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IMPACT OF VAT AND CORPORATE INCOME TAX POLICY TO STOCK PRICES ON CONSUMER CYCLICALS SUB-SECTOR LISTED ON INDONESIA STOCK EXCHANGE

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ABSTRACT

This research examines the impact how changes in Value-Added Tax (VAT) and Corporate Income Tax (CIT) policy affect to stock prices on consumer cyclicals sub-sector listed on Indonesia Stock Exchange. By applying an event study methodology, the research evaluates how investors reacted to four key fiscal policy events such as (1) Determination and Enforcement of Government Regulation in Lieu of Law No. 1 of 2020 (corporate income tax rate reduced from 25% to 22%) on March 31, 2020; (2) Ratification of Law No. 7 of 2020 (VAT rate increased from 10% to 11%, and corporate income tax remained at 22%) on October 29, 2021; (3) Enforcement of Law No. 7 of 2020 (VAT rate increased from 10% to 11%) on April 1, 2022; and (4) Issuance of Minister of Finance Regulation No. 131 of 2024 (VAT rate remained at 11%) on December 31, 2024. The analysis uses daily stock price and trading volume data from 20 selected companies. Data analysis technique used Paired Sample t-Test and Wilcoxon Signed Rank Test to assess the presence of abnormal returns and changes in trading volume activity (TVA) before and after the events. Research findings indicate that certain tax policy changes triggered significant responses in the capital market, reflecting shifts in investor sentiment and decision-making. These insights are valuable not only for policymakers in evaluating the market impact of taxation but also for company managers and investors seeking to anticipate market behavior in response to regulatory changes.

Keywords: VAT, corporate tax, stock prices, abnormal return, trading volume

DAMPAK KEBIJAKAN TARIF PPN DAN PPH BADAN TERHADAP HARGA SAHAM PERUSAHAAN SUB SEKTOR CONSUMER CYCLICALS *YANG TERDAFTAR DI BURSA EFEK INDONESIA*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis dampak kebijakan tarif Pajak Pertambahan Nilai (PPN) dan Pajak Penghasilan Badan (PPh Badan) terhadap harga saham perusahaan sub sektor Consumer Cyclicals *yang terdaftar di Bursa Efek Indonesia (BEI). Metode penelitian yang digunakan adalah event study dengan menganalisis* abnormal return *dan* trading volume activity (TVA) *pada empat peristiwa perubahan kebijakan perpajakan yakni (1) Penetapan dan Penyelenggaraan Peraturan Pemerintah Pengganti Undang-Undang No. 1 Tahun 2020 (tarif pajak penghasilan badan dikurangi dari 25% menjadi 22%) pada 31 Maret 2020; (2) Pengesahan Undang-Undang No. 7 Tahun 2020 (tarif PPN dinaikkan dari 10% menjadi 11%, dan pajak penghasilan badan tetap 22%) pada 29 Oktober 2021; (3) Penyelenggaraan Undang-Undang No. 7 Tahun 2020 (tarif PPN dinaikkan dari 10% menjadi 11%) pada 1 April 2022; dan (4) Dikeluarkannya Peraturan Menteri Keuangan No. 131 Tahun 2024 (tarif PPN tetap 11%) pada 31 Desember 2024. Hasil penelitian menunjukkan bahwa perubahan tarif PPh Badan dan PPN berpengaruh signifikan terhadap harga saham dan aktivitas perdagangan saham. Penurunan tarif PPh Badan memberikan sinyal positif bagi pasar, sedangkan kenaikan tarif PPN cenderung direspons negatif oleh investor. Temuan ini memberikan implikasi bagi investor, manajemen perusahaan, dan pembuat kebijakan dalam mengambil keputusan strategis terkait kebijakan perpajakan.*

Kata kunci*: Pajak Pertambahan Nilai (PPN), Pajak Penghasilan Badan (PPh Badan), harga saham,* abnormal return*,* trading volume

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INTRODUCTION

Tax policy is a strategic instrument in state fiscal management. Besides being a primary source of state revenue, this policy also influences the investment climate and corporate performance. Tax policy is also often used to guide economic growth. In Indonesia, value-added tax (VAT) and corporate income tax (PPh Badan) are two types of taxes that significantly affect corporate performance. VAT, levied on every transaction involving goods and services, and corporate income tax, levied on corporate profits, play crucial roles in determining a company's cost structure and profitability.

