

THE MARKET REACTION ON THE ANNOUNCEMENT OF TAX AMNESTY LAW

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Abstrak

Tujuan penelitian ini untuk membuktikan secara empiris adanya kumulatif abnormal return, kumulatif abnormal volume perdagangan, dan kumulatif abnormal kapitalisasi pasar di periode sekitar pengumuman Undang-Undang Tax Amnesty. Jenis penelitian merupakan penelitian kuantitatif dengan menggunakan data sekunder yang diperoleh dari laporan tahunan perusahaan. Populasi penelitian adalah 25 perusahaan yang terdaftar dalam Indeks Pefindo25 di Bursa Efek Indonesia. Teknik pengambilan sampel yang digunakan adalah purposive sampling pada perusahaan yang terdaftar dalam Indeks Pefindo25 periode Februari sampai Juli 2016. Teknik analisis data yang digunakan adalah t-test. Hasil penelitian ini menunjukkan bahwa terdapat kumulatif abnormal return, kumulatif abnormal volume perdagangan, dan kumulatif abnormal kapitalisasi pasar pada periode sekitar pengumuman Undang-undang Tax Amnesty.

Kata kunci: amnesti pajak, abnormal return, abnormal volume perdagangan, abnormal kapitalisasi pasar

Abstract

This study aims to provide empirical evidence on the existence of cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization in the period around the announcement of the Tax Amnesty Act. This type of research is a quantitative research using secondary data obtained from the company's annual reports. The research population included 25 companies listed in Pefindo25 Index in Indonesia Stock Exchange. Purposive sampling was used and it involved all companies listed in the period of February to July 2016. Data analysis technique used was t-test. The results of this study indicate that cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization existed in the period around the announcement of the Tax Amnesty Act.

Keywords: tax amnesty, abnormal return, abnormal trading volume, abnormal market capitalization

INTRODUCTION

The enactment of Law Number 11 year 2016 about Tax Amnesty provides positive news for the domestic stock market. The increase in capital market performance is due to optimism from market players and the relevant authorities that there will be massive funding from the Tax Amnesty program. The better economic growth will trigger the flow of

foreign funds to re-enter Indonesia primarily through the stock market. This is can be seen from several research studies, one of them is according to Head of Research PT. NH Korindo Securities Indonesia Reza Priyambada stated a positive response that continues driving the rise of Composite Stock Price Index (IHSG) after the enactment of Tax Amnesty Law Number 11 year 2016. If the

tax amnesty policy is a positive thing for investors, it can generate a positive return for them or in other words the return earned is greater than expected returns. Conversely, if this event raises a negative response so the return earned by investors is a negative return. The return earned by these investors is called as abnormal return. Jogiyanto (2010: 556) states if the event has informative content on the market then there will be abnormal return and the contrary, if it does not has informative content on the market then there will be no abnormal return.

To assess the market reaction also be seen from the amount of change in stock trading volume or often called as a trading volume activity. Zamroni (2003: 32) states when TV (trading volume) tends to increase when prices decline, then the market is indicated in a bearish condition. When TV tends to increase during prices increase, the market is indicated in a bullish condition (optimistic). When the volume tends to decline following the price that also decreases, then the market is in a bullish condition. And if the TV tends to decline during prices rise, the market is in a bearish condition.

The capital market response to an event can not only be seen from the abnormal return and trading volume, but also it can be seen from the market capitalization. Market capitalization is the

market value of the issued share (outstanding share) of an issuer (Raharjo, 2006: 41). In general, large capitalized stock is the target of investors for long-term investments because of the potential growth of the company in addition to dividend payouts and overly low-risk exposure. Because of a lot of enthusiasts, the stock price is relatively high, so it will give a high return as well. A large market capitalization will generally attract investors in choosing stocks.

