

Market Reaction to Government Regulation in Lieu of Law No. 1 Year 2017 and Law No.9 Year 2017

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ABSTRACT

Tax is one of the largest revenue sectors of the state treasury. State revenue in the tax sector plays an important role for national development and the sustainability of a country's governance system. The results of tax revenue performance are not optimal. One of the causes there are still many taxpayers who have not reported their assets both domestically and abroad. The steps taken by the government are issuing Government Regulation the Law of the Republic of Indonesia No. 1 Year 2017 concerning Access to Financial Information for Tax Purposes established on May 8, 2017. After the issuance of Government Regulation in Lieu of Law No. 1 Year 2017, on August 23, 2017 the government adopted a policy that the Government Regulation in Lieu of Law was made Law No. 9 Year 2017 concerning access to financial information for tax purposes. This research will analyze the abnormal return and trading volume activity before and after the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for tax purposes with event study method. Based on the results of the study there was no significant difference in the average abnormal return before and after the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017.

Keywords: abnormal return, event study, Government Regulation in Lieu of Law No. 1 Year 2017, Law No. 9 Year 2017, trading volume activity

INTRODUCTION

Tax is one of the largest revenue sectors of the state treasury. State revenue in the tax sector plays an important role for national development and the sustainability of a country's governance system. According to Soemitro (2011), taxes are contribution of people to the state treasury based on the law by not getting reciprocal services that can be directly displayed, and used to pay public expenses. The tax is used to finance public expenditures related to the duty of the state to administer government. State revenues are mostly collected from tax revenues. The results of tax revenue performance are not optimal, this is indicated by the low tax ratio to Gross Domestic Product (GDP) which in 2015 was around 10.7% of GDP then dropped to 10.3% of GDP in 2016. This tax ratio is lower than the tax ratio neighboring countries such as the Philippines (13.7%), Malaysia (13.8%) and Thailand (15.7%). One of the causes of the low state tax revenue is because there are still many taxpayers who have not reported their assets both domestically and abroad.

The steps taken by the government to overcome the low tax revenue are by issuing Government Regulation the Law of the Republic of Indonesia No. 1 Year 2017 concerning Access to Financial Information for Tax Purposes established on May 8, 2017 and issuance by the President of the Republic of Indonesia, Joko Widodo. Legislation still adheres to tax principles that are universally adhered to, justice,

convenience, administrative efficiency as well as the increase and optimization of state revenue. Therefore, the direction and purpose of Government Regulation in Lieu of Law No. 1 Year 2017 is to improve tax justice, support legal certainty, consistency and transparency. Government Regulation in Lieu of Law No. 1 Year 2017 aims to facilitate access to financial information for the benefit of financial information in the context of implementing the provisions of the legislation in the field of taxation and the implementation of international agreements in the field of taxation.

Based on this regulation, the Director General of Taxes (DGT) has the authority to obtain access to financial information for taxation purposes from financial service institutions that carry out activities in the banking sector, capital market, insurance, other financial service institutions categorized as financial institutions according to financial information exchange standards based on international agreements in the field of taxation. Access to customer data banks will not be limited in terms of examinations or through licensing or approval from the Financial Services Authority (OJK) or the Minister of Finance. Transparency also does not only occur in the country, but also will be international. Customer data owned by foreigners who have accounts in Indonesia will automatically be linked to the Indonesian tax authorities to their home countries, so that taxpayers will be more aware of fulfilling tax obligations and voluntarily registering and paying taxes properly.

In addition to the positive impact on tax revenue, the issuance of a Government Regulation in Lieu of Law has an impact on the capital market. In May 2017, when Government Regulation in Lieu of Law No. 1 Year 2017 issued, JCI closed up in 0.93%. A number of banking shares included in liquid shares, such as Bank Central Asia Tbk (BBCA), Bank Negara Indonesia (Persero) Tbk (BBNI), Bank Rakyat Indonesia (Persero) Tbk (BBRI) and Bank

Mandiri (Persero) Tbk (BMRI) on May 8, 2017 experienced an increase in share price and trading volume. Based on IHSG data that the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 influences the market reaction. On August 23, 2017 the government adopted a policy that the Government Regulation in Lieu of Law was made Law No. 9 Year 2017 concerning access to financial information for tax purposes. Further research will be conducted on the two events. This is done to determine the effect of these two events on the market reaction.

Information will get a market reaction only if the information has economic value content. Market reaction measurement can use the abnormal return approach. An event that contains information will provide an abnormal return and vice versa events that do not contain information will not provide an abnormal return for investors (Jogiyanto, 2003). Information that is relevant to capital market conditions is something that is always sought by capital market players in an effort to make investment decisions. Based on Anggariani and Suaryana (2018) research on market reaction to Government Regulation in Lieu of Law No. 1 Year 2017 empirically proved a significant abnormal return and trading volume activity around the issuance of Government Regulation in Lieu of Law No. 1 Year 2017. The results showed that there were significant abnormal returns at $t-1$ and $t+2$, then significant trading volume activity at $t-2$, $t-1$, t_0 , $t+1$, $t+2$.

The purpose of these study to analyze abnormal returns and trading volume activities before and after the issuance of Government Regulation in Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for tax purposes.

Previous Research

Most of the previous event study studies used various events that were directly related to economic or business

activities. Some of the research was conducted to test the efficiency of a capital market. Based on research by Putra (2015) using event study as a means of testing the information content of financial statements in the event window for 11 days. The research sample are companies that included in the LQ-45 index stock group for five years in a row from 2009 to 2013, with 22 companies and 110 observations obtained through the Indonesia Stock Exchange. Hypothesis testing is done by using paired sample t-test. The results of this test indicate that there are no differences in investor reactions in the form of differences in the average abnormal return and stock trading volume before and after the publication of statistical financial statements.

