
THE IMPACT OF TAX AMNESTY ON STOCK PRICE INDEX AND EXCHANGE RATE IN INDONESIA

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Abstract

This research tries to find out the impact of the tax amnesty policy carried out by the Indonesian government in order to increase capital in flow in Indonesia through capital declaration and repatriation to the country so that it can influence the stock price index on the Indonesia Stock Exchange and the rupiah exchange rate against the US dollar. This study uses a qualitative research method with an event study approach that analyzes trends in the stock price index and exchange rate movements during before and after the announcement of tax amnesty policy on companies listed on the IHSG. The sample of this study uses stock price index data on the IHSG and the exchange rate of the rupiah and US dollar during the tax amnesty policy before and after the July 2016 to March 2017 taken from IDX publications and Bank Indonesia. Analysis of description of research data using analytical trends. the tax amnesty program that encourages the repatriation of funds from abroad into the country has an impact on the increase in the amount of investment reflected in IHSG where balanced of payment of the amount of capital inflow on the capital side has increased. the implementation of the tax amnesty is very influential in the rupiah exchange rate, this can be seen in period 1 where when the ransom is 2 percent, the taxpayer is very enthusiastic in announcing his property so that it affects the supply and demand of the rupiah against the dollar.

Keywords: *Tax Amnesty, Stock Price Index, Exchange Rate*

The tax amnesty carried out by the government in mid-2017 has had a significant impact on cash flow in Indonesia, recorded at 147 trillion rupiah. Tax amnesty is a tax amnesty program given by the government to taxpayers which includes the elimination of tax payable, tax sanctions and the elimination of tax penalties for assets acquired in 2015 and previously that have not been reported in SPT by disclosing assets and paying ransom regulated by law. The tax amnesty policy is motivated by the large number of Indonesian Citizens' capital invested or stored outside the country such as Switzerland and Singapore, which are the safest countries to save money for citizens all over the world.

Many factors of Indonesian people saving their funds abroad include export products that are not repatriated domestically. A more attractive level of investment returns and security of domestic funds that are deemed insecure and high income tax results in more Indonesian entrepreneurs saving their funds abroad.

On the other side, the Indonesian government is very short of capital or fiscal in fulfilling the need for development, the government is desperate to attract foreign investors to invest in Indonesia. The government is well aware of bringing in foreign investors to invest their capital in Indonesia, requiring huge cost of funds to build infrastructure and regulating government spending that must be balanced so as not to create inequality in the future.

So far, the fiscal and monetary deficits have been covered by the government in the way of domestic debt in the form of SUN and foreign debt in the form of development loans from partner countries. Looking at the situation, the government realizes that the cost of funds originating from foreign debt and domestic debt to finance development and domestic expenditure is very large when compared to withdrawing Indonesian public capital outside the country by providing tax incentives and tax amnesty for citizens. Indonesia which repatriates its funds into the country.

The government's move to implement a tax amnesty policy was welcomed enthusiastically by the community, followed by 956,000 taxpayers, the reported funds amounted to 3,676 trillion rupiahs, while the declaration of Rp. 1,031 trillion and repatriation amounted to 147 trillion rupiah, the tax amnesty policy issued by the Indonesian government received criticism from various countries including Singapore. Singapore is

threatened by this tax amnesty policy, considering that the results of the Indonesian people's declaration in Singapore reached 2,300 trillion and 60 percent of all investment funds in Singapore. We can imagine that Singapore's highly developed country turns out its capital is from Indonesia.

The impact of the success of the tax amnesty in Indonesia is also very evident from the capital in flow that entered Indonesia, recorded a flow of money and capital flowing so that the exchange rate of the rupiah against the US dollar strengthened sharply to the amount of 9,300 rupiah, up 8%. Likewise, the capital inflows on the Indonesia Stock Exchange are very large, where the average transaction per day, which usually ranges from 7 trillion rupiah, increases the daily average to 18 trillion rupiah. This is due to the influx of capital flows into the country.

With these conditions, the profit and loss of the government can be seen from the financial side, where our tax amnesty policy loses opportunities for income from fines or PPh of export goods that are not repatriated to Indonesia. But on the other hand we get greater benefits where the flow of money and capital is very flowing into the country to carry out development and state expenditure without the need to make debt and pay interest on loans because it can be fulfilled by domestic capital.

The impact situation on the tax amnesty policy event is in line with the signaling theory, namely the information delivered will signal to potential investors in investing (Jogiyanto, 2015). So that in the context of the tax amnesty, the company or management knows better which company financial information must be delivered correctly or not and the impact of the current financial condition of the company.

This policy also relates to stakeholder theory which aims to have all entity activities reported by management to stakeholders, although stakeholders will ultimately not use the information (Guthrie et al., 2006). At present accountability is not only about financial performance, but the existence of the company is very much influenced by the support provided by stakeholders to the company. So that through government policies related to tax amnesty where the Government as stakeholders, the action to disclose or not information in the financial statements related to tax amnesty will be taken into consideration for management in making such decisions.