Discussed about the impact of government policy, the economic condition of the country is important to be identify. The Indonesia economy is basically characterized by grassroots SMEs (Small and Medium Enterprises) that make up nearly 99.95 percent of the total number of enterprises. In this era, the capital market is an important part of the Indonesian economy, beside of the banking sector. The Indonesian capital market consists of hundreds of small, medium, and large companies listing their stock. Some study about the impact of tax amnesty is only performed on large companies such as those listed in the LQ45 Index, Kompas 100 Index, and so on. The Indonesian economy dominated by small and medium enterprises, therefore it is necessary to investigate the implications of tax amnesty policy on those small and medium enterprises. The impact of the tax

amnesty announcement on small and medium enterprises can be represented by looking at market reactions in the Pefindo25 Index. The Pefindo25 Index is an index that lists 25 small and medium-sized issuers.

Based on the description that have been presented, the problem formulation of this study is as follows: (1) is there any cumulative abnormal return on the stock of the companies listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy?; (2) is there any cumulative abnormal trading volume on the stock of the companies listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy?; and (3) is there any cumulative abnormal market capitalization on the stock of the companies listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy?

Based on the problem formulation, the purposes of this research are to investigate the existence of cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization on the stock of the companies listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy.

RESEARCH METHOD

Type of Research

This research uses an event study approach. An event study is a study of market reaction to an event whose information is published as an announcement (Jogiyanto, 2000: 392).

The Place And Time of Research

This research was conducted by taking the existing data (secondary data). These data are available on the official website of Indonesia Stock Exchange (IDX), namely www.idx.co.id to download information about the companies listed in the Pefindo25 Index. Thus the data about stock price through the site www.finance.yahoo.com, and the other relevant sources. This research has been conducted in November 2017 until January 2018.

Population and Sample of Research

The population in this study are stocks of the companies listed in Pefindo25 Index period February 2016 - July 2016. The sample selection in this research using non-probability sampling technique with purposive sampling. Purposive sampling is a technique of sampling the source data with a certain considerations or criteria. There are several

characteristics of the sample, as follows:
 (1) the companies are listed in the Pefindo25 Index for the period February 2016 - July 2016 and it is not in the process of deliberating during that period;
 (2) have complete data during the period of February 2016-July 2016; and (3) not doing corporate action.

Data Collection Techniques

Data collection method of this research is a documentation study method of obtaining secondary data. The data obtained in the form of time series data. It is data from a particular phenomenon that can be from a certain time interval, for example in time weekly, monthly, and yearly. The data are obtained through the website owned by BEI, namely <http://www.idx.co.id/> and company website. While the data of stock prices obtained from the site <https://finance.yahoo.com/>.

Data Analysis Techniques

This research provides an analysis, overview or descriptive of the data seen from the graph of changes in actual return and market share return during of various window period as well as changes in abnormal return, abnormal trading volume, and abnormal market capitalization. Descriptive statistical analysis was performed to determine the minimum,

maximum, mean, and standard deviation for each variable during days of observation.

To test the hypothesis 1, 2, and 3, step for this statistical test are as follows:

- 1) Calculate the cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization for the various window period (-5,+5), (-4,+4), (-3,+3), (-2,+2), and (-1,+1).
- 2) Calculate t value (t-test) for the various window period.
- 3) Determine criteria with the level of significance 1% $\alpha = 0.01$ t table = ± 2.358 , 5% $\alpha = 0.05$ t table = ± 1.658 , and 10% $\alpha = 0.1$ t table = ± 1.289 . H_0 supported if $t \text{ table} < t < t \text{ table}$ and H_0 ignored if $t > t \text{ table}$ or $t < -t \text{ table}$

RESEARCH RESULT AND DISCUSSION

Table 1. Cumulative Abnormal Return Test Result for Various Window Period

Window period	CAR	t	Notes
-5, +5	0.609096	2.365	Significant 1%
-4, +4	0.058042	0.291	Not Significant
-3, +3	0.046346	0.194	Not

			Significant
-2, +2	0.264089	1.429	Significant 10%
-1, +1	0.173759	1.096	Not Significant
T table 1% = ± 2.358, 5% = ± 1.658, and 10% = ± 1.289.			