According to Nelmida (2018) to find out the market reaction by issuing a warrant before and after listing date warrant on the Indonesia Stock Exchange. The data from companies that have issued warrant on the Indonesia Stock Exchange in the period of 2011 - 2014. Totaling 10 companies selected to be used as research samples. The analytical method used event study technique, using windows fifteen days before and after listing date warrant. Based on the results, it was found that there were significant differences in abnormal returns and cumulative abnormal returns before and after listing date warrant on the Indonesia Stock Exchange and the Indonesian capital market in the form of half strong.

Mandhira et al., (2018) explained the influence of the implementation variable of Government Regulation in Lieu of Law No. 1 Year 2017 on tax revenue and the effect of taxpayer awareness of tax revenue. This research was conducted at the Singaraja Pratama Tax Office (KPP). The population in this study were individual taxpayers registered at KPP Pratama Singaraja, amounting to 70,592 people and the number of samples used was 100 people. The results of this study stated that the implementation variable Government Regulation in Lieu of Law No. 1 Year 2017 (X1) has a positive and significant effect on tax revenue and

taxpayer awareness variable (X2) has a positive and significant effect on tax revenue.

Research Hypothesis

Abnormal returns before and after publishing

Abnormal return is the difference between actual returns compared to expected returns (Hartono, 1998) in Budiman (2009). Meanwhile, according to Bodie and Kane (2019) abnormal return is the return on what will be predicted from market movements alone. Furthermore Jogiyanto (2008) explains that abnormal return or excess return is an excess of return that actually occurs against normal returns. Normal return is the return expected by investors. With the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 concerning access to customer information whether the market reacts with the existence of the Government Regulation in Lieu of Law. The investor's reaction can be seen with the presence or absence of abnormal returns before, during and after the issuance of the Government Regulation in Lieu of Law.

H₁: Significant abnormal return at the time of issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017.

Average abnormal return before and after publishing

Average Abnormal Return (ARR) is the average abnormal return of all types of stocks that are analyzed on a daily basis. ARR can show the strongest reaction, both positive and negative, of all types of shares on certain days during the window period (Samsul, 2006: 276). Calculation of average abnormal return before and after the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 to find out whether by comparing the window period there are differences in the average abnormal returns in the window event before and after the issuance of Government Regulation in Lieu of Law No. 1 Year 2017.

H₂: There is a significant difference in the average abnormal return before and after the

issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017.

Trading Volume Activity (TVA)

There are many factors that can affect Trading Volume Activity (TVA). This relates to various ways of investors in responding to information. According to Foster (1986: 377) there are some information that can affect the volume of stock trading, including relating to earnings, forecasting by company officials, dividends, funding, government, investment, employment and so forth. The volume of stock trading activity can be used to see whether an individual investor assesses an event as informative, whether the information will make an investment decision that is different from a normal investment decision. Information contains informative value if the number of shares traded becomes larger or smaller at the time of the event, compared to other times.

H₃: There is a significant difference in average trading volume activity before and after the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017.

Average abnormal return at the time of publication

Group the abnormal return in the event period into the abnormal return period in the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017 and Law No. 9 Year 2017 on August 23, 2017. The adoption of Government Regulation in Lieu of Law No. 1 of 2017 may have an impact on the financial performance of banks in Indonesia. Based on Oktavia *et al.*, (2019), the research focus to explore which banking financial report components are affected by the application of the Government Regulation in Lieu of Law No. 1 of 2017 and how the differences in banking financial performance before and after the implementation of Government Regulation in Lieu of Law No. 1 of 2017. The study uses mixed method, which is a combination of qualitative methods supported by quantitative methods. The

results of study is that there are differences in several components of the financial statements of banks in Indonesia that are affected by the application of Government Regulation in Lieu of Law No. 1 Year 2017. The components of financial statement are Deposits (Third Party Funds), Net Interest Income (Loan to Deposit Ratio), and Profit/Loss Operations.

H₄: There is a difference in abnormal return when issuing Government Regulation in Lieu of Law No. 1 Year 2017 with the issuance of Law No. 9 Year 2017.

METHODS

Sample and Data Collection

This study used the form of financial sector stock price data to see the presence or absence of abnormal returns that occur during the study and see whether the market is in an efficient form of strong, half strong and weak. The data source in this study came from secondary data released by the Indonesia Stock Exchange (www.idx.co.id). The sampling technique used was nonprobability sampling technique, with a purposive sampling method. Purposive sampling is a data source sampling technique with certain considerations (Sugiyono, 2017). The use of purposive sampling method is because not all samples have criteria that fit the phenomenon under study. The sampling criteria are companies listed on the Indonesia Stock Exchange (IDX) that are included in the financial sector during the two event periods in 2017.

Data Analysis

This research used event study analysis. The research period used was 69 exchange days consisting of an estimation period and an event period. The estimation period used in this study is 60 days, t-64 to t-5 before event day on May 8, 2017 (Government Regulation in Lieu of Law No. 1 Year 2017) and August 23, 2017 (Law No. 9 Year 2017). After determining the estimated period, the step taken is determining the period of occurrence. In this study the period of events used was 9 days, consisting of 4 days before the event, the

date of the event and 4 days after the issuance of the Government Regulation in Lieu of Law and the Law was May 8, 2017 to May 15, 2017 (Government Regulation in Lieu of Law No. 1 Year 2017) and August 23, 2017 to August 29, 2017 (Law No. 9 Year 2017). This four-day period was taken because it was considered that the period was expected to reflect market reaction. If

the period of events taken is too short, there is a concern that the market reaction will be quite long but cannot be detected in the research conducted. Meanwhile, if the period of events taken is too long, it is feared that there will be other events which significantly affect the results of the research.