Research Methods

This research tries to find out the impact of the tax amnesty policy carried out by the Indonesian government in order to increase capital in flow in Indonesia through capital declaration and repatriation to the country so that it can influence the stock price index on the Indonesia Stock Exchange and the rupiah exchange rate against the US dollar. For this reason, a qualitative research method is used with an event study approach that analyzes the trends in the stock price index and exchange rate movements during before and after the announcement of tax amnesty policy on companies listed on the IHSG.

The implementation of this research was carried out using secondary data in the form of capital data in flow, tax amnesty, price index and amount of money obtained from IDX publications and Bank Indonesia and pajak.go.id

Analysis using trend analysis methods so that it can be seen the impact of the tax amnesty policy. Description of research data analysis aims to provide an overview related to research data through the movement of stock price indexes and exchange rates during the period of observation. Before doing the analysis, the data data obtained from the IDX report and Bank Indonesia we input in Ms Excel and make and read how it moves and how the tax amnesty impacts.

Research Results and Discussion

The tax amnesty is a tax amnesty program as outlined in the Law, the tax amnesty is carried out by several methods namely domestic wealth declaration, overseas wealth declaration and repatriation or repatriation of funds into the country, government tax amnesty program from July 2016 and ending on March 31, 2017, it has managed to raise funds reported by the public through SPH of 4855 trillion rupiah, which includes declarations of domestic wealth reaching 3.676 trillion while foreign property declarations amounting to 1.031 trillion rupiah and from repatriation or repatriation activities to domestic funds reached 147 trillion rupiah.

This research was conducted using weekly data by looking at the rupiah exchange rate data published by the aggregate and the stock price index on the Indonesian stock exchange, to facilitate the analysis of the impact of tax amnesty on the IDX stock price index can be described in the trend analysis as follows.

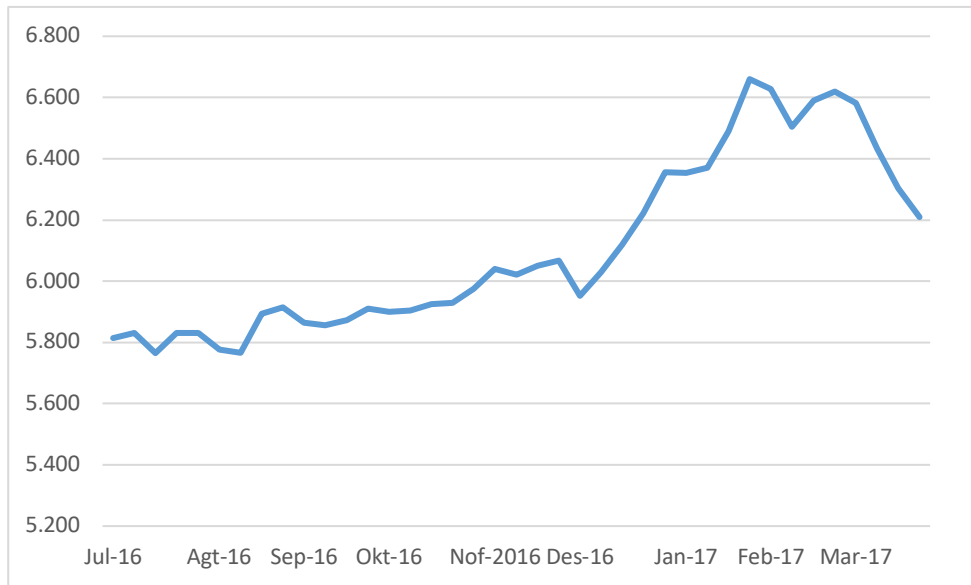


Figure 1. IHSI during the tax amnesty

From the IHSI data on the implementation of the tax amnesty, namely in July 2016 the IHSI was in the position of 5,831 experiencing an increase in August 2017 amounting to 5,915 then in September the IHSI position 5,911 decreased compared to August, while in October the IHSI increase sharply to 5,975 and continued to record the November increase was 6,067, until December the IHSI was recorded to rise sharply to the level of 6,355. The IHSI continued its advance at the beginning of the year, which was January at 6,660, the Jakarta Composite Index declined slightly in February, amounting to 6,619 and in March it decreased by 6,210. While the exchange rate of rupiah towards US dollar can be presented as follows :