From table 1, it can be seen that the cumulative abnormal return is significant in window period (-5, +5) at level 1% and window period (-2, +2) at level 10%. This indicates that on these window period, there is a cumulative abnormal return which proving that the announcement of tax amnesty has a useful informative content for investors. The abnormal return is significantly occurring at (-5, +5). This significance level supports hypothesis 1 that there is a significant market response to the tax amnesty announcement.

Table 2. Cumulative Abnormal Trading Volume Test Result for Various Window Period

Window period	CATV	t	Notes
-5, +5	0.159928	2.246	Significant 5%
-4, +4	0.106068	2.435	Significant 1%
-3, +3	0.067019	1.933	Significant 5%

-2, +2	0.059904	1.908	Significant 5%
-1, +1	0.020136	1.237	Not Significant
T table 1% = ± 2.358, 5% = ± 1.658, and 10% = ± 1.289.			

Based on the table 2, there is a cumulative abnormal trading volume in almost various window period. The most significant level is in the window period (-4, +4) at level 1%. While, at the window period (-5, +5), (-3, +3), and (-2, +2) has significance level 5%. And for the window period (-1, +1) has no significant result. This study found cumulative trading volume in the various window period, so the hypothesis is supported.

Table 3. Cumulative Abnormal Market Capitalization Test Result for Various Window Period

Window period	CAMC	t	Notes
-5, +5	1608130 4968801 9	2.94 1	Significant 1%
-4, +4	1325044 9844960 9	2.98 6	Significant 1%
-3, +3	1027935 0018610	3.04 9	Significant 1%

	9		
Window period	CAMC	t	Notes
-2, +2	7095585 0608522	3.24 9	Significant 1%
-1, +1	4336280 6959254	3.22 8	Significant 1%
T table 1% = ± 2.358 , 5% = ± 1.658 , and 10% = ± 1.289 .			

Based on the table 3, a whole of the various window period has a significant result at the same level, namely at level 1%. This result means that hypothesis 3 about the cumulative abnormal market capitalization in the period around the tax amnesty announcement is supported. It can be concluded that there is a significant market capitalization in the period around the announcement of the tax amnesty act. This means that the market react to the announcement of tax amnesty act on shares listed in the Pefindo25 Index.

The results of research show that cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization were occurred in the period around the announcement of tax amnesty act among the stocks listed in Pefindo25 Index. For the case abnormal return, the window period that has significant result is (-5, +5)

and (-2, +2), so hypothesis 1 states the existence of cumulative abnormal return is supported for the window period 11 days and 5 days. In the window period 3 days (-1,+1) the cumulative abnormal return is not existed. It can be occurred as there is information leakage about the announcement of tax amnesty. The investor in the capital market already knows about the information. Hence, the capital market does not react on the announcement of the tax amnesty law in window period 3 days.

While for the abnormal trading volume has a significant cumulative abnormal trading volume for a window period (-5, +5), (-4, +4), (-3, +3), and (-1, +1). The hypothesis 2 about there is a cumulative abnormal trading volume is supported for the window period 11 days, 9 days, 7 days, and 3 days. The hypothesis 3 which states the cumulative abnormal market capitalization in the period around the tax amnesty announcement is supported, indicated from the abnormal market capitalization has significant result for a whole various window period (-5, +5), (-4, +4), (-3, +3), (-2, +2), and (-1, +1).

Based on testing the cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization majority have a significant result for the various window

period. It means that the market react on the tax amnesty announcement and it has informative content to the investor. The tax amnesty announcement is a positive news for the investor as proved by the positive value of cumulative abnormal return, cumulative abnormal trading volume, and cumulative abnormal market capitalization. The various window period has a significant result, except for the short window period, namely 3, 7, and 9 days for the abnormal return and 3 days on the abnormal trading volume.