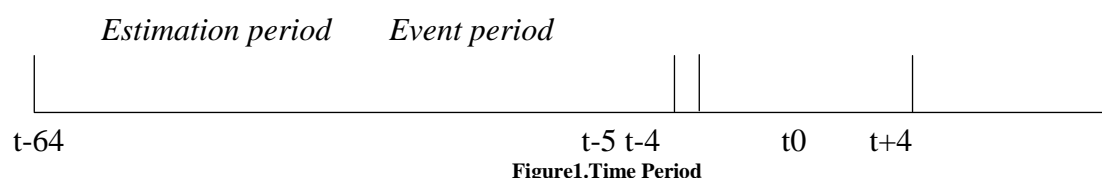


Figure1. Time Period

Table 1: Operational Variable

Variable	Concept	Indicator	Sources
Abnormal return	Calculates the abnormal return of each stock during the observation period	$RTN_{i,t} = R_{i,t} - E R_{i,t}$ $RTN_{i,t}$ = abnormal return of securities-i in the period of t $R_{i,t}$ = return realization that occurs for i-securities in the t-event period $ER_{i,t}$ = return expectation of securities-i for the-t event period	Jogiyanto (2015)
Stock Return	Calculates the rate of return of each stock based on a formula	$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$ R_{it} = Actual Return P_{it} = Stock price of Securities-i in the period of t event P_{it-1} = Stock price of Securities-i in the period of t-1 event	Jogiyanto (2015)
Expected Return	Calculates expected stock returns estimated by CAPM	$E(R_{it}) = R_f + (R_m - R_f)\beta$ $E(R_{it})$ = Expected return rate R_f = Risk free interest rate R_m = Market profit rate β = Systematic risk rate (beta)	Husnan (2018)
Return Market	Calculate the rate of return on a market portfolio that is commonly represented by the IHSG	$R_m = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$ $IHSG_t$ = Composite stock price index period-t $IHSG_{t-1}$ = Composite stock price index period-t-1	Jogiyanto (2015)
Risk free rate	Calculate daily Risk free. Therefore the analysis in this study is a daily analysis	Interest rate using 7-Day BI	
Average abnormal return	Calculates the average abnormal return for each day of the event period	$RRTN_t = \frac{\sum_{i=1}^k RTN_{i,t}}{K}$ $RRTN_t$ = average abnormal return day t	Jogiyanto (2015)
Trading volume activity	TVA calculation of each share during the study period	$\frac{\sum shares - i \text{ traded time to } t}{\sum shares - i \text{ outstanding at } t}$ Notes: $TVA_{i,t}$ = trading volume activity for securities-i in day-t	Husnan (2018)
Average trading volume activity (ATVA)	Calculates the average trading volume activity (ATVA) of all shares per day during the event period	$ATVA_t = \frac{\sum_{i=1}^n TVA_{i,t}}{N}$ $ATVA_t$ = average trading volume activity day-t $TVA_{i,t}$ = trading volume activity for securities-i in day-t n = number of securities	Jogiyanto 2015

Based on Figure 1 the reason for taking the research periods of -4 and +4 is to avoid any confounding effects due to the announcement of stock split, mergers and issuance of rights. The conclusions only for events period t-4 to t+4 to avoid

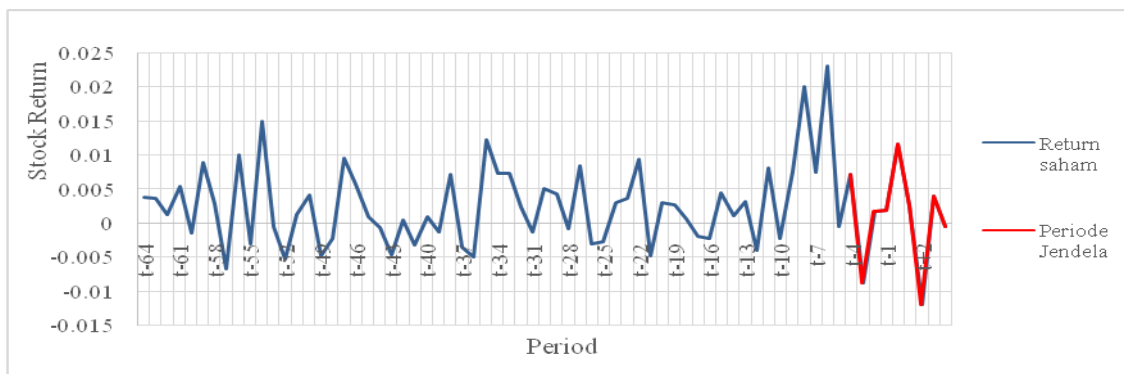
confounding effects on events outside of the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for tax purposes. Before entering into the analysis method of the

event study, the steps taken are data returns that are normally distributed, because Jogiyanto (1998) says that data returns from developing capital markets are thought to have abnormal distribution. If the data return is not normally distributed, this will violate the basic assumptions of the statistical tools used. With this basis, then in this study it is necessary to test the normality of data returns. The data processing method used in this study is to use a regression test. Based on the concept of the Capital Asset Pricing Model (CAPM) in investment and tax revenue, the variables that need to be examined are:

