{Total Assets}}$
Independent Commissioners	$\frac{\text{Number of Independent Commissioners}}{Number\ of\ Board\ of\ Commissioners\ Members}$

Audit Committee	Number of Audit Committee Members
Audit Quality	1 = Using big four CPA Firms 0 = Using non big four CPA firms.

Source : Processec data, 2024

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 3. Result of Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std Deviation
ETR	155	0.159	0.312	0.23256	0.030461
LEVERAGE	155	0.063	1.831	0.58654	0.402409
LIKUIDITAS	155	0.438	7.758	273.209	1.391725
PROFITABILITAS	155	0.008	0.228	0.09258	0.052069
KOMIND	155	0.25	0.667	0.41422	0.088665
KOMAUD	155	3	4	3.03	0.177
KUALAUD	155	0	1	0.44	0.498
Valid N (listwise)	155				

Source : Output IBM SPSS 22, 2024

From the table above, it can be observed that the variables effective tax rate, independent commissioners, audit committee, and audit quality are heterogeneous or varied because the deviation values obtained are greater than the mean value. Meanwhile, the variables leverage, liquidity, and profitability are homogeneous because the deviation values obtained are smaller than the mean value.

Inferential Statistical Analysis

Normality Test

Table 4. Result Normality test

		Unstandardized Residual
N		155
Normal Parameters[a,b]	Mean	0
	Std. Deviation	0.02883948
Most Extreme Differences	Absolute	0.058
	Positive	0.058
	Negative	-0.052
Test Statistic		0.058
Asymp. Sig. (2-tailed)		0.200[c,d]

Sumber : Output IBM SPSS 22, 2024

Table 4, reveals that the significant value obtained from the analyzed units is 0.200. The obtained value is higher than the error tolerance value of 0.05 (0.200 > 0.05), indicating that the data is normal.

Multicollinearity Test

Table 5. Result Multicollinearity test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	LEVERAGE	0,404	2,476
	LIKUIDITAS	0,451	2,219
	PROFITABILITAS	0,738	1,355
	KOMIND	0,885	1,130
	KOMAUD	0,903	1,107
	KUALAUD	0,887	1,127

Source : Output IBM SPSS 22, 2024

Based on Table 5, the tolerance value is < 0.10, and the VIF value is < 10, indicating that there are no symptoms of multicollinearity.

Autocorrelation Test

Table 6. Result Autocorrelation test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.322[a]	0.104	0.067	0.029418	2.079

Source : Output IBM SPSS 22, 2024

Table 6 shows that the DW value is 2.079, the dL value is 1.6578, and the dU value is 1.8184. Thus, the result of the autocorrelation test decision is dU < d < 4 - dU, which is 1.8184 < 2.079 < 2.1816. Therefore, the test results indicate that there is no autocorrelation.

Heteroskedasticity Test

Table 7. Result Heteroskedasticity test

Model	T	Sig
(Constant)	2,311	0,022
LEVERAGE	-0,114	0,910
LIKUIDITAS	-0,205	0,838
PROFITABILITAS	-1,509	0,133
KOMIND	-0,729	0,467
KOMAUD	-1,267	0,207
KUALAUD	0,138	0,890

Source : Output IBM SPSS 22, 2024

In Table 7, the significant value is above the error tolerance value of 0.05. This means that the regression model in this study does not exhibit heteroskedasticity.

Multiple Linear Regression Analysis

Table 8. Result Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	0.274	0.048	
	LEVERAGE	0.020	0.009	0.259
	LIKUIDITAS	0.002	0.003	0.084
	PROFITABILITAS	-0.079	0.053	-0.134
	KOMIND	-0.018	0.028	-0.053
	KOMAUD	-0.016	0.014	-0.091
	KUALAUD	0.010	0.005	0.165

Source: Output IBM SPSS 22, 2024

Based on table 8, the formula for the multiple linear regression equation can be obtained as follows:

$$Y = 0{,}274 + 0{,}020X_1 + 0{,}002X_2 - 0{,}079X_3 - 0{,}018X_4 - 0{,}016X_5 + 0{,}010X_6$$

Hypothesis Testing

F Test

Table 9. Result F Test (Simultaneous)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.015	6	0.002	2.851	0.012^b
	Residual	0.128	148	0.001		
	Total	0.143	154			

Source: Output IBM SPSS 22, 2024

Based on the results of the F-test, the obtained Sig value is 0.012. This Sig value is smaller than 0.05, or it can be written as (0.012 < 0.05), indicating that leverage, liquidity, profitability, independent commissioners, audit committee, and audit quality simultaneously influence ETR.