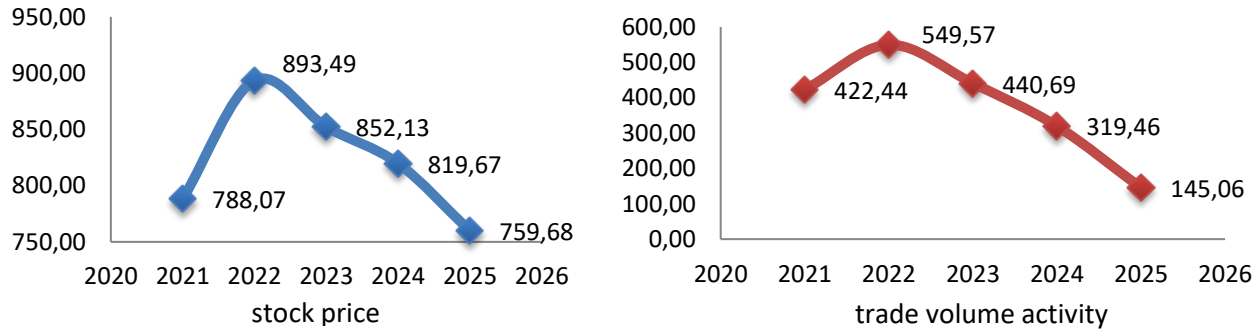
In 2019, Indonesia faced significant economic challenges due to the COVID-19 pandemic, which led to a substantial decline in economic activity. In an effort to revive the economy, the Indonesian government implemented various fiscal policies, including adjustments to VAT and corporate income tax rates. The increase in the VAT rate from 10% to 11% and the reduction in the corporate income tax rate to 22% were strategic measures expected to increase state revenue while stimulating investment and economic growth.

However, these tax policy changes also raise questions about their impact on the Indonesian economy, particularly on the financial performance of companies, especially manufacturing companies listed on the Indonesia Stock Exchange (IDX). The manufacturing sector plays a crucial role in the Indonesian economy, both in its contribution to Gross Domestic Product (GDP) and in job creation.

The capital market in Indonesia is vital for manufacturing companies as a source of funding and as a mechanism for increasing corporate value. Their stock performance is heavily influenced by economic cycles, so investors need to consider macroeconomic factors, particularly tax policy, before investing. The capital market is a platform where those needing funds (issuers) and those providing funds (investors) meet through the trading of financial instruments such as stocks, bonds, mutual funds, and derivatives. In Indonesia, the capital market is regulated by the Financial Services Authority (OJK), and its operations are carried out by the IDX.

The IDX classifies manufacturing companies into three categories (IDX Industrial Classification), namely Basic Materials (IDXBASIC), Industrials (IDXINDUST), and Consumer Cyclicals (IDXCYCLIC). The Consumer Cyclicals subsector (IDXCYCLIC) includes manufacturing companies that produce non-primary (non-essential) goods and services, such as automotive products, textiles (clothing), electronics, furniture, and household appliances or lifestyle products. Demand for Consumer Cyclicals products is strongly influenced by purchasing power, income levels, and macroeconomic conditions. This subsector is important to analyze because it has high sensitivity to fiscal policy and macroeconomic conditions, including changes in VAT and corporate income tax rates, as demand for its products is closely tied to purchasing power. Therefore, this study aims to examine how the market responds to these fiscal policies through stock price movements and stock trading volume.

Data from the stock index of companies in the Consumer Cyclicals subsector listed on the IDX from January 26, 2021, to June 17, 2025, show a decline in the Consumer Cyclicals subsector stock price index and trading volume activity.



Source: Yahoo Finance and Investing.com, 2025

Figure 1. Stock Price & Trade Volume Movement

This study aims to identify and analyze the impact of VAT and corporate income tax tariff policies on the stocks of Consumer Cyclicals subsector. Understanding these influences is expected to provide better insight for investors, company management, and policymakers in making informed decisions. Furthermore, this study is also expected to contribute to the existing literature on the impact of tax policy on corporate performance in Indonesia, particularly in the context of policy changes during uncertain economic conditions

LITERATURE REVIEW

Signaling Theory

Signaling theory is defined by Spence (1973) as a framework that explains how information, including government announcements such as changes in tax rates, provides signals to investors regarding the macroeconomic outlook. A reduction in the corporate income tax rate may be perceived as a positive signal for corporate profitability,

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whereas an increase in VAT may be viewed as an additional burden that lowers consumer purchasing power and a company's sales potential.