RESULTS

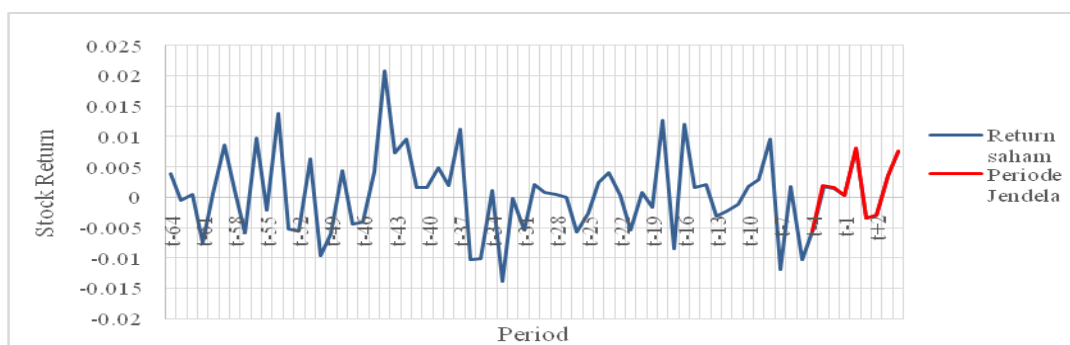
This study wants to examine the impact of the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for taxation purposes on the market reaction on the Indonesia Stock Exchange (IDX) and its impact on state tax revenues. Stipulation of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017

concerning access to financial information for tax purposes in 2017 was set on May 8, 2017 and August 23, 2017. However, signals from the government regarding the issuance of the Government Regulation in Lieu of Law had appeared several days earlier. This study reviews investors' reactions around the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for tax purposes only, that is 5 days before to 5 days after the announcement. Estimated market reactions measured by abnormal stock returns are carried out using an estimation period of 60 days. The 60-day estimation period is intended to look for trends or patterns of changes in individual stock prices from the sample. The pattern of changes in stock prices is measured using the market model method to find the value of the slope or beta of the stock and the intercept or alpha. The stock beta shows the risk of the stock to market conditions, which in this case is measured by a composite stock price index.



Sources: www.idx.co.id

Figure 2: Average stock returns during the announcement period of Government Regulation in Lieu of Law No.1 Year 2017



Sources: www.idx.co.id

Figure 3: Average stock returns during the announcement period of Law No.9 Year 2017

In the 64 days before the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017, in March 2005 up to 4 days afterwards, there appears to be a fluctuation in stock returns that is not so large. But on the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and the Law on access to financial information for tax purposes, about a month before the announcement was made, there was a considerable fluctuation in stock returns. Market reaction measurement is measured by looking at changes in abnormal stock returns and changes in trading volume activity (TVA) that occur around the announcement of the issuance of the Government

information for taxation purposes and 5 days after the announcement. On the announcement of May 8, 2017, only 4 days before the announcement showed a positive abnormal return, while the average abnormal return on the 4 days before the announcement until a day before the announcement of a negative stock abnormal return occurred, but on the day the announcement of the regulation issued abnormal return become positive. This shows that prior to the announcement there was a tendency for negative reactions from investors. It is possible that there are already issues regarding the Government Regulation in Lieu of Law. Whereas on the 4 days after the announcement of the Government Regulation in Lieu of Law on May 8, 2017, investors reactions tend to be fluctuating where at t+1 a positive abnormal return occurs then t+2 and t+3 a negative reaction while t+4 an abnormal positive return which means it occurs positive reaction from investors. On the announcement of the issuance of Law No. 9 Year 2017 in August 2017, there was a tendency for negative reactions from investors, where prior to the announcement of the issuance of the law, abnormal returns were all negative. This is possible for investors to know beforehand, while at the time of issuance of the Law and in the 4 days after the investors reaction tends to fluctuate where at t+1 and t+2 a negative abnormal return occurs while t+0, t+3 and t+4 actually a positive reaction means a positive reaction from the investor.

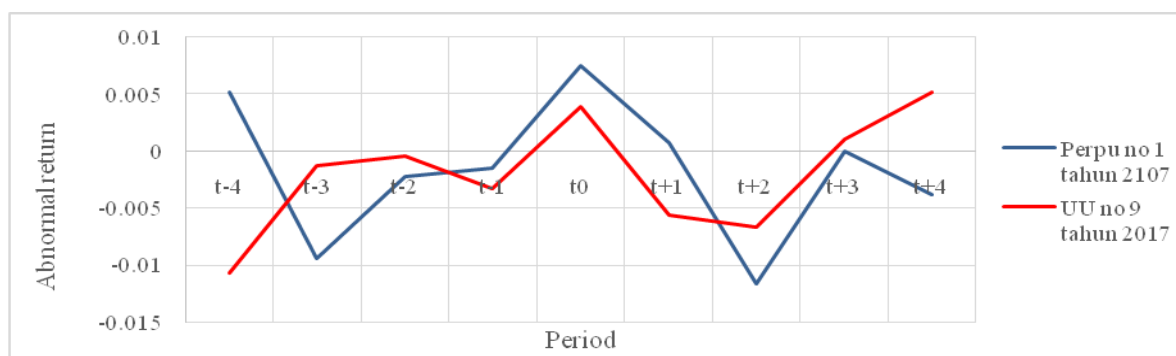
Regulation in Lieu of Law and the Law.

