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ABSTRACT

Purpose: This study hypothesizes that tax benefits encourage the use of third-party capital, and seeks to verify whether the tax benefit deriving from debts has a positive effect on Brazilian companies' capital structure.

Approach/Methodology/Design: Data on 259 nonfinancial companies over the period 2008-2018 are extracted from the Standard & Poor's Capital IQ database and are analyzed through regression with dynamic data panel. The variables considered as tax benefit proxies are: marginal tax rate, kink, standardized kink and tax payment. The investigations comprise: trade off theory, pecking order theory, information asymmetry, bankruptcy costs and agency theory.

Findings: A positive debt effect on capital structure, taxation as providing a systematic incentive for greater leverage, and that, Brazilian companies, despite the country's heavy tax burden, are not taken full advantage of debt tax benefits. The study offers new evidence as to the speed of adjusting the indebtedness level relating to an optimal capital structure target. Brazilian companies have ground to contract more debt and maximize their tax benefit.

Practical Implications: The study will contribute positively to the understanding of influence of high tax emerging market for the government, academia, banks, industry, managers, regulators, investors and other users.

Originality/value: This study innovates by using MTR, kink and standardized kink to find debt tax benefits affecting emerging market companies' capital structure.

INTRODUCTION

Introduction typed in capital letters [Times New Roman 12] contains the background of overcoming a problem, urgency and rationalization of activities, literature review, problem-solving plan, activity objectives, and hypothesis development [Times New Roman 12]

font, normal] Note for Author: The length of the article activities, literature review, problem-solving plan, activity objectives, and hypothesis development [Times New Roman 12 font, normal] Note for Author: The length of the article of the article is between 2000-5000 words (including literature, notes, and tables). Articles are typed in the Microsoft Office Word format. Using Times New Roman font size 12, single space on A4 paper [Times New Roman 12 font, normal]

LITERATURE REVIEW

A section dedicated to the significant literature resources, consulted or employed, that contributed to the study. It surveys scholarly articles, books and other sources (e.g. dissertations, conference proceedings) relevant to a particular issue, area of research, or employed, that contributed to the study. It surveys scholarly articles, books and other sources (e.g. dissertations, conference proceedings) relevant to a particular issue, area of research, or theory, providing a description, summary, and critical evaluation of each work. The purpose is to offer an overview of significant literature published on a specific topic.

METHODOLOGY AND PROCEDURES

The research method explains the implementation methods employed in the study. The method is described clearly and in detail [Times New Roman 12 font, normal]

RESULTS AND DISCUSSION

Explain the results of the research in the form of problem-solving analyzed using relevant theories. The results of the study also revealed the findings of the research. Discussion is accompanied by logical arguments by linking the results of research with theory, the results of other studies.

Table 1. is written with Times New Roman 12 centre

Head 1	Head 2	Head 3
Sample	Value 1	Value 2

Source: Times New Roman 12, 2020

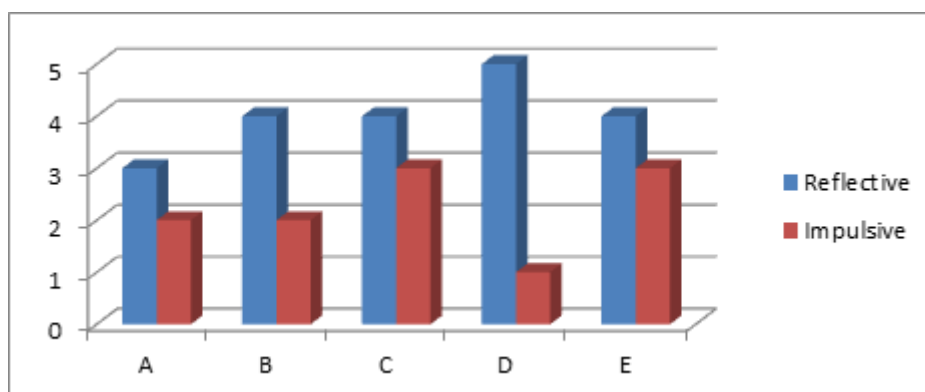


Figure 1.1 is written with Times New Roman 12 Italic (Bold)

CONCLUSION AND SUGGESTION

Conclusions contain a summary of the results of the research and discussion. Conclusions are research findings in the form of answers to the formulation of research problems or research objectives and research hypotheses. Conclusions are explained briefly and clearly. The suggestion section describes the application or development of science. Conclusions and suggestions do not use points or numbering but are described in one paragraph. [Times New Roman 12 font, normal].

ACKNOWLEDGMENTS

Describe anyone who directly helps your research such as funders (an institution called non-personal), may be supplemented by the research contract number. Thank you to the intended parties (if any and significant related to the study).

REFERENCES

Contains primary literature sourced from national and international journals, books and secondary sources from credible and accountable internet sources. The reference list is written following the *American Psychological Association (APA) Fifth edition*. All sources listed in the bibliography must be in the article script by using referral applications