According to Tandelilin (2010), information published as an announcement provides signals for investors when making investment decisions. An event that delivers a positive signal can cause the market to react; conversely, an event that delivers a negative signal may not trigger a reaction. If investors understand the information well, they will increase their bidding power, and vice versa. When information is announced and all market participants have received it, they first interpret and analyze the information as either a positive signal (good news) or a negative signal (bad news). If the announcement is perceived as a positive signal for investors, there will be a change in stock trading volume.

Event Study Theory

Event study is defined by Bodie et al. (2009) as a technique in empirical finance research used to determine the impact of a particular event on stock prices. Similarly, Kritzman (1994) defines event study as a method for measuring the relationship between events affecting securities and their returns. Hartono (2022) states that event study is a research method that examines market reactions to an event.

Abnormal Return

Abnormal return is defined as the difference between realized return and expected return. Sambuaria et al. (2020) state that abnormal returns are results that do not meet expectations, or profits obtained that differs from predictions. Realized return, or actual return, represents the actual profit an investor earns from an investment within a specific period. Conversely, expected return is the projected profit an investor expects to receive in the future as a return on the investment.

Hartono (2022) emphasizes that an abnormal return is the difference between the actual return and the expected return. A positive deviation indicates that the investment generated returns exceeding expectations, while a negative deviation indicates that the returns were below expectations. Measuring abnormal returns is essential for analyzing market efficiency and the impact of events—such as corporate announcements or changes in economic policy—on security values.

Fama (1970), in his theory of market efficiency, argues that in an efficient market, abnormal returns can only occur in response to new, unexpected information, not to information already widely known. Therefore, abnormal return studies are often used to test the efficient market hypothesis.

Trading Volume Activity

Trading Volume Activity is defined as a quantitative indicator used to measure the intensity of the capital market's reaction to information or an event. This indicator is measured through stock trading volume, which reflects the number of shares traded within a specific period.

Pamungkas (2015) explains that trading volume activity is an instrument used to gauge the extent of the capital market's reaction to information or events through stock trading volume. Changes in stock trading volume provide insight into the dynamics of supply–demand interactions in the market, which reflect the collective behavior of investors.

High trading volume activity indicates significant investor interest and activity in a stock. High trading frequency suggests that the stock is in demand and actively traded, potentially reflecting the market's acceptance or rejection of new information.

Karpoff (1987), in his study on trading volume and news announcements, shows that trading volume tends to increase significantly on days of major news announcements as investors react to new information. Increased trading volume is often associated with improved stock liquidity and, in many cases, can influence stock price movements or returns. Therefore, trading volume activity is an important parameter in analyzing market responses and information efficiency, and it may indicate the level of information asymmetry in the market.

Tax Rate Policy in Indonesia from 2020 to 2024

Referring to Government Regulation in Lieu of Law No. 1 of 2020, the government reduced the Article 25/29 corporate income tax rate, which was established and took effect on March 31, 2020. The regulation stipulates that for the 2020 and 2021 tax years, the corporate income tax rate was reduced from 25% to 22%, and that for the 2022 tax year and onwards, the rate was planned to be reduced further to 20%.

On October 29, 2021, the government issued and enacted Law No. 7 of 2021 concerning the Harmonization of Tax Regulations, which increased the VAT rate from 10% to 11%. This rate increase took effect on April 1, 2022.

Law No. 7 of 2021 (Harmonization of Tax Regulations/HPP Law) also stipulates that the corporate income tax rate remains at 22%. The previously planned reduction of the corporate income tax rate to 20% for the 2022 tax year was not realized.