Table 2 Abnormal stock returns on average 4 days before up to 4 days after the announcement

Period	Abnormal return stock May 2017	Abnormal return stock August 2017
-4	0.0052	-0.0107
-3	-0.0094	-0.0013
-2	-0.0022	-0.0004
-1	-0.0015	-0.0033
0	0.0075	0.0039
+1	0.0008	-0.0056
+2	-0.0117	-0.0067
+3	0.0000	0.0010
+4	-0.0039	0.0052

Sources: www.idx.co.id

The Table 2 shows data from 84 samples for 9 trading days which were divided into 4 days before the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial



Sources : www.idx.co.id

Figure 4: Changes in the abnormal return of shares in the announcement period of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017

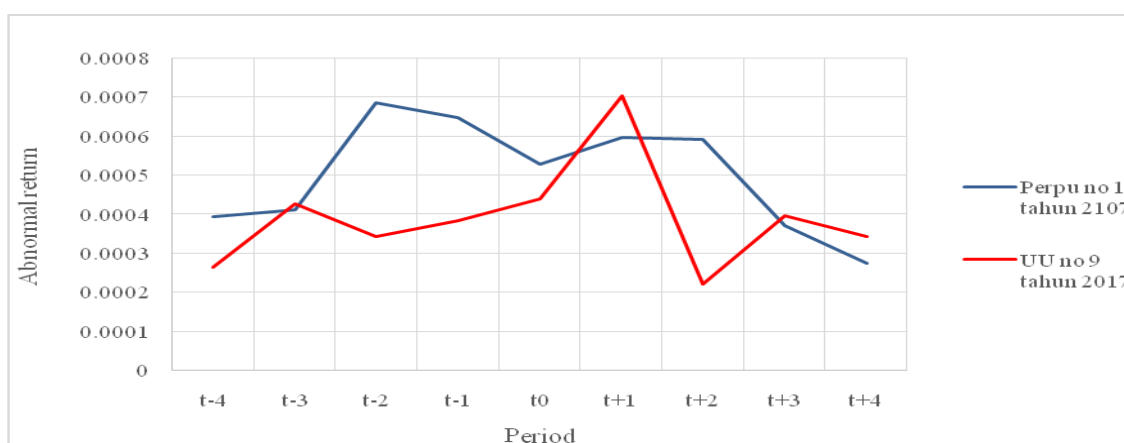
Investors reaction indicated by the value of trading volume activity around the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017 and Law No. 9 Year 2017 on August 23, 2017, as follows:

Table 3: Average Trading Volume Activity (TVA) of shares 4 days before to 4 days after the announcement

Period	Abnormal stock return in the May announcement	Abnormal stock return in the August announcement
-4	0.0004	0.0003
-3	0.0004	0.0004
-2	0.0007	0.0003
-1	0.0006	0.0004
0	0.0005	0.0004
+1	0.0006	0.0007
+2	0.0006	0.0002
+3	0.0004	0.0004
+4	0.0003	0.0003

Sources : www.idx.co.id

In the May announcement, a sharp increase occurred 2 days before the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 whereas for the August announcement the sharp increase occurred a day after the announcement of the issuance and Law No. 9 Year 2017.



Sources : www.idx.co.id

Figure 5: Changes in Average Trading Volume Activity (TVA) of the stock 4 days before to 4 days after the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for tax purposes

Data analysis in this research will be conducted separately for each event so that the results can be known in detail and then conclusions can be drawn in general. Before further testing, normality tests will be carried out first so as not to violate the basic assumptions of the statistical tools used.

Table 4: Testing the Kolmogorov-Smirnov Test One-sample Normality data

		May	August
N		8	8
Normal Parameters ^{a,b}	Mean	-.0028	-.0027
	Std. Deviation	.00547	.00496
Most Extreme Differences	Absolute	.176	.112
	Positive	.136	.100
	Negative	-.176	-.112
Test Statistic		.176	.112
Asymp. Sig. (2-tailed)		.200 ^{c,d}	.200 ^{c,d}

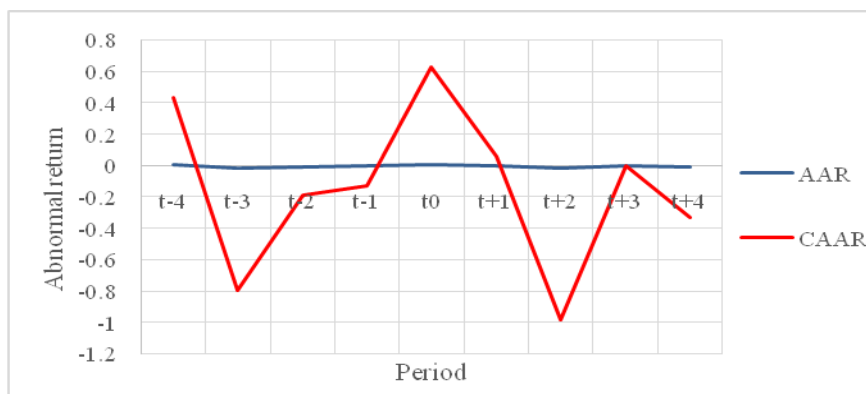
Based on Table 4 generated asymptotic significance values, abnormal return for Government Regulation in Lieu of Law No. 1 Year 2017 May 8 is 0.200, and for Law No. 9 Year 2017 on August 23 is 0.200. This value is greater than 0.05 or 5%, this means that all data on average abnormal returns in both events are normally distributed. Testing the impact that occurred due to the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 was conducted with an event study that examined the reaction of stock prices around the announcement of the issuance of the Government Regulation in Lieu of Law

and the Law. The existence of market reactions to stock prices can be known from the value of abnormal stock returns and trading volume activity (TVA). If there are differences in abnormal stock returns in a period with zero stock abnormal returns, it means that there is an investor reaction that causes changes in stock prices caused by the announcement of the information. If the average abnormal stock return after the announcement is greater than the average abnormal stock return before the announcement means that the announcement event has an effect on increasing stock prices, conversely if the average abnormal stock return after the announcement is smaller than the average abnormal stock returns before the announcement means that the

announcement event affects the stock price decline.