T Test

Table 10. Result T Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	,274	,048		5,723	,000
	LEVERAGE	,020	,009	,259	2,114	,036

LIKUIDITAS	,002	,003	,084	,726	,469
PROFITABILITAS	-,079	,053	-,134	-1,483	,140
KOMIND	-,018	,028	-,053	-,646	,519
KOMAUD	-,016	,014	-,091	-1,106	,270
KUALAUD	,010	,005	,165	1,993	,048

Source : Output IBM SPSS 22, 2024

Based on the results of the T-test, leverage and audit quality significantly positively influence ETR because they show significance values less than 0.05. However, liquidity, profitability, independent commissioners, and audit committee do not influence ETR as their significance values are greater than 0.05.

Coefficient of Determination (R2)

Table 11. Result Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.322[a]	0.104	0.067	0.029418

Source : Output IBM SPSS 22, 2024

In the table of the coefficient of determination (R2) test results (Table 4.15), it shows that the Adjusted R Square for manufacturing companies is 0.067 or 6.7%. This means that the independent variables including leverage, liquidity, profitability, independent commissioners, audit committee, and audit quality are able to explain 6.7% of the dependent variable ETR, while the remaining 93.3% is explained by other variables outside the scope of the study.

The Influence of Leverage on Effective Tax Rate

Leverage is stated to influence ETR. Therefore, hypothesis (H1) is accepted. Companies generally use debt as a tool to finance operational and investment funding to increase profits, which is the goal of the company. When revenue increases in the company, it impacts the increase in pre-tax profits, thus the tax burden borne by the company will also increase. To address this situation, the company will still reduce the percentage of ETR (Husni and Wahyudi 2022). In agency theory, management (agents) is believed to choose financing from outside the company to fund investments and operations. There is a possibility that the principal does not approve of additional funds, but managers still need additional funds to cover shortages by borrowing.

These results indicate that high leverage in companies will affect the increase in the value of ETR in the company. This research aligns with studies concluding that leverage has a positive effect on ETR, meaning that if debt usage increases to finance the company, the resulting ETR will decrease due to interest costs, which reduce taxes (Rianto and Alfian 2022). This study contradicts research conducted by (Simanjuntak and Helda 2023), which explains that simultaneously leverage does not have a significant influence on ETR. The study concludes that profits obtained by companies from debt financing will be smaller than interest expenses.

The Influence of Liquidity on Effective Tax Rate

The results of the study indicate that liquidity does not affect ETR in manufacturing companies. Thus, hypothesis (H2) is rejected. This means that the level of liquidity in a company does not impact the magnitude of ETR. The ability of a company to manage assets into cash enables it to hold sufficient cash reserves. The company can finance operational expenses without external debt. Management certainly avoids taking undue risks. Therefore, companies with high cash balances tend to pay taxes without engaging in tax avoidance or evasion. These research findings do not align with agency theory. Companies with good performance tend to have low conflicts of interest between principals and agents because each party's goals can be met and are in line with expectations (Amelia 2015). The level of liquidity affects investor interest in investing. A strong relationship between the company and creditors will prompt the company to maintain profits for creditor trust. However, in reality, companies will not take high risks regarding a decrease in ETR because it will impact the company's reputation and therefore affect investor confidence.

The results of this study are consistent with those obtained by (Danardhito et al. 2023), which state that liquidity does not affect tax avoidance with ETR as a proxy. The company's ability to convert assets into cash enables it to hold sufficient funds. Companies with high cash balances tend to be cautious in managing their taxes, so they pay taxes without engaging in tax avoidance. These research findings contradict those of (Purwanti et al. 2022), which explain that liquidity partially affects ETR. Principals will use liquidity as a benchmark for assessing the size of the company's risk.