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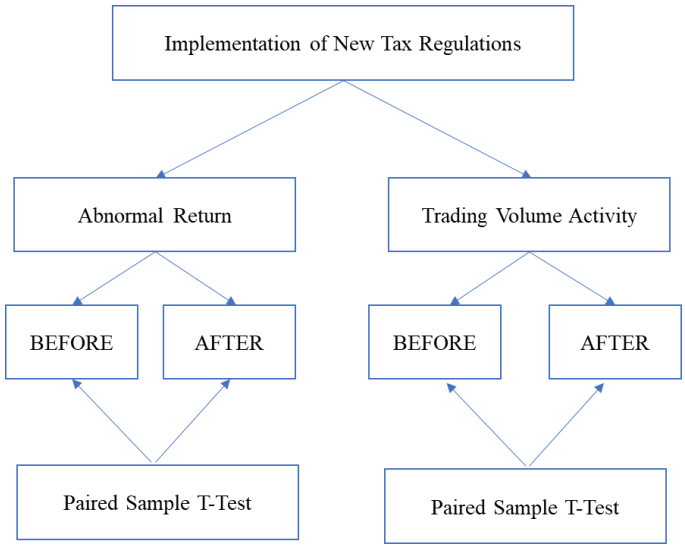
Article 7 of Chapter IV of Law No. 7 of 2021 also states that the VAT rate will be increased further from 11% to 12%, taking effect no later than January 1, 2025.

On December 31, 2024, the government issued Minister of Finance Regulation No. 131 of 2024, which regulates adjustments to VAT provisions. The regulation states that the 12% VAT rate applies only to luxury goods subject to Luxury Goods Sales Tax (PPnBM). The VAT imposed on non-luxury goods not subject to PPnBM is calculated by multiplying the 12% VAT rate by the Taxable Base (DPP) in the form of another value, which is 11/12. This calculation results in an effective VAT rate of 11% (12% × 11/12).



Source: Processed Data, 2025

Figure 2. Research Model

Hypothesis Formulation

The hypotheses in this study are stated as follows: (1) There is an abnormal return before and after the tax policy event; (2) There is a difference in abnormal return before and after the tax policy event; and (3) There is a difference in Trading Volume Activity (TVA) before and after the tax policy event for the stock prices of Consumer Cyclicals subsector companies listed on the IDX. The tax policy events analyzed were: (1) Determination and Enforcement of Government Regulation in Lieu of Law No. 1 of 2020 (corporate income tax rate reduced from 25% to 22%) on March 31, 2020; (2) Ratification of Law No. 7 of 2020 (VAT rate increased from 10% to 11%, and corporate income tax remained at 22%) on October 29, 2021; (3) Enforcement of Law No. 7 of 2020 (VAT rate increased from 10% to 11%) on April 1, 2022; and (4) Issuance of Minister of Finance Regulation No. 131 of 2024 (VAT rate remained at 11%) on December 31, 2024 (DJP 2025).

RESEARCH METHODS

Population and Sample

The population in this study consisted of all consumer cyclicals sub-sector listed on the IDX from 2019 to 2024. Consumer cyclicals sub-sector as a part of manufacturing companies. Manufacturing companies were one of the sectors that contributed significantly to Indonesia's GDP and reflected the real condition of the national industry. Manufacturing companies generally had large transaction volumes and were more exposed to tax policies, particularly VAT as a consumption tax and corporate income tax on business profits. Manufacturing companies listed on the IDX tended to have more complete and consistently published financial reports, facilitating data collection and analysis. The manufacturing sector was vulnerable to changes in production costs and fiscal policies; therefore, its stock prices could have reflected the impact of fiscal policy more significantly than other sectors.

The sample in this study was determined using a purposive sampling technique, based on the following criteria: (1) The Consumer Cyclicals subsector (IDXCYCLIC) was selected as the focus of the sample because it represented the consumer goods industry, which was sensitive to changes in the economy and purchasing power, consisting of important subsectors such as food and beverages, household products, and other consumer goods, and this subsector had a large number of companies (166 companies); (3) Twenty-seven companies were listed on the Main Board, because they had met the performance and corporate governance requirements, tended to be more stable and actively traded, and had large market capitalization, making them suitable for measuring market reactions; (4) The company's shares were actively traded during the estimation period (250 trading days before

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the event) and during the event window (t–3 to t+3); (5) There was no suspension of stock trading during the event window period, resulting in a final research sample of 20 companies.

Data Analysis Techniques

This study used an event study approach as the data analysis technique to evaluate the influence of an event on stock performance. The estimation period was set at 250 trading days prior to the event, which was used to calculate the normal return as a basis for comparison. Meanwhile, the event window was defined as 6 days, namely 3 days before to 3 days after the event date.

To determine whether there were differences in abnormal returns and trading volume activity before and after the event, a statistical t-test was used. Prior to this, a data normality test was performed. If the data were normally distributed, a parametric t-test, the Paired Sample t-test, was used. However, if the data were not normally distributed, a non-parametric t-test, the Wilcoxon Signed Rank Test, was used.