The results of this study indicate that the price of securities in the capital market works efficiently where the market receives relevant information in accordance with the Efficient Market Theory. Viewed in terms of companies sampled in this study that companies listed in Pefindo25 Index reflect that these companies are companies of good quality in receiving information and announcement of tax amnesty on June 27, 2016, it gives a signal to the market according to Signal Theory (Signaling Theory).

The previous research supporting the results of this study was conducted by Wulandari, et al. (2017) which states there is a significant difference on abnormal return before and after the enactment of the Tax Amnesty Act. It is indicated by the results of significance tests on paired-

sample t test with a significance value of 0.013. This means that the enactment of the Amnesty Tax Act gives a significant effect on the abnormal return. Then there is also the difference on the trading volume before and after the enactment of the Tax Amnesty Act. It is indicated by the result of test on paired-sample t test with significance value 0,020. This means that the enactment of the Amnesty Tax Act gives a significant effect on trading volume.

The results of this study are also in line with research conducted by Suryadi (2017) which showed that the average of abnormal return before and after the event was significantly different. The abnormal return increase after the event showed that the actual stock return obtained by investors is higher than the expected return. Wilcoxon Signed Ranks t-Test results show that average trading volume before and after the event differ significantly. It shows that the event has informative content and caused greater number of shares traded after the event.

For the companies listed in Pefindo25 Index, it is expected to maintain stability and increase stock returns and trading volume of shares with the enactment of the Amnesty Tax Law. Therefore, issuers should not focus on the enactment of the Amnesty Tax Act, but how the company's performance can

increase further after the enactment of the Amnesty Tax Act. So, investors can trust the issuer to provide a good prospect in the future. The company is expected to observe changes in stock prices continuously to be able to anticipate any changes in government policy.

On the other hand, the government is expected to be more careful in making policy both in the economic and non-economic as it can affect the trading in capital market. For investors, it is advisable to obtain as much information as possible and to review such information, especially information that may allegedly affect the capital market. The investors should be more sensitive to existing information, both economic and non-economic information as well as political and non-political information for reference in making investment decisions. Not all information in the capital market is valuable for investor. Therefore, capital market actors should be able to identify and analyze relevant information for its decision making. Investors are expected to be more careful in selling or buying stocks and be more rational in decision making.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the data analysis and the results of research discussions that have been described, the conclusions as follows.

- 4) Announcement of The Tax Amnesty Act has informative content for investors of the companies listed in the Pefindo25 Index for the period February-July 2016 as indicated by cumulative abnormal returns on the stocks during window period 11 days and 5 days.
- 5) There is a cumulative abnormal trading volume on the stock of the companies listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy, namely in 11 days, 9, days, 7 days, 5 days, and 3 days of window period.
- 6) There is cumulative abnormal market capitalization in the companies' stocks listed in the Pefindo25 Index in the period around the announcement of the tax amnesty policy for a whole window period (-5, +5), (-4, +4), (-3, +3), (-2, +2), and (-1, +1).

Suggestions

Based on the research limitation, the suggestion of this research in terms of theoretical and practical as follows.

a. For Further Research

- 1) It is necessary to extend the observation (window) period and the estimation period before the window period.

- 2) Enlarge the sample and research data.
The sample can use the stocks from certain sectors or certain index that registered in the capital market.
- 3) The model for estimating returns can also use the market adjusted model or market model.
- 4) Adding the other variables apart from abnormal return, abnormal trading volume, and abnormal market capitalization.
 - b. Relevant Stakeholder
- 1) The government is expected to be more careful in making policy both in the economic and non-economic in the future as it can affect the trading in the capital market.
- 2) The investors should be more sensitive to existing information, both economic and non-economic information as well as political and non-political information for reference in making investment decisions
- 3) The companies should not focus on the enactment of the Amnesty Tax Act, but how the company's performance can increase further after the enactment of the Amnesty Tax Act. The company is expected to observe changes in stock prices continuously to be able to anticipate any changes in government policy.

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