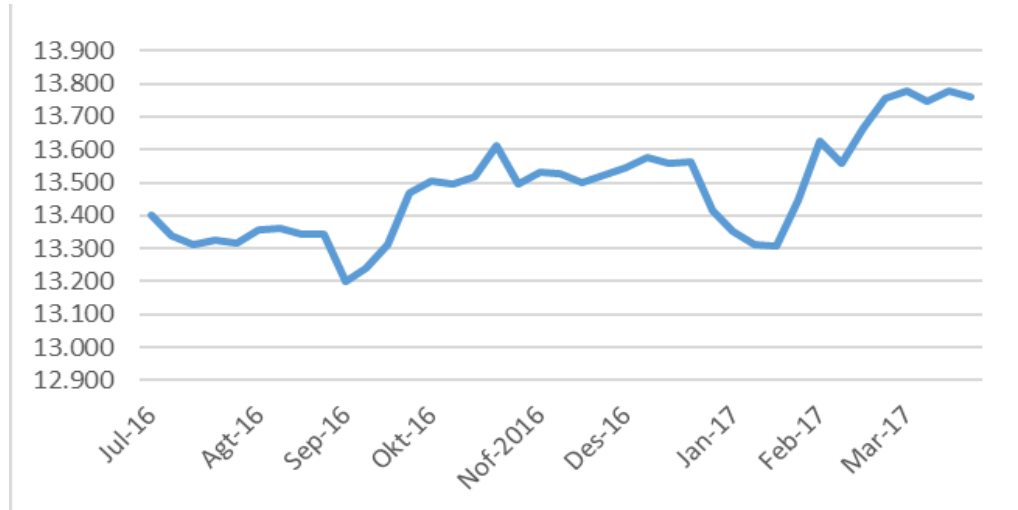


Figure 2. The Exchange rate of the rupiah towards US dollar during tax amnesty

The condition of the rupiah exchange rate at the time of the tax amnesty in July 2016 to March 2018 experienced a positive trend in which the 13.215 ratios of the US dollar experienced an increase in August of 13.3342 until September was recorded at 13.447 and continues increased in October by 13, 495. In November the exchange rate increased to 13, 524 and in December the exchange rate experienced a very sharp decline at the level of 13,413. And the exchange rate increased again in January by 13,448 and continued in February 13,775 until March the exchange rate was recorded at 13,760.

The implementation of the tax amnesty is divided into 3 periods, namely period 1 from July 1, 2016 to October 30, 2016, while period 2 starts November 2016 to December 2016 and period 3 starts from January 1, 2017 to December 2017. The result of the tax amnesty can be seen in the following table:

Table 1. Tax amnesti data

Information	First period	Second period	Third period
Tax payer	405,405	618,623	956,000
Tax ransom (trillion)	93,49	110,00	114,01
Domestic declaration	2,703,00	3,147	3,676
Repatriation	137	141,00	147
Foreign declaration	981,04	1.031	1,031

Based on data from the director general of tax, the number of taxpayers participating in the tax amnesty program in the first period was 405, 404 people experienced an increase in the third period of 618,623 taxpayers and up to the third period there were 956,000 compulsory pirates who participated in the tax amnesty ransom entered in period 1 was recorded at 93.49 trillion rupiahs while for the second year the amount of ransom increased by 141 trillion rupiahs and in the third period the ransom was recorded at 114.01 trillion rupiahs. For the declaration of domestic assets in period 1 amounting to 2,703 trillion rupiahs, for the period 2 domestic ransom amounted to 3,147 and the period 3 domestic ransom figure was recorded at 3.676 trillion rupiah. For repatriation or repatriation of funds from abroad into the country recorded in period 1 repatriation funds amounted to 137, while in period 2 the amount of repatriation was recorded 141 trillion rupiah and repatriation in period 3 was recorded at 147. For foreign participants tax amnesty declaration in period 1 amounted to , 981.04 trillion rupiahs increased by 1,031 in the second period. And in the third period the amount of foreign declaration funds was 1.031 trillion rupiahs

Looking at the data above, it can be seen that the stock price index at the time of the tax amnesty tends to increase in period 1, considering that during the first period the amount of funds that came through repatriation was very large, amounting to 137 trillion rupiah which was invested in investment instruments such as stocks and bonds or deposits. Whereas the same exchange rate is almost the same where the tax amnesty program has an impact on the rupiah exchange rate in the first and second periods considering the large amount of repatriation when put into the country will affect the amount of capital inflow so that it can suppress the rupiah exchange rate against the US dollar.

Conclusions and recommendations

Conclusions

Based on the results of this study, the following conclusions are obtained: (1) The tax amnesty program is a tax amnesty program that encourages the repatriation of funds from abroad into the country, which has an impact on the increase in the amount of investment reflected in IHG where balanced of payment increases in capital inflow. (2) The implementation of the tax amnesty is very influential on the rupiah exchange rate. This can be seen in period 1 where when the ransom is 2 percent, the taxpayer is very enthusiastic in declaring his property both domestically and abroad and repatriating assets into the country in the form of foreign money so that they can affect to the supply and demand for the rupiah exchange rate to the dollar.

Recommendation

Future research is supposed to present better research results with analysis by statistic. Supposed to Government, in order for the government or the tax director general to be more strict on the funds of the Indonesian people who are abroad, considering Indonesia is in dire need of this capital for development purposes. So that the government provides tax incentives to taxpayers if they save or invest their capital outside the country, so as to avoid the capital outflow carried out by Indonesian society because it can have an impact on the exchange rate and the stock price index.

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