Hypothesis I

Hypothesis I testing was conducted to examine the existence of abnormal returns before and after the event under study. The formula used is as follows (Hartono, 2022):

Actual Return

$$\boldsymbol{R_{it} = \frac{P_t - P_{t-1}}{P_{t-1}}} \quad (1)$$

R_{it} = *Actual Return*
P_t = *Stock Price period t*
P_{t-1} = *Stock Price period t-1*

Market Return

$$\boldsymbol{R_{mt} = \frac{IM_t - IM_{t-1}}{IM_{t-1}}} \quad (2)$$

R_{mt} = market return index
IM_t = stock price index period t
IM_{t-1} = stock price index period t-1

Expected Return

The expected return was calculated using a single-index market model, with realization data during the estimation period to estimate the expected return in the event window, using the following equation.

$$\boldsymbol{E(R_{it}) = \alpha_i + \beta_i . R_{mt}} \quad (3)$$

$E(R_{it})$ = stock *expected return* period t
R_{mt} = *market return* period t

α and β coefficient obtained form the calculation of the regression equation between *stock return* (R_{it}) and market return*r* (R_m).

Abnormal Return

$$\boldsymbol{RTN = R_{i.t} - E[R_{i.t}]} \quad (4)$$

RTN = *abnormal return period t*
$R_{i.t}$ = *actual return period t*
$E[R_{i.t}]$ = *expected return period t*

Average Abnormal Return

$$\boldsymbol{\overline{AR}_{it} = \frac{\sum_{i=1}^{n} AR_{it}}{n}} \quad (5)$$

$\overline{AR}_{it}$ = *average abnormal return* period t

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AR_{it} = stock *abnormal return* period t
n = sample

Cumulative Average Abnormal Return

$$\boldsymbol{CAAR} = \sum \boldsymbol{\overline{AR}_{it}} \quad (6)$$

$CAAR$: *cumulative average abnormal return*
$\sum \overline{AR}_{it}$: *total average abnormal return* period t

Standard Deviation

$$\boldsymbol{\sigma_{it}} = \sum \frac{(\boldsymbol{AR_{it}} - \boldsymbol{\overline{AR}_{it}})^2}{\boldsymbol{n-1}} \quad (7)$$

σ_{it} = standard deviation
AR_{it} = *abnormal return* period t
$\overline{AR}_{it}$ = *average abnormal return* period t
n = sample

Standardized Abnormal Return

$$\boldsymbol{SAR_{nt}} = \frac{\boldsymbol{AR_{it}}}{\boldsymbol{\sigma_{ie}}} \quad (8)$$

SAR_{nt} = *standardized abnormal return* period t
AR_{it} = *abnormal return* period t
σ_{ie} = standard deviation

One Sample t-test

$$\boldsymbol{t} = \frac{\sum \boldsymbol{SAR_{nt}}}{\sqrt{\boldsymbol{n}}} \quad (9)$$

$\sum SAR_{nt}$ = *total standardized abnormal return* period t
n = sample

Hipotesis II
Hypothesis II testing was conducted to examine the difference in abnormal returns before and after the event under study. The formula used is as follows (Hartono, 2022):

Average Abnormal Return

Before Event:

$$\boldsymbol{\overline{AR}_{before}} = \frac{\sum_{t=-3}^{t=-1} \boldsymbol{AR_{before}}}{\boldsymbol{n}} \quad (10)$$

$\overline{AR}_{before}$ = *average abnormal return* before event
AR_{before} = *abnormal return* before event
n = sample

After Event:

$$\boldsymbol{\overline{AR}_{after}} = \frac{\sum_{t=+3}^{t=+1} \boldsymbol{AR_{after}}}{\boldsymbol{n}} \quad (11)$$

$\overline{AR}_{after}$ = *average abnormal return* after event
AR_{after} = *abnormal return* after event
n = sample

Standard Deviation

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Before Event:

$$\sigma_{before} = \sqrt{\sum_{t=-3}^{t=-1} \frac{\left(AR_{before} - \overline{AR}_{before}\right)^2}{(n-1)}} \quad (12)$$

After Event:

$$\sigma_{after} = \sqrt{\sum_{t=+3}^{t=+1} \frac{\left(AR_{after} - \overline{AR}_{after}\right)^2}{(n-1)}} \quad (13)$$