TEST RESULT Hypothesis Testing 1

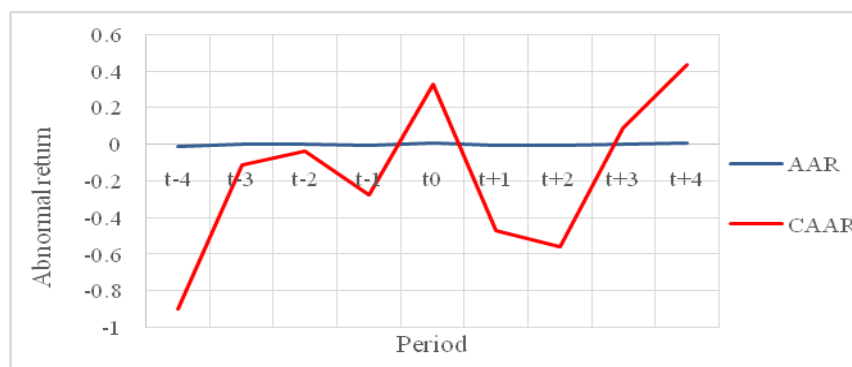
The first hypothesis will test the significance of abnormal returns during the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017 and Law No. 9 Year 2017 on August 23, 2017. Testing is done by finding the difference between the results obtained with the results expected by investors. Abnormal returns obtained by investors have two directions, positive and negative. The results of the Average Abnormal return (AAR) and Cumulative AAR (CAAR) that have been done can be seen in Figure 6.



Sources : www.idx.co.id

Figure 6: Average Abnormal return (AAR) and Cumulative AAR (CAAR) Government Regulation in Lieu of Law No. 1 Year 2017 on 8 May 2017

Based on the Figure 6 it can be seen that the cumulative average abnormal return (CAAR) has decreased at t-3 to t-2 and has increased from one day before (t-1) events to one day after (t+1) events. At t+2 there was a decrease which was a negative response from the exchange due to the event. This decline did not last long, the market looks excited again at t+3, but t+4 the market down again.



Sources: www.idx.co.id

Figure 7: Average Abnormal return (AAR) and Cumulative AAR (CAAR) period Law No. 9 Year 2017 on August 23, 2017

Based on the Figure 7 it can be seen that the cumulative average abnormal return (CAAR) has decreased at t-4 which is very sharp and has increased at t-3 and t-2 before the event and then decreases t-1 again. At t0 there was a very significant increase and t+1 and t+2 decreased which was a negative response from the exchange due to the event. Whereas there was an increase and at t+3 and t+4 an increase occurred again and this also coincided on the trading weekend. To see the presence or absence of abnormal stock returns on before until after the announcement of Law No. 9 Year 2017 dated 23 August 2017 will be searched using the one sample t-test. In principle, this test is to compare the average stock abnormal return with a stock return of 0 (no abnormal stock returns).

Table 5: t-test abnormal stock return

Period	Government Regulation in Lieu of Law No. 1 Year 2017			Law No. 9 Year 2017		
	t	df	Sig. (2-tailed)	t	df	Sig. (2-tailed)
t-4	0.829	83	0.409	-3.561	83	0.001
t-3	-1.62	83	0.109	-0.497	83	0.621
t-2	-0.34	83	0.739	-0.134	83	0.894
t-1	-0.28	83	0.783	-1.051	83	0.296
t0	1.188	83	0.238	0.975	83	0.332
t+1	0.105	83	0.917	-1.102	83	0.274
t+2	-1.86	83	0.067	-2.360	83	0.021
t+3	0.001	83	0.999	0.272	83	0.786
t+4	-0.76	83	0.447	1.143	83	0.256

The results of the calculation of abnormal returns were mostly negative in the days before the announcement of the issuance of Government Regulation in Lieu of Law No. 1 year 2017 and mostly positive in the days after the increase can be said that market participants did not respond too much. This is possible considering the signs from the government for the announcement had appeared a few days earlier. While on the days around the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 there was no significant abnormal return after or before the announcement of the regulation. Meanwhile, the results of calculating the abnormal return shows that in the days before the announcement of the issuance of

Law No. 9 Year 2017 dated August 23, 2017 on t-4 a significant abnormal return occurred while on days after a significant increase in abnormal return only at t+2. This is possible considering the signs from the government regarding the announcement of the issuance of Law No. 9 Year 2017 dated August 23, 2017 which has appeared on several days and has been predicted, while on other days the abnormal returns that occur are not significant.

Furthermore, to test the significance of abnormal returns during the increase, it is necessary to find the test using the one sample t-test formula. In the principle, this test is to compare the average stock abnormal return with a stock return of 0 (no abnormal stock returns).