The Influence of Profitability on Effective Tax Rate

The results of the study indicate that profitability does not affect ETR. Therefore, hypothesis (H3) is rejected. Companies that are able to generate profits are capable of managing their income and tax payments, so in this regard, companies would prefer to pay taxes rather than engage in tax avoidance actions (Napitulu and Situngkir 2020). This is because reducing the ETR would incur costs such as tax consultation fees, which companies must consider. Companies must weigh these costs to ensure they do not outweigh the benefits. Therefore, companies do not take the risk of reducing the ETR. This finding contradicts agency theory. According to agency theory, higher ROA values for companies mean higher profits generated by the company and incentivize agents to increase the company's profits. Companies with high profitability levels reflect that they have performed well and created positive sentiments, thus engaging stakeholders in the company. However, in reality, company profits cannot reflect the magnitude of the ETR percentage.

These results indicate that the level of profitability achieved by companies does not affect the magnitude of the ETR in the company. This finding is consistent with the research by (Ardianti 2019), which states that profitability does not affect ETR. It is likely that for some manufacturing companies, true profits cannot be known due to earnings management practices. This result contradicts the research conducted by (Danardhito et al. 2023), which states that profitability has a significant positive effect on tax avoidance. The higher the net income (EAT) obtained by the company, the higher its tax avoidance, as the company will tend to pay taxes with a small amount even though the EAT is large. Companies that engage in earnings management cannot be truly known.

The Influence of Independent Commissioners on Effective Tax Rate

The results of the study indicate that independent commissioners do not affect the ETR in manufacturing companies. Therefore, hypothesis (H4) is rejected. Independent commissioners are considered unable to guarantee that the decisions made are effective and efficient. The proportion of independent commissioners cannot guarantee the quality of oversight functions (Amelia 2015). Independent commissioner members only act as business performance monitors and allow management to continue making decisions. The test results are not in line with agency theory. Ideally, independent commissioners are tasked with mediating by minimizing the differences in interests between the two parties, namely the principal and the agent (manager). Issues from both sides can lead to information gaps. However, in reality, independent commissioners do not have a high influence on the agent (management) in overseeing the manager's performance, thus not affecting the ETR percentage.

These results indicate that the number of independent commissioner members on the board of commissioners does not affect the ETR in the company. The results of this study are consistent with the research conducted by (Purwanti et al. 2022), which explains that independent commissioners, as part of the board of commissioners, do not perform proper oversight functions on the company. The results of the study contradict the research by (Yanti et al. 2020), which explains that independent commissioners affect the ETR, stating that the number of independent commissioners affects the value of the ETR obtained by the company.

The Influence of Audit Committee on Effective Tax Rate

The results of the study indicate that the audit committee does not affect the ETR. Therefore, hypothesis (H5) is rejected. This is because the audit committee is measured by the quality of its work, not by the number of members. The number of members of the audit committee, which is an instrument of financial regulation oversight, cannot control the value of the ETR. The task of the audit committee is limited to monitoring the reliability of the company's financial reports and assisting the board in ensuring that the company's financial reports comply with accounting standards. The results of this study are not in line with agency theory. According to agency theory, the audit committee plays a role in addressing agency problems between management and auditors, which is an implementation of good corporate governance (Tandean and Winnie 2016). The conflict between the agent and principal arises from management's desire to minimize tax payments by reducing the percentage of the ETR. Based on agency theory, the higher the proportion of the audit committee in the company, the better the quality of oversight over the company's financial reports. However, in reality, the number of audit committee members does not affect the ETR percentage because the audit committee only monitors tax payment decisions, which still remain with the company's management rather than the audit committee.

These results indicate that the number of audit committee members does not affect the ETR in the company. The results of this study are consistent with the research by (Setiawan and Al-Ahsan 2016), which states that the audit committee does not affect tax avoidance with the ETR proxy. The audit committee, as an instrument of oversight of financial policies and regulations, is considered unable to influence tax avoidance because companies tend to engage in tax avoidance based on their work quality rather than the number of audit committee members. This research contradicts the studies conducted by (Faradilla and Lastiati 2022), which explain that the audit committee has a significant positive influence on the ETR, and an increase in the number of audit committees will result in improved performance in a company.