Statictics Test (α = 5%)

$$t = \frac{\overline{AR}_{after} - \overline{AR}_{before}}{\frac{\sigma_{after}^2}{n} + \frac{\sigma_{before}^2}{n}} \quad (14)$$

Hipotesis III

Hypothesis III testing was conducted to examine the differences in trading volume activity (TVA) based on the event under study. The formula used is as follows (Chandra, 2013)

***Trading Volume Activity* (TVA)**

$$TVA = \frac{Stock\ Trade\ Volume\ n\ period\ t}{outstanding\ share\ period\ t} \quad (15)$$

Average Trading Volume Activity

$$\overline{TVA} = \frac{\sum_{t=1}^{n} TVA}{n} \quad (16)$$

$\overline{TVA}$ = *average trading volume activity* period t
TVA = *trading volume activity* period t
n = time

Standard Deviation

$$\sigma_{ie} = \sqrt{\frac{\sum(TVA - \overline{TVA})^2}{n-1}} \quad (17)$$

σ_{ie} = standard deviation
$\overline{TVA}$ = *average trading volume activity* period t
TVA = *trading volume activity* period t
n = time

***Standardized Trading Volume Activity* (TVA)**

$$STVA_{nt} = \frac{TVA_{it}}{\sigma_{ie}} \quad (18)$$

$STVA_{nt}$ = *standardized trading volume activity* period t
TVA_{it} = *trading volume activity* period t
σ_{ie} = standard deviation

One Sample t-test

$$t = \frac{\sum STVA_{nt}}{\sqrt{n}} \quad (19)$$

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$\sum \text{STVA}_{nt}$ = total *standardized trading volume activity* period t
n = sample

Difference *Trading Volume Activity* before and after event

Average Trading Volume Activity

Before Event:

$$\overline{TVA}_{before} = \frac{\sum_{t=-3}^{t=-1} TVA_{before}}{n} \quad (20)$$

After Event:

$$\overline{TVA}_{after} = \frac{\sum_{t=+3}^{t=+1} TVA_{after}}{n} \quad (21)$$

Standard Deviation

Before Event:

$$\sigma_{before} = \sqrt{\sum_{t=-3}^{t=-1} \frac{\left(TVA_{before} - \overline{TVA}_{before}\right)^2}{(n-1)}} \quad (22)$$

After Event:

$$\sigma_{after} = \sqrt{\sum_{t=+3}^{t=+1} \frac{\left(TVA_{after} - \overline{TVA}_{after}\right)^2}{(n-1)}} \quad (23)$$

Statictics Test (α = 5%)

$$t = \frac{\overline{TVA}_{after} - \overline{TVA}_{before}}{\frac{\sigma_{after}^2}{n} + \frac{\sigma_{before}^2}{n}} \quad (24)$$

RESULTS AND DISCUSSION

Normality Test

From the results of the normality test on stock return data, it can be shown that the company data during the research period is normally distributed because it has an Aymp. Sig. (2-tailed) value greater than 0.05 (α ≥ 0.05) which is 0.200 so that the next hypothesis test will be carried out using the Paired Sample t-Test

Hypothesis Test

Table 1. Abnormal Return Test (4 Event)

Day	(*Event* 1) Perppu. No. 1 2020 (31 Mar 2020)		(*Event* 2) Ratification of Law No. 7 2020 (29 Oct 2021)		(*Event* 3) Implementation of Law No. 7 2020 (1 Apr 2022)		(*Event* 4) PMK No. 131 2024 (31 Dec 2024)	
	Sig	**Result**	**Sig**	**Result**	**Sig**	**Result**	**Sig**	**Result**
t - 3	0,00265	**Sig**	0,40090	No Sig	0,06709	No Sig	0,04835	**Sig**
t - 2	0,27166	No Sig	0,13750	No Sig	0,35596	No Sig	0,30456	No Sig
t - 1	0,00012	**Sig**	0,29105	No Sig	0,27312	No Sig	0,01287	**Sig**
t + 1	0,09973	No Sig	0,06846	No Sig	0,47692	No Sig	0,01765	**Sig**
t + 2	0,31633	No Sig	0,01304	**Sig**	0,17074	No Sig	0,07440	No Sig
t + 3	0,43749	No Sig	0,42537	No Sig	0,46745	No Sig	0,45514	No Sig

Source: Processed Data (2025)

Table 1 shows that the capital market reacts differently to each event. When an event contains information, the capital market will move, generating abnormal returns, whether positive or negative.

