

Independent Study Title	CORPORATE TAX AND LEVERAGE: EVIDENCE FROM FIRMS' RESPONSE TO THE TAX REFORM IN THAILAND
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ABSTRACT

This study explores how the tax reform, which ultimately lower the effective tax rate, affects management decisions for firms in The Stock Exchange of Thailand. This study takes a deeper analysis into by separating firms into financial and non-financial firms to compare the similarities and differences. The result of this test shows that the leverages of the firms in both sectors are affected by the tax reform supporting the trade-off theory. However, financial firms adjust their leverage more aggressively and their leverage decisions are based on the effective tax rate in the prior year, while non-financial firms are affected by the effective tax rate in the same year. Lastly, this study tested whether the initial tax rate before the tax reform affects the magnitude of change or not. The result shows that the initial level of effective tax rate is irrelevant.

Keywords: Leverage, Tax Reform, Trade-off Theory, The Stock Exchange of Thailand