The Influence of Audit Quality on Effective Tax Rate

The results of the study indicate that audit quality affects the ETR in manufacturing companies. Thus, hypothesis (H6) is accepted. This means that the higher the ETR value, the higher the quality of the auditing services used by the company. According to (Jihene and Moez 2019), high-quality auditors are not interested in tax avoidance activities because their involvement in such practices would damage their reputation and lead to legal cases. The research results support the agency theory because auditors act as third parties who can mediate conflicts of interest between the tax authorities and management. When auditors face complex issues, they strive to improve the quality of their audit results by issuing opinions on financial statements that are impartial.

The findings of this study are consistent with the research by (Yanti et al. 2020), which explains that audit quality affects the ETR. This is because higher audit quality leads to higher ETR values for companies. Conversely, if audit quality is low, the ETR values obtained by the company are also low, indicating that audit quality affects tax avoidance with the ETR proxy. The results of this study contradict research in the banking sector, which states that audit quality does not affect tax avoidance with the ETR proxy in banking because every audit firm assigned to audit a company has followed auditing standards endorsed by the IAPI in the form of Audit Engagement Standards (SPA) (Alvin and Susanto 2022).

Leverage, Liquidity, Profitability, Independent Commissioners, Audit Committees, and Audit Quality Simultaneously Influence the Effective Tax Rate (ETR).

Based on the research results, the independent variables including leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality collectively or simultaneously influence the effective tax rate (ETR). Thus, hypothesis (H7) is accepted. Leverage and liquidity are ratios that both measure a company's ability to meet debt obligations. Companies generally use debt as a tool to finance operational and investment funding to increase profits, which is the goal of the company. When revenue increases in a company, it impacts pre-tax profits, affecting profitability, and then the tax burden borne by the company also increases. To address this situation, the company will still reduce the percentage of ETR (Husni and Wahyudi 2022).

Every company has an organizational structure, and one of the supervisory functions is carried out by independent commissioners. According to (Simon and Sandra 2018), in performing supervisory and directing functions, independent commissioners have experience and information from outside the company, so the more independent commissioners there are, the tighter the supervision, resulting in the effective and efficient percentage of ETR produced. The company's audit committee also performs supervisory functions. According to (Rianti and Sari 2014), the more members there are in the audit committee, the higher the quality of the reports, which becomes an advantage in terms of quantity. The quality of financial statements can be seen from the opinion of external audits. According to (Jihene and Moez 2019), high-quality auditors are not interested in tax avoidance activities because their involvement in such practices would damage their reputation and lead to legal cases.

CONCLUSION

The purpose of this study is to examine the influence of leverage, liquidity, profitability, independent commissioners, audit committees, and audit quality on the effective tax rate (ETR). The study focuses on manufacturing companies listed on the Indonesia Stock Exchange for the period 2018-2022. The research is not sector-specific, so the results are general in nature. Leverage affects ETR because companies generally use debt as a tool to finance operational and investment funding. When revenue increases, pre-tax profits increase, leading to an increase in the tax burden borne by the company. Audit quality affects ETR because highly qualified accountants are not interested in engaging in tax avoidance activities as it could damage their reputation and lead to litigation.

Liquidity does not affect ETR because companies that can manage assets into cash hold sufficient cash reserves, and management avoids taking undue risks, leading the company to prefer paying taxes without engaging in tax avoidance or evasion. Profitability does not affect ETR because low Return on Assets (ROA) indicates ineffective management, and with low profits, companies tend to pay taxes based on applicable regulations. Independent commissioners do not affect ETR because they cannot effectively oversee management, indicating a lack of understanding of the company's tax management strategies. Audit committees do not affect ETR because the number of members on the audit committee, as a tool for financial regulation oversight, cannot control the ETR value.

The results of the study are expected to benefit companies seeking to minimize ETR by considering the factors influencing ETR. For future research, it is hoped that adding moderation variables can strengthen or weaken the relationship between variables and include variables beyond the economic field, such as politics or social issues.

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