In Event 1, the significance value on day -3 was 0.00265 <0.05, which means it is significant, and on day -1, it was 0.000127 <0.05, which means it is also significant. Meanwhile, on days -2, +1, +2, and +3, the

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significance results were >0.05, with 0.271662, 0.099732, 0.316332, and 0.43749, respectively, which means it is not significant. Therefore, the results of the study state that H1 is partially accepted.

In Event 2, the significance value on day +2 was 0.013047 <0.05, which means significant, while on days -3, -2, -1, +1, and +3, the significance results were >0.05 with 0.400909, 0.137501, 0.291057, 0.068466, and 0.425375, respectively, which means insignificant. Therefore, the results of the study state that H1 is partially accepted.

In Event 3, the significance values on days -3, -2, -1, +1, +2, and +3 were >0.05, meaning they were not all significant. Therefore, the results of the study stated that H1 was rejected, meaning there was no statistically significant difference between the average abnormal returns on those days compared to normal conditions (without events). Thus, it can be concluded that there was no significant market reaction to the events analyzed during that period. This means that the events did not contain information strong enough to influence investor decisions collectively, or the market had reacted efficiently beforehand.

In Event 4, the significance value on day -3 was 0.048357 <0.05, which means it is significant, as well as on days -1 and +1, which were 0.012870 and 0.017658, respectively, while on days -2, +2, and +3, the significance results were >0.05 with values of 0.304569, 0.074409, and 0.455148, respectively, which means it is not significant. Therefore, the results of the study state that H1 is partially accepted.

Table 2. Paired Sample t-test *Abnormal Return* (4 Event)

	(*Event* 1) Perppu. No. 1 2020 (31 Mar 2020)	(*Event* 2) Ratification of Law No. 7 2020 (29 Oct 2021)	(*Event* 3) Implementation of Law No. 7 2020 (1 Apr 2022)	(*Event* 4) PMK No. 131 2024 (31 Dec 2024)
t-stat	1,52375	-0,41469	-1,44469	-0,32088
t-table	4,30265	4,30265	4,30265	4,30265
p-*value one-tail*	0,13351	0,35930	0,14269	0,38936
Result	**No Sig**	**No Sig**	**No Sig**	**No Sig**

Source: Processed Data (2025)

Table 2 shows that overall, there was no difference in abnormal returns between the four Corporate Income Tax and VAT policy events before and after the event. This is indicated by each event having a calculated t-value <t-table 4.30265 and a one-tailed p-value greater than the specified significance level (α = 0.05), indicating insignificant results. Therefore, in this hypothesis test, H0 is accepted and H2 is rejected.

Table 3. *Trading Volume Activity* Test (4 Event)

	(*Event* 1) Perppu. No. 1 2020 (31 Mar 2020)	(*Event* 2) Ratification of Law No. 7 2020 (29 Oct 2021)	(*Event* 3) Implementation of Law No. 7 2020 (1 Apr 2022)	(*Event* 4) PMK No. 131 2024 (31 Dec 2024)
H (-3), (+3)	-0,00085	-0,00184	0,00097	-0,00032
H (-2), (+2)	-0,00144	-0,00044	-0,00115	-0,00006
H (-1), (+1)	0,00079	-0,00057	-0,00030	0,00021
Average	-0,00050	-0,00095	-0,00016	-0,00006
Standard Deviation	0,00116	0,00077	0,00107	0,00027
t-stat	-0,74734	-2,13096	-0,25739	-0,36214
Sig.	0,26639	0,08340	0,41047	0,37597
Result	**No Sig**	**No Sig**	**No Sig**	**No Sig**

Source: Processed Data (2025)

Table 3 shows that the difference test of trading volume activity that has been studied states that for the four events, namely: (1) Determination and Enforcement of Law. No. 1 of 2020 on March 31, 2020 (Corporate Income Tax rate decreased from 25% to 22%); (2) Ratification of Law. No. 7 of 2020 on October 29, 2021 (VAT rate increased from 10% to 11%, and Corporate Income Tax remains at 22%); (3) Enforcement of Law. No. 7 of 2020 on April 1, 2022 (VAT rate increased from 10% to 11%); and (4) Issuance of Minister of Finance Regulation No. 131 of 2024 on December 31, 2024 (VAT rate remains at 11%); it is known that there is no difference in trading volume activity before and after, which is indicated by insignificant results.