Table 6 Different test abnormal stock return

Statistics	Government Regulation in Lieu of Law No. 1 Year 2017	Law No. 9 Year 2017
	Abnormal return	Abnormal return
Mean	-0.0028	-0.00273
Std. Deviation	0.00547	0.00496
t	-1.469	-1.556
Sig t	0.185	0.164
Conclusion	Not Significant	Not Significant

Based on the Table 6 of Average abnormal stock returns for 9 days of observation on the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017

was obtained at -0.00280 or there was a negative reaction from investors. Test the significance of the difference in stock returns statistically obtained value of $t = -1.469$ with a significance of 0.185 The value

of sig t obtained is greater than 0.05. This means that at the level of 5% abnormal return during the announcement of the issuance of Government Regulation in Lieu of Law No. 1 year 2017 8 May 2017 is not significant. The average abnormal return of shares for 9 days of observation of the announcement of the issuance of Law No. 9 Year 2017 dated August 23, 2017 was obtained at -0.00273 or there was a negative reaction from investors. Test the significance of the difference in stock returns statistically obtained value of $t = -1.556$ with a significance of 0.164 sig t-value obtained greater than 0.05. This

means that at the level of 5% abnormal returns during the announcement of the issuance of Law No. 9 Year 2017 on August 23, 2017 is not significant. Thus Hypothesis 1 of this study was accepted.

Hypothesis Testing 2

The results of testing differences in abnormal stock returns before and after the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 May 8, 2017 and Law No. 9 Year 2017 dated August 23, 2017 using the paired sample t test.

Table 7: Test the differences in abnormal stock returns on average 5 days before and 5 days after the announcement

Statistics	Government Regulation in Lieu of LawNo. 1 Year 2017		Law No. 9 Year 2017	
	AR Before	AR After	AR Before	AR After
	Announcement	Announcement	Announcement	Announcement
Mean	-0.002	-0.0037	-0.00393	-0.00153
Std. Deviation	0.00597	0.00568	0.00468	0.00563
t	0.412		-0.658	
Sig t	0.694		0.535	
Conclusion	Not Significant		Not Significant	

Average abnormal stock returns for 5 days before the issuance of Government Regulation in Lieu of Law No. 1 year 2017 dated May 8, 2017 (t-5 to t-1) obtained 0.00992 or a positive reaction from investors, while after the announcement (t+1 to t+5) obtained an average of -0.002 or show there is also a tendency for negative reactions. However, the results of the statistical significance test of stock returns obtained t-value = 0.412 with a significance of 0.694. The sig t-value obtained is greater than 0.05. This means that at the 5% level there was no significant abnormal return difference before and after the announcement of Government Regulation in Lieu of Law No. 1 year 2017 on 8 May 2017. The average abnormal return of shares for 5 days before the announcement of the issuance of Law No. 9 Year 2017 dated 23 August 2017 (t-5 to t-1) was obtained of -0.00393 or there was a negative reaction from investors, whereas after the announcement of the issuance of Law No. 9 Year 2017 dated August 23, 2017 (t+1 to

t+5) an average of -0.00153 was obtained or showed a tendency for negative reactions. However, the results of the statistical significance test of stock returns obtained value of $t = -0.658$ with a significance of 0.535. The sig t-value obtained is greater than 0.05. This means that at the level of 5%, there was no significant difference in abnormal returns before and after the announcement of the issuance of Law No. 9 Year 2017 dated August 23, 2017. The results of the study showed that before and after the announcement of Government Regulation in Lieu of LawNo. 1 Year 2017 on May 8, 2017 and Law No. 9 Year 2017 on August 23, 2017, changes in the reaction of stock prices are not significant. Thus Hypothesis 2 of this study was accepted.

Hypothesis Testing 3

TVA test results were different before and after the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017 and Law No. 9 Year 2017 on August 23, 2017 using the one sample t test.

Table 8: TVA stock different test on average 4 days before and 4 days after the announcement

Period	Government Regulation in Lieu of Law No. 1 Year 2017			Law No. 9Year 2017		
	t	df	Sig. (2-tailed)	t	df	Sig. (2-tailed)
t-4	4,221	83	0,000	3,488	83	0,001
t-3	4,647	83	0,000	3,224	83	0,002
t-2	2,695	83	0,009	4,043	83	0,000
t-1	3,566	83	0,001	4,114	83	0,000
t0	3,854	83	0,000	3,182	83	0,002
t+1	4,288	83	0,000	1,912	83	0,059
t+2	4,207	83	0,000	5,090	83	0,000
t+3	4,368	83	0,000	3,469	83	0,001
t+4	4,461	83	0,000	4,739	83	0,000

The trading volume activity test results above show that, before, during and after the issuance of Government Regulation in Lieu of LawNo. 1 Year 2017 at t-4, t-3, t-2, t-1, t0, t+1, t+2 there is a significant TVA. This shows that the significance value is less than 0.05, so the entire observation period shows a significant volume of activity trades. Based on analysis of market reactions measured by trading volume activity, the third hypothesis which states that there is a significant trading volume activity around the issuance of Government Regulation in Lieu of Law Number 1 Year 2017 is accepted. Changes in trading volume activity.

Based on Table 8 the results of the study stating that there are fluctuating reactions measured by trading volume activity at t-4, t-3, t-2, t-1, t0, t+1, t+2, t+3 and t+4, meaning that the market reaction to the issuance of Government Regulation in Lieu of LawNo. 1 Year 2017 always occurs. the biggest reaction occurred at t-2 (t-count of 2,695), this was due to a rebound from capital market players after being held back in the previous days. There is an increase in stock prices that occur in the short term, after the stock price has corrected or also called a rebound, therefore with a rebound the investor buys shares at the time of the decline from the existence of this Government Regulation in Lieu of Law issuance information, then resells it when the price rises again. After the announcement of the issuance of Government Regulation in Lieu of Law on t+4, t+3, t+4 and t+2 experienced an increase and decrease in TVA, this means that investors reacted no longer based on the announcement of the issuance of

Government Regulation in Lieu of LawNo. 1 Year 2017.