Discussion

This study aims to examine how the stock market responded to changes in fiscal policy, particularly those related to adjustments to VAT and corporate income tax rates, using an event study approach. Market response was measured through abnormal returns and trading volume activity (TVA) for four policy events occurring in the

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2020–2024 period. The four main events examined were: (1) Determination and Enforcement of Government Regulation in Lieu of Law No. 1 of 2020 (corporate income tax rate reduced from 25% to 22%) on March 31, 2020; (2) Ratification of Law No. 7 of 2020 (VAT rate increased from 10% to 11%, and corporate income tax remained at 22%) on October 29, 2021; (3) Enforcement of Law No. 7 of 2020 (VAT rate increased from 10% to 11%) on April 1, 2022; and (4) Issuance of Minister of Finance Regulation No. 131 of 2024 (VAT rate remained at 11%) on December 31, 2024.

The analysis showed that the market reacted quickly but temporarily to several announced policies. In the first event, the reduction in the corporate income tax rate from 25% to 22% through Government Regulation in Lieu of Law No. 1 of 2020 generated significant abnormal returns in the days leading up to the announcement. This indicated that investors welcomed the policy, as it was perceived to increase corporate profits and potential dividend distributions. Similarly, in the fourth event, when the government issued Minister of Finance Regulation No. 131 of 2024 confirming that the VAT rate would remain at 11%, the market also reacted positively in the days before and after the announcement, indicating investor relief because concerns about a VAT increase were unfounded.

However, in the other two events—the ratification and implementation of the VAT rate increase to 11%—the market response tended to be minimal. The abnormal returns that appeared were short-lived and did not persist throughout the observation period. This suggested that market participants had anticipated the VAT increase and therefore did not experience significant surprises.

From a statistical perspective, the overall results of the difference tests indicated that neither abnormal returns nor trading volume activity before and after the events experienced significant changes. In other words, although price and volume fluctuations occurred on certain days, the market generally remained stable and did not exhibit excessive responses.

These findings reinforce the assumption that the Indonesian stock market, particularly on consumer cyclical sub-sector, tends toward semi-strong efficiency. This means that public information, such as fiscal policy, is immediately reflected in stock prices, but its influence is not always long-lasting. The market appears more responsive to positive policies (tax cuts) than to policies perceived as additional burdens (VAT increases). However, this reaction remains rational and is not accompanied by a significant spike in transaction volume.

Overall, the results of this study indicate that investors in the Indonesian capital market are careful and selective in responding to changes in fiscal policy, and tend to make decisions based on expectations regarding the long-term impact of these policies.

CONCLUSION

Some policy events exhibited significant abnormal returns on specific days within the event window, particularly before or immediately after the announcement date. However, in general, no consistent differences in abnormal returns or trading volume were found between the pre- and post-event periods. This indicates that the market responds quickly to policy information, but these reactions are short-lived and do not always significantly affect trading activity.

These findings reinforce the characteristics of the Indonesian capital market, which tends toward semi-strong efficiency, where public information, such as changes in tax policy, is immediately reflected in stock prices. However, this information does not always change investor behavior in terms of buying and selling large volumes of shares.

Overall, it can be concluded that while fiscal policies, such as changes in tax rates, can trigger short-term market reactions, their impact on stock price dynamics and trading volume tends to be limited. This provides important information for policymakers and market participants to understand how investor perceptions and expectations are formed, and the extent to which fiscal information influences investment decisions in the capital market.

Based on the findings of this study, there are several implications that can be considered by stakeholders: (1) Investors need to be responsive to fiscal policies, especially those related to taxation. Although the impact on stock prices is short-term, a good understanding of the policy context remains important. Investment decisions should be based on a combination of policy information and fundamental analysis; (2) For academics and further research, it is recommended to expand the scope of sectors or include macroeconomic variables to describe market reactions more comprehensively; (3) The government and tax authorities need to pay attention to communication strategies when announcing fiscal policies. Clarity of information and appropriate timing of announcements can reduce market uncertainty and maintain stability; (4) Company management, especially in the manufacturing sector, subsector of Consumer Cyclicals, should respond to policy changes by increasing efficiency and enhancing the transparency of adaptation strategies. This is important to maintain investor confidence and stock performance.

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