The trading volume activity test results above show that, before, during and after the issuance of Law no. 9 Year 2017 at t-4, t-3, t-2, t-1, t0, t+1, t+2 there is a significant TVA. This shows that the significance value is less than 0.05, so the entire observation period shows a significant volume of activity trades. Based on an analysis of market reactions as measured by trading volume activity, the third hypothesis which states that there is a significant trading volume activity around the issuance of Law No. 9 Year 2017is accepted.

Based on Table 8the results of the study stating that there are fluctuating reactions measured by trading volume activity at t-4, t-3, t-2, t-1, t0, t+1, t+2, t+3 and t +4, meaning that the market reaction to the issuance of Government Regulation in Lieu of Law Number 1 Year 2017 always occurs. The biggest reaction occurred at t-1 (t-count=4.114), this was due to a rebound from capital market players after being held back in the previous days. There is an increase in stock prices that occur in the short term, after the stock price has corrected or also called a rebound, therefore with a rebound the investor buys shares at the time of the decline from the existence of information on the issuance of Law No. 9 Year 2017, then sell it back when the price rises again. After the announcement of the issuance of Law No. 1 Year 2017 at t+1 experienced a very significant decrease we can see in the t-count of 1,912 and t+2 experienced a sharp increase can be seen from the t-count of 5,090, t+4, t+3 experienced an increase and decrease in

TVA which not too sharp, this means investors have reacted based on the announcement of Law No. 9 Year 2017.

Hypothesis Testing 4

The results of testing the difference in the average abnormal stock returns at the time of the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 on 8 May 2017 with Law no 9 Year 2017 on 23 August 2017 using the paired sample t-test.

Table 9: Test the difference in average abnormal stock returns

Statistics	AR on May	AR on August
Mean	-0.00284	-0.00273
Standard Deviation	0.00547	0.00496
t	-0.043	
Sig t	0.966	
Conclusion	Not significant	

Based on Table 9 the average abnormal stock return of the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 on May 8, 2017 obtained in the amount of -0.00284 or and Law no. 9 Year 2017 on August 23, 2017 obtained an average of 0.00543 or showed a tendency for negative reactions. However, the results of the statistical significance test of stock returns obtained value of $t = -0.043$ with a significance of 0.966. The sig t-value obtained is greater than 0.05. This means that at a level of 5%, there was no difference in the average abnormal return which was not significant when the announcement of Government Regulation in Lieu of Law No. 1 Year 2017 on 8 May 2017 with Law No. 9 Year 2017 on 23 August 2017. Thus Hypothesis 4 of this study was accepted.

DISCUSSION

Research using the event study approach on two events announcing the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 concerning access to financial information for taxation purposes shows that this event has information content, which caused the Indonesian capital market to react to the event. The reaction appears to occur on the trading day before the two events occur. This is due to signals from the

government regarding the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 has appeared in the previous few days.

Significant abnormal return differences did not occur in the two events, this is because market players are getting used to predicting the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017. Capital market reaction to the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 can indeed be expected given the issue surrounding the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 has been circulating before the date of increase. Therefore, investors buy more when the stock price after the event and according to them is already cheap then they will buy back the shares to be included in the portfolio again.

While the activity of stock trading between before and after events showed no significant difference. This is because indeed from the two events announcing the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 is already predictable by market participants. The absence of a price reaction to that information reflects the absence of aggregate revisions of trust in the market that are the result of the existence of previously known information.

The average abnormal return during the two events turned out to show no significant difference. This is because indeed from the two events announcing the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 is already predictable by market participants. In general, the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 is indeed bad news for customers. However, investors have learned from experience that the announcement will

take effect in September 2017. The lack of price reaction to the information reflects the inability of investors to take advantage of the event.

CONCLUSION

Announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 causes fluctuations in share prices on the Jakarta Stock Exchange. Based on the results of research on average abnormal returns during the days around the announcement of the issuance of Government Regulation in Lieu of Law No.1 Year 2017 there was no significant abnormal return after or before the announcement of the issuance of the Government Regulation in Lieu of Law. Whereas before the announcement of the issuance of Law No. 9 Year 2017 on August 23, 2017 on t-4, there was a significant abnormal return, whereas on days after the increase in abnormal return, it was only significant at t+2. Abnormal return for 5 days before the announcement of the issuance of Government Regulation in Lieu of Law no. 1 Year 2017 and Law No.9 Year 2017 (t-4 to t-1) obtained a different reaction where before the increase tends to occur a negative reaction from investors, whereas on the 5 days after the increase tends to have a positive reaction from investors. Based on the results of the study there were no significant differences in the average abnormal return before and after the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017.

Based on the results of the one sample t-test, it shows a significant market reaction to the total trading volume before and after the announcement of the publication of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017, the fact is due to the announcement of the issuance of Government Regulation in Lieu of Law no. 1 Year 2017 and Law No. 9 Year 2017 contains information content, it will show

an abnormal return. Capital market reaction to the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 can indeed be expected by investors, given the issues surrounding the announcement of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 had been circulated before, so investors reacted and the market reacted. This causes insignificant abnormal return on the day before and after the announcement day.

SUGGESTION

Future research is expected to be able to add other variables besides abnormal return and trading volume activity (TVA), such as market capitalization because issuers who have a hefty capital are usually hunted by investors, or variable price earning ratio (PER). This is because PER is also often used by investors to analyze the company's ability to make profits. In addition, testing can be done to determine the effect of the issuance of Government Regulation in Lieu of Law No. 1 Year 2017 and Law No. 9 Year 2017 against our country's tax revenue from customer funds originating from